Long Term Plan – briefing agenda

Date: **Monday 30 October 9.30 am**

Venue: **Northern Wairoa War Memorial Hall, Dargaville**

	Item	
1	**Dargaville Town Plan –** presentation from Dargaville Community Development Board	
2	**NTA Maintenance Contract** Peter Thompson	
3	**District Plan Work Programme** Venessa Anich	**Attached document**
4	**Social Housing** John Burt	**Attached documents**

KAIPARA DISTRICT PLAN: Plan Change Programme of Works 2017-2021

The following is the proposed Plan Change programme for the Kaipara District Plan for the 2017/18 year, plus the first three years of the Long Term Plan 2018-28. Following this table is a timeline for the Plan Change programme. A brief description of a Plan Change process, timeframes and costs is included at the end of this document.

<table>
<tr><th>PLAN CHANGE NAME</th><th>REASON</th><th>COMMENT</th><th>COMPLEXITY</th><th>TIMEFRAME</th></tr>
<tr><td>Plan Change 4: Fire Rule</td><td>Council initiated due to rule not achieving the outcomes anticipated.</td><td>This plan change follows the withdrawal of PC2.
Submission and Hearing stages complete. Decision due.
Appeals to Environment Court are likely, will involve legal costs and potential consultant costs (i.e. planning consultant, fire engineer).</td><td>High</td><td>Decision in late October 2017.
If appealed, may add extra 2 years before made operative (high estimate).</td></tr>
<tr><td>Coastal Environment</td><td rowspan="4">Implementing the Regional Policy Statement (RPS) into DP. Council-initiated because of RMA requirement.</td><td rowspan="3">Draft Section 32 report due to be completed in November 2017. Intended to notify in May 2018. Will require workshops with Council, and possibly informal feedback period with directly affected landowners.
Appeals unlikely but possible from interest groups.</td><td rowspan="3">Medium</td><td rowspan="3">Notification – May 2018.
2 years after notification to implement. This timeframe may be extended by any appeals to the Environment Court.</td></tr>
<tr><td>Outstanding Natural Features</td></tr>
<tr><td>Significant Natural Areas</td></tr>
<tr><td>Coastal Hazards</td><td>This work stream will be ‘paused’ while ongoing work is done by NRC regarding the maps.</td><td>High</td><td>This timeframe will be impacted by the ongoing work being undertaken by NRC regarding Coastal Hazard Maps, may be late 2018.</td></tr>
</table>

PLAN CHANGE NAME	REASON	COMMENT	COMPLEXITY	TIMEFRAME
Mangawhai Community Plan	Council initiated, following growth and development in Mangawhai.	Following Council adoption of final Mangawhai Community Plan in December 2017, necessary plan changes will need to be identified and progressed. This work will need to be progressed swiftly, as development pressures are high on the East Coast, and it is important from a reputational perspective that KDC is progressing plan changes which respond to demands and pressures.	High	Proposed plan changes to be identified in early 2018. Section 32 reports and proposed plan changes notified 2018. Two years following notification for implementation.
Growth Planning	Identified as a priority by Council.	This will require working with Council to identify areas that are in need of growth/structure planning. Dargaville has already been identified. It is intended that lessons will be leant from the Mangawhai Community Plan, and growth planning can get turned around on a much tighter timeframe. However, this may be affected from a budget perspective, regarding necessary infrastructure which usually allows for integrated developments, and the funding impacts of the LTP on growth planning.	High	Potentially one Growth Area completed every 18 months.
District Plan Review regarding other Regional Policy Statement requirements	Implementing the Regional Policy Statement (RPS) into DP. Council-initiated because of RMA requirement.	This review is intended to consider the following issues in the KDP: • Historic heritage • Renewable electricity generation • Tangata whenua strategy This review will determine whether any further changes are needed to the KDP to give effect to the RPS.	Medium	This work is a relatively low priority, as the priority is giving effect to the recognized RPS plan changes (as above) and those with statutory timeframes for notification.

PLAN CHANGE NAME	REASON	COMMENT	COMPLEXITY	TIMEFRAME
Engineering Standards	Council initiated, to keep the Standards current they require periodic review.	The Engineering Standards are a reference document in the KDP. When they are reviewed and updated, the new version must be Plan Changed into the KDP. The Engineering Standards are to be consulted on prior to the Plan Change. This means the Plan Change is limited to how the Engineering Standards are incorporated into the KDP. This will simplify the process, cost less and limit appeals.	Medium	Likely to be 2019.
Reverse Maneuvering	Council initiated due to rule not achieving the outcomes anticipated.	Draft s32 report has been prepared, needs to be finalized, peer reviewed, presented to Council.	Low	Notify in mid-2018 (June) as part of omnibus plan change process. 2 years' timeframe following notification.
300m separation distance from intersection of State Highway and Local Road (Rule 13.10.7)	Council initiated due to rule not achieving the outcomes anticipated.	Draft s32 report has been prepared, needs to be finalized, peer reviewed, presented to Council.	Low	Notify in mid-2018 (June) as part of omnibus plan change process. 2 years' timeframe following notification.

PLAN CHANGE NAME	REASON	COMMENT	COMPLEXITY	TIMEFRAME
Removal of Community Outcomes	Council-initiated to update the Plan.	Draft s32 report has been prepared, needs to be finalized, peer reviewed, presented to Council.	Low	Notify in mid-2018 (June) as part of omnibus plan change process. 2 years' timeframe following notification.
Technical errors and anomalies: • **300m separation distance from Commercial Zone (Rule 13.10.8)** • **Reserve Management Units** • **Industrial Zone Rule (Dwellings)** • **Mapping Errors (Te Kopuru and Dargaville)**	Council initiated due to errors in the drafting.	Draft s32 report has been prepared, needs to be finalized, peer reviewed, presented to Council. Plan Change is the result of drafting mistakes.	Low	Notify in mid-2018 (June) as part of omnibus plan change process. 2 years' timeframe following notification.
DISTRICT PLAN RESEARCH AND IMPLEMENTATION				
Monitoring Strategy	Council-initiated, as best practice.	Complete Strategy which will identify priority areas for monitoring and reporting. Work in conjunction with Monitoring staff, developed in accordance with RMA and KDP Monitoring Chapter.	Medium	Complete Monitoring Strategy early 2018.

PLAN CHANGE NAME	REASON	COMMENT	COMPLEXITY	TIMEFRAME
Efficiency and Effectiveness Review	Required under s35 of the RMA.	Consider the effectiveness and efficiency of the provisions of the KDP in achieving the stated objectives. It is intended that this will identify plan changes to be investigated in 2019/2020.	High	Complete by 1 November 2018.
RESPONSE TO LEGISLATIVE CHANGES				
RMA Amendments	Central government initiated.	There are a number of work streams which will stem from these amendments, which are spread over a number of years, including the possibility to remove chapters from the District Plan (Hazardous Substances), chapters which must be removed (Financial Contributions) and the impact of National Planning Standards on the Kaipara District Plan.	High	This is likely to be an ongoing project over the next five years.
National guidance impacts on the Kaipara District Plan	Central government initiated.	The Kaipara District Plan is required to give effect to National Policy Statements, National Environmental Standards, the New Zealand Coastal Policy Statement, and the Regional Policy Statements. Any changes to these higher order documents will require an analysis of the KDP to ensure compliance. The Ministry for the Environment are currently working on new National Policy Statements and National Environmental Standards.	High	This will be an ongoing project, but does not always require the First Schedule notification process.

Timeline: Kaipara District Plan Changes 2017-2021

Year	Plan Change	Stage
2017	• Plan Change 3 North City Developments • Plan Change 4 Fire Rule • RPS Plan Changes x 4 • Mangawhai Community Plan Changes • Dargaville Growth Planning • Minor Plan Changes	• Submissions, Hearing, Decision, Operative. • Submissions, Hearing, Decision. • S32 Report research. • S32 Report research. • S32 Report research. • S32 Report research.
2018	• Plan Change 4 Fire Rule • RPS Plan Changes x 4 • Minor Plan Changes • Mangawhai Community Plan Changes • Dargaville Growth Planning	• Appeals. • Notification, submissions. • Notification, submissions. • S32 Report research, notification. • S32 Report research, notification.
2019	• RPS Plan Changes x 4 • Mangawhai Community Plan Changes • Dargaville Growth Planning • Minor Plan Changes • Kaiwaka Growth Planning • Other RPS Plan Changes • Engineering Standards	• Hearing, Decision. • Submissions, Hearing, Decision. • Submissions, Hearing, Decision. • Hearing (if any), Decision, Appeals (if any) • S32 Report research. • S32 Report research. • S32 Report research.

Year	Plan Change	Stage
2020	• RPS Plan Changes x 4 • Mangawhai Community Plan Changes • Dargaville Growth Planning • Other RPS Plan Changes • Kaiwaka Growth Planning • Engineering Standards • Maungaturoto Growth Planning	• Appeals. • Appeals. • Appeals. • Notification, submissions. • Notification, submissions. • Notification, submissions. • S32 Report research.
2021	• Kaiwaka Growth Planning • Other RPS Plan Changes • Engineering Standards • Maungaturoto Growth Planning	• Hearing, Decision, Appeals. • Hearing, Decision, Appeals. • Hearing, Decision, Appeals. • Notification, Submissions.

District Plans

All Councils are required to have a District Plan under the Resource Management Act 1991 (RMA). The District Plan controls subdivision and land uses. Any change to a District Plan is a Plan Change and follows a process outlined in the RMA.

There are generally two main reasons for doing a plan change. First, to update the District Plan because of either changes to the RMA, changes required from a planning document that sits above the District Plan (e.g. National Policy Statements), or amending rules that are not achieving the expected outcomes. Secondly, a District Plan is changed to plan for the future. In the Kaipara District Plan this would be implementing the Growth Areas and implementing the Mangawhai Community Plan.

Plan Change process

Preparing a plan change requires a lot of work, the bulk of which is centred on the Evaluation Report under s32 of the RMA (**s32 Report**). This report considers the ‘appropriateness’ of the proposed plan change at meeting the purpose of the RMA, and evaluates, among other things, the costs and benefits of the proposed plan change. For the plan change to withstand scrutiny the report must be robust and thorough.

The public process associated with a plan change can be lengthy. This includes the submissions process, which has a number of statutorily required steps, including summarising submissions, a notification of this summary, and a round of further submissions. Following the Decision, submitters have appeal rights to the Environment Court. It is a judicial process, so care must be taken.

Plan Change timeframes

Timeframes for plan changes depend on the complexity or sensitivity of the plan change subject matter, and on resources.

An estimate of timeframes to have a **simple plan change** ready under the standard Schedule 1 process is **6 months** prior to notification (researching and writing the s32 Report), and then **1 year** to have the plan change operative (if no appeals).

For a **complex plan change**, **1-2 years** to notification, then **2 years** for a decision, and appeals are likely.

The RMA signals the plan change process as a lengthy one, by imposing a timeframe, that a decision on a proposed plan change must be notified no more than **two years** after notification of the proposed plan change.

Plan Change costs

The typical costs associated with a plan change is around planning staff or consultant planners, engineering input, legal guidance and review, Hearing Commissioners, and administration support. Depending on the subject matter of the plan change, specialist technical input may also be required, e.g. demographers, landscape architects, ecologists, urban designers.

An estimated cost of a **simple plan change** is around **$50-75,000**

An estimated cost of a **complex plan change** is around **$175-200,000**

KAIPARA DISTRICT
Kaipara te Oranganui • Two Oceans Two Harbours

Community Housing

(Pensioner)

John Burt
Commercial and Property Advisor
30 October 2017

Current Stock

- Kaipara District Council owns 56 community housing units (CHU) for pensioners with limited means across four locations in the Kaipara (the portfolio).
- These properties are located in:
  - ❖ Mangawhai - 24 Units
  - ❖ Kauri Court Dargaville - 11 Units
  - ❖ Awakino Road Dargaville - 11 Units
  - ❖ Bledisloe Street Ruawai - 12 Units

Policy and Eligibility Criteria

The current eligibility criteria is:

- A single person or couple with at least one party being over 65 years of age or 55 years of age with a permanent disability
- Independently able
- Hold less than $35,000 in financial assets
- Holder for a Community Services Card
- Residents or family in the Kaipara District

Current Management Arrangements

- Dargaville and Ruawai units are managed by a Community Trust through a Contract for Service.
- Dargaville and Ruawai units are subject to an agreement with Housing New Zealand that requires Council to retain the units for 15 years from 2009.
- Mangawhai CHU are managed by an independent contractor employed directly by Council on a part time basis.

Current rents versus market

- Fagan Place Mangawhai $142.00 per week
- Kauri Court Dargaville $127.00 per week
- Awakino Road Dargaville $127.00 per week
- Bledisloe Street Ruawai $127.00 per week

Location Size	Lower Quartile	Median Quartile	Upper Quartile
Kaipara – Entire District 1 Bedroom Flat	$160	$185	$200
Kaipara – Entire District 1 Bedroom Flat	$265	$300	$313

Key issues- Mangawhai CHU

- The current condition of the CHU does not provide an optimum standard of accommodation for the elderly. There are many building elements which have recently or are about to reach the end of their lifecycle.
- The portfolio is currently returning a rental which is a discount on market rates. As the CHU need to be self-funding with no ratepayer contribution there is a limit on the amount of maintenance that can be carried out based on the available income.
- Although there is demand for community housing for pensioners in Mangawhai it is not currently being provided in an optimum way with the CHU generally in average to poor condition based on best practice and located on a high value site which is underutilised.

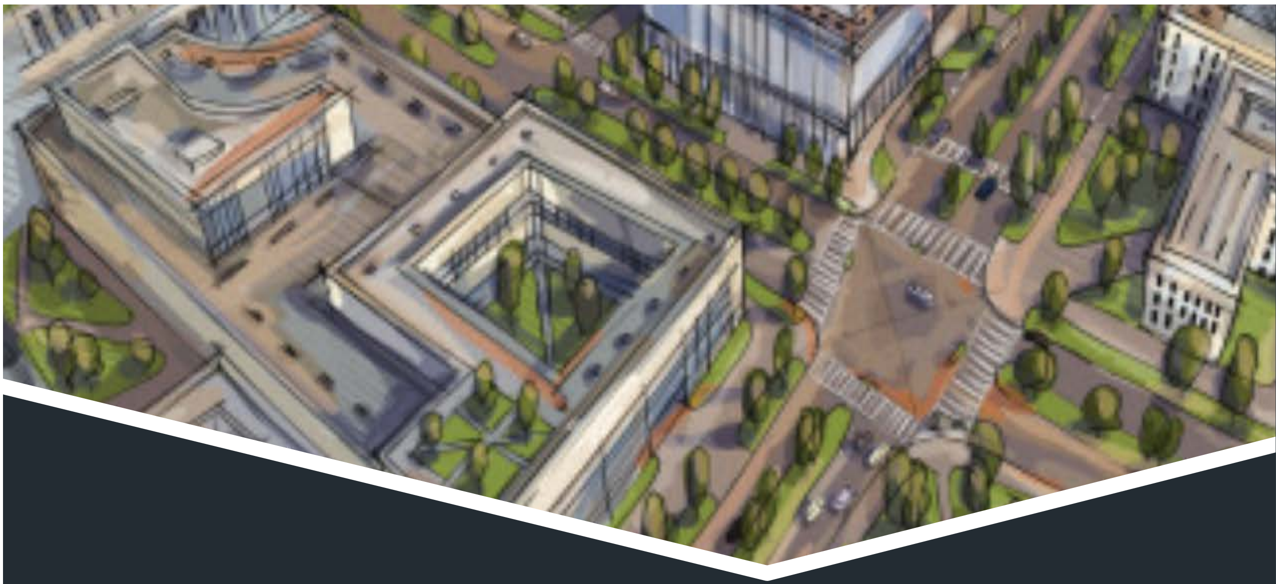
Options for Community Housing at Mangawhai

- Housing New Zealand and a Community Housing Provider, such as the one that currently has a portfolio in Fagan Place, to increase the number of CHU adjoining the site currently occupied by the Rodney Health Trust.
- Housing New Zealand and a Community Housing Provider utilise other Council-owned land to build replacement CHU and therefore free up the Fagan Place land.
- Redevelopment/intensification of Fagan Place land by Council by building new CHU adjoining the site currently occupied by the Rodney Health Trust.
- Consider working with a local developer to exchange development land in lieu of development contribution levies.
- Cease provision of Community Housing at Mangawhai.

The key issues

- Should Council be in the business of Community Housing at Mangawhai?
- If Yes - What is the best way to achieve it?
- If No- what alternate option(s) does Council wish to pursue

It is not recommended to continue with the status quo.



Kaipara District Council Mangawhai Pensioner Housing Review and Site Strategy

REPORT TO:

KAIPARA DISTRICT COUNCIL

KAIPARA DISTRICT COUNCIL MANGAWHAI PENSIONER HOUSING REVIEW AND SITE STRATEGY

28 August 2017

KAIPARA DISTRICT

Kaipara te Oranganui Two Oceans Two Harbours

Version 1.5

the propertygroup

Contents

1 EXECUTIVE SUMMARY

This report examines the current performance of KDC's Mangawhai pensioner housing stock within the legislative context of the current social housing environment, alongside a review of alternative strategies for social housing provision based on best practice. Incorporating a consideration of financial factors involved in the retention of pensioner housing accommodation within the District provides some recommendations for some alternative options for the delivery of elderly housing going forward.

In the second stage of the report we identify the optimal use options for 8-8a Fagan Place and 10-12 Fagan Place (the Property) through market demand/supply and financial analysis and make recommendations for the most profitable, viable development options.

Within the Kaipara region KDC and Housing New Zealand are the providers of accommodation for elderly constituents. Like many other Local Authorities with similar pensioner housing portfolios, although routinely maintained, the Fagan Place units have been managed relatively passively as Council assets by KDC over the intervening years. A full list of recommendations from our review of KDC's pensioner housing portfolio in Mangawhai is in Section 6.

Our development feasibility studies have found challenging economics depending on the scale of development. Further, there is limited local sales data on which to base our studies.

We have found that a conventional residential subdivision and lower scales of built residential development including lightweight timber townhouses and duplex style townhouses may be the most viable options.

A commercial land rezoning option may be viable but it may not produce the optimal return when compared to residential use.

Comprehensive commercial / mixed use apartment development options are not viable at this point in time. Of concern are the increasing construction costs for multi-unit developments. Combined with comparatively low sale prices reflected on a $/m^2 basis we are not confident of viable mixed use apartment developments in Mangawhai at this time.

Optimal uses of the Property include development of either standalone or duplex style lightweight timber dwellings, or simply a residential land subdivision.

In summary, based on an estimated current evaluation of $2.9m for the net developable area of land at the Property, there are potentially estimated uplifts resulting from obtaining consents for the various identified uses ranging from $500,000 - $4m (see page 23).

We recommend that further in-depth investigations should be undertaken into the four viable development options (see section 7.9, page 25) including:

- Early due diligence investigations to support an eventual masterplan.
- Outline bulk and location sketches.

- Quantity Surveyor input on high level costings developed in this report.
- Further market demand/supply testing.
- Discussions with possible development partners/funders if required.

SECTION A – PENSIONER HOUSING REVIEW

2 INTRODUCTION

2.1 The Brief

Kaipara District Council own pensioner housing across four locations in the Kaipara (the Portfolio). These properties are located in Mangawhai, Kauri Court Dargaville, Awakino Road Dargaville and Bledisloe Street Ruawai.

Council owns 24 self-contained PHUs (12 duplex) on Lot 7 DP 126655 and Lot 1 DP 436430, with a land area of 2.2752 ha (the Property). There are also 10 newer units built on the land in 2010 which are not owned or managed by Council and this part of the land is leased by Council to a CHP which Housing NZ Management sublease. These 10 units are not subject to this review.

TPG have been engaged to review the provision of pensioner housing in Mangawhai within this report. The overall purpose of this project is for the Council to review the provision of these PHUs in this location, together with identification and analysis of further options for the optimal use of this land.

Location Plan – 10-12 Fagan Place

2.2 The Approach and Methodology

TPG has captured and reviewed the key aspects of the Property and provided recommendations to enable KDC to achieve both optimal use of the current Fagan Place site and potential opportunities for the future provision of pensioner housing within Mangawhai to ensure optimal outcomes for all stakeholders. In this report we will advise how the important aspects of KDC's property compare with other Councils' and Community Housing Providers' respective portfolios from an ownership and operational perspective, and provide options and recommendations for areas which we consider could be improved including identifying opportunities for the units to be provided on other Council-owned land.

We have used the following methodology in undertaking this review:

- Analysis of KDC Documentation and Data.
- Review of processes and systems relating to the management of the PHUs.
- Assessment of the PHUs at Mangawhai
- Drawing on our experience from working with other Councils on their PHUs and from our work with Community Housing Providers (CHPs).
- Using benchmarks and industry standards so as to advise on options for improvement so as to achieve optimum delivery.
- Carrying out an inspection of the site.
- Review of photos provided by KDC of the internal and external condition of the units.
- Discussions on the portfolio with the KDC Tenancy Manager involved in the day to day management and the Property and Commercial Advisor to gain a full understanding of how the portfolio currently operates and any key issues KDC are facing with the PHUs at the property.
- Review of land status reports produced by Schwarz Consultancy Limited and provided by KDC.

3 ANALYSIS OF DATA AND FINDINGS

3.1 Review of KDC Documentation and Data

We have reviewed and taken account of the following information and documentation relating to KDC's PHU’s at the Property so as to assess the current financial and physical status of the improvements together with current management practices and processes.

- 2014 Rating Valuation figures.
- Current financials – LTP
- Tenancy information regarding occupancy rates, trends, rentals and services provided to tenants by KDC.
- Current application form and tenancy agreement.
- Legal Status reports provided by KDC.

TPG have captured and reviewed the key aspects of Council’s PHUs and provided recommendations to enable Council to achieve an optimum delivery of Pensioner Housing for all stakeholders. We advise how the aspects of these PHUs compare with other Councils’ respective portfolios from an ownership and operational perspective and provide options and recommendations for areas which we consider could be improved.

We have also identified the optimal use options for the Property and through planning and financial analysis made recommendations on the most profitable, viable development options.

Our findings on this data are as follows:

Current financials – LTP 2015 - 2022

The operating costs and budget for the Pensioner Housing Units at the property as per the Councils Long Term Plan is summarised below.

Kaipara District Council										
LTP 2015-2025 extract ex budget model (uninflated)										
186 Elderly Housing - Mangawhai										
	2015-2016	**2016-2017**	**2017-2018**	**2018-2019**	**2019-2020**	**2020-2021**	**2021-2022**	**2022-2023**	**2023-2024**	**2024-2025**
Operating costs										
2007 Insurance Premiums	12,192	12,192	12,192	12,192	12,192	12,192	12,192	12,192	12,192	12,192
2025 Repairs & Maint-Sewage Dispos	0	0	0	0	0	0	0	0	0	0
2029 Land Rates KDC	31,427	31,427	31,427	31,427	31,427	31,427	31,427	31,427	31,427	31,427
2031 Repairs & Maint-Buildings	14,027	14,027	14,027	14,027	14,027	14,027	14,027	14,027	14,027	14,027
2043 Water Supply	24,415	24,415	24,415	24,415	24,415	24,415	24,415	24,415	24,415	24,415
2048 Repairs & Maint-Grounds/Drains	4,100	4,100	4,100	4,100	4,100	4,100	4,100	4,100	4,100	4,100
2055 Legal Services	0	0	0	0	0	0	0	0	0	0
Internal costs										
3010 Corporate Costs	17,856	17,856	17,856	17,856	17,856	17,856	17,856	17,856	17,856	17,856
3011 Department Costs	13,950	13,950	13,950	13,950	13,950	13,950	13,950	13,950	13,950	13,950
3014 Interest Expense	0	0	0	0	0	0	0	0	0	0
Total costs	117,967	117,967	117,967	117,967	117,967	117,967	117,967	117,967	117,967	117,967
2042 Depreciation and Amortisation	25,439	25,439	25,439	25,439	25,439	25,439	25,439	25,439	25,439	25,439
Capital expenditure										
6001 Work in Progress-Increase	0	0	0	0	0	0	0	0	0	0
Depreciation Reserve (building from 2016-2017)										
9031 Depreciation Reserve Increase	0	-4,240	-8,480	-12,720	-16,959	-21,199	-25,439	-25,439	-25,439	-25,439
Depreciation reserve balance	0	-4,240	-12,720	-25,439	-42,398	-63,598	-89,037	-114,476	-139,915	-165,354

Based on current rents and a fully occupied portfolio the current annual rental return is estimated at $177,000 per annum leaving a net income of $59,033 before depreciation. The building maintenance budget for the current financial year end 30 June 2017 of $950 per unit is considered insufficient to address the deferred maintenance. We would recommend an annual budget of $4,000 per unit be allowed for should the current portfolio be retained. Further analysis would need to be completed to understand what the budget should be increased by whilst still maintaining a self-funding portfolio. See comments in the section below on rent.

Tenancy Information, Occupancy Rates and Trends, Rentals and Services Provided to Tenants by KDC

There is high demand for the 24 PHUs due to location and affordability. All units are 1 bedroom and the focus is on housing singles over couples. The units are all currently occupied as they provide residents with an affordable housing solution at $142 per week which is considerably lower than the current market rental for a 1 bedroom property, which is anything between $260 and $280 per week in Mangawhai. KDC do not recharge water rates to the tenant which is a cost of approximately $1,000 per unit per annum.

KDC do not currently keep an official waiting list but applicants will be housed based on meeting the eligibility criteria and which applicant has the greatest need at the time when a unit becomes available. We have been advised by KDC's Tenancy Manager that many applicants are moving into the region and staying with family in Kaipara to meet eligibility criteria and be considered for housing as they are unable to meet the cost of rents in larger cities such as Auckland. As a result, we are unable to ascertain what the true demand is from long term Kaipara District residents.

Where the Tenancy Manager identifies a need and there is no vacancy in the portfolio, applicants will be referred through to the waiting list for the HNZ units neighbouring the PHUs.

The Mangawhai PHUs have a reasonably low turnover due to the age of the tenants. Many tenants will move into a PHU from 65 years of age and remain in the property until they are no longer able to sustain unsupported living and therefore the turnover rate is much lower than other residential housing portfolios.

KDC do not currently provide any formal wrap around services for tenants however the Tenancy Manager regularly visits tenants and checks on their wellbeing.

Legal Status report

A report on the land status of 10-12 Fagan Place was prepared by Schwarz Consultancy and provided by Kaipara District Council and is attached as **Appendix 1**. This report was prepared in 2014 to determine whether 10 – 12 Fagan Place is available for disposal. In summary Lot 1 DP 135365 (10-12 Fagan Place) was originally included within the Crown purchase of the Mangawhai Block that occurred in 1854 which was conducted on a “willing buyer and willing seller” basis. The purchase by the Crown of the Mangawhai Block was for the general settlement of New Zealand and not for the purpose of a public work. Therefore there is no requirement to offer the land back to the original seller as they are not deemed to be the former owner for the purposes of an offer back and the land can therefore be disposed of.

Rental Policy

The Mangawhai PHUs are currently rented at $142.00 per week with the rental last review in 2017. KDC’s rent setting position is that rent is to be reviewed annually in line with the change in CPI. The rental for a unit is not differentiated on whether occupants are single or couples.

The rent charged for the Mangawhai units is the highest in the Portfolio with the units in Dargaville and Ruawai having slightly lower weekly rents.

4 WHETHER THE PROVISION OF PHU'S IN THIS LOCATION IS WARRANTED AND OPTIONS FOR ALTERNATIVE PROVISIONS

4.1 Council's Long Term Provision of Housing

Our research into demographics and current market analysis demonstrates that there is currently a strong demand for affordable housing for the elderly in Mangawhai and the wider Kaipara District. Market rents are too high for those relying purely on the NZ Super to meet their total weekly living costs. The issue with the current policy is that the rents being received by KDC are not high enough to meet the maintenance requirements on the ageing portfolio at Fagan Place and Council are not eligible to access MSD's Income Related Rent subsidy (IRRS) which would provide Council with a market rent to help towards ensuring operating costs are met. Under this process tenants would be means tested with rental set at an affordable level based on their individual circumstances with MSD topping tenants' rent up to market. By way of comparison the Community Housing adjoining the property is operating a good model with warm, dry, affordable housing which is sustainable.

TPG believe there is strong demand which is growing for elderly housing in the region but believe this could be provided in a better way than at present. The issues with the Fagan Place units which need to be addressed and potential solutions are explored below:

Underutilisation of Fagan Place

Issue: When the PHUs were built the layout was designed with a large amount of vacant land around each duplex which by today's standards represents a large underutilisation of the property. Over time the land surrounding the 2.2752ha site has been developed as the town centre and 10 – 12 Fagan Place would be considered more suited to a mixed use development.

Solution: There are a couple of options available to Council when determining the future of this site. With either option we believe demolition or removal of the current units would need to be considered. Due to the age and condition of the units and the cost involved in relocating the existing units Council may decide to build or work with a CHP to build newer units for elderly housing in a different location within the Mangawhai area or wider Kaipara District to replace the existing stock. Alternatively a new mixed use development for the site could be carried out which could incorporate some pensioner housing to replace the current units. See section 7 for further details on development options.

Current Condition of PHU stock

Issue: As discussed earlier in the report the current condition of the units does not provide an optimum standard of accommodation for the elderly. There are many building elements which have recently, or are about to reach the end of their lifecycle.

Solution: There are two approaches Council may wish to explore in order to resolve this issue. The first option would be to carry out a total refit of all units or alternatively demolish the units and develop new. There would be a large cost in either of these options and to fund the solution Council may wish to consider partnering with a CHP and or transferring the portfolio to a CHP to access IRRs across the portfolio which would help fund either option. Either way it would make commercial sense to explore providing elderly housing on an alternative site, as Fagan Place would suit a higher density development.

Current Rental Return

Issue: The portfolio is currently returning a rental which represents a discount on market rates. As the units need to be self-funding with no rate payer contribution there is a limit on the amount of maintenance that can be carried out based on the available income. This model results in the general condition of the units deteriorating further over time. However, should the decision be to provide the units on another site the rental can be reassessed based on the new location.

Solution: In the short term Council may wish to consider increasing the rent to 80% of market which would provide an additional $22,464 per year towards maintenance as calculated in Table B on page 28 whilst also providing tenants with a social rent. In the medium to long term Council may wish to consider transferring the Portfolio to a CHP or partnering with a CHP to provide pensioner housing which will allow the CHP to access IRRS and therefore a market rent which will allow a higher income to cover maintenance costs. As the PHU's at the Property are in a poor condition and Fagan Place could potentially be developed in the future the Council may wish to consider providing a CHP with a section of land (either in the current location or other Council owned land in the area), on the condition they contract to develop new housing units on that land for the elderly.

Alternatively KDC might consider maximizing the value of the Property by putting consents in place for a mixed use development and then selling the property. The proceeds could be used to fund the construction of PHU's on another property.

4.2 Alternative Options for Housing

As discussed above, although there is demand for elderly housing in Mangawhai it is not currently being provided in an optimum way with the units generally in average to poor condition based on best practice and located on a high value site which is underutilised.

An option may be to work with Housing New Zealand and a Community Housing Provider, such as the one that currently has a portfolio in Fagan Place, to increase the number of units adjoining the site currently occupied by the CHP which would free up the rest of the property for future development. This option could potentially work well both from a financial and operational perspective. The Council could provide the land and work with the HNZ to develop some more modern units on the land which meet current day standards. The two parties could work together to rehouse the tenants from the current PHU's on the property into these units and ensure that going forward a percentage of the units are ring fenced for elderly housing. The benefit would be more modern houses which the CHP could access a market rent through the IRRS offered by MSD to housing providers. This would also free up the majority of the site for another development.

Another option would be to utilise other Council owned land to build units. Through our high level evaluation we have not been able to identify any Council owned vacant land in close proximity to the current site which would be appropriate, however if this option was preferred by Council and the decision was made to expand the search area, land may be available elsewhere in the portfolio which may suit the development. If Council chose to pursue this option the issue would remain around not being able to access IRRS and therefore needing to subsidise maintenance using ratepayer funds.

Due to the current small size of the PHU portfolio either of the above options would provide benefits through economies of scale. There would be one system and Tenancy Manager across a larger portfolio rather than just Council's PHUs.

Council may alternatively consider working with a local developer to exchange development land in lieu of Council development levies. The Property & Commercial Advisor discussed with TPG that there may be an opportunity to use this approach. Again, should Council decide on this option and chose not to partner or transfer the provision of housing to a CHP then the issue remains around the rent not being at a level high enough to fund maintenance or any development/upgrading.

4.3 Ceasing the Provision of Housing in this Location

KDC may decide to cease the provision of housing. However there are some fundamental factors to consider before making this decision which are listed below:

Current Tenancies in place

If KDC decide to exit the provision of housing at this location there would be a need to rehouse tenants into other housing provided at the same rate and of the same quality. Alternatively Council could wait until tenancies end and exit from housing once the units become vacant. However this decanting option could potentially take years before all units are vacated.

Public Opinion on the Provision of Housing

Through our experience working with other Councils throughout New Zealand the wider community does not like to see Councils exiting the provision of pensioner housing unless the stock is transferred to a community housing provider who will take over current tenancies and provide housing to the same or better standard. If Council chose to work with a CHP to deliver housing going forward community engagement and a well-developed communications plan will be vital to the success of the transfer or partnership.

Current and Future Demand for Housing in this Location

Demographic data is forecasting an increase in the population in Mangawhai and an increase in the number of residents over 65 years old. Based on this information and the Property currently occupied, with applicants currently waiting to be housed there is definitely demand for provision of pensioner housing in Mangawhai. Therefore our view is that there is justification for the PHU's to be replaced should KDC wish to consider alternative uses for the Property.

5 IMPROVING THE PROVISION OF PHU'S

5.1 Overview

Throughout this report we discuss a number of issues with the current running of PHU's on the Property. The main issues are:

- Rents which are currently set at 71% of market and the Council having no ability to access IRRS.
- The Property is currently poorly utilised and the prime location would support a more intensive use.
- Currently no formal wrap around services provided to tenants.
- Based on the information provided by the current Tenancy Manager there is a large amount of deferred maintenance on the Property, and as a result the units are not meeting best practice benchmark standards for elderly housing. The units are currently in poor to average condition.

The issues identified above provide opportunities for improvement in the provision of pensioner housing going forward.

5.2 Opportunities for improvement

If KDC retain the current Property we would recommend the rent is increased to 80% of market as per **Table B** (appendix 2) to increase the level of funds available to address the maintenance issues. If the provision of housing was to be transferred to a registered CHP they could access full market rent which would result in substantially larger maintenance budgets provided all other factors remain unchanged.

The poor utilisation of the Property provides another issue for KDC. The currently PHU stock is in poor to average condition which provides an opportunity to demolish current units, develop housing stock elsewhere (either through a partnership or independently) and redevelop the site which is further explored in Section B of this report.

There are currently no formal wrap around services provided to tenants which is important when housing elderly. Should KDC partner or transfer the housing provision to a CHP this would be addressed as a service the CHP provides. Alternatively should the Property be retained by KDC we would suggest the Tenancy Manager builds strong working relationships with social service providers to link tenants in with these services as and when required.

5.3 Deferred Maintenance

Although TPG were unable to gain internal access to the units on our visit to Mangawhai on the 10th May 2017 we gained an understanding on the condition of the units through our conversation with the Tenancy Manager and reviewing photos provided from KDC which were taken at recent property inspections. KDC's long term plan for both PHUs and the Fagan Place site will provide a direction as to how KDC address the deferred maintenance on the portfolio.

If the decision is made to retain the PHUs on the property and continue with the status quo we would recommend that a maintenance plan is put in place to at least address all outstanding maintenance in the short term. This may require additional ratepayer funding and a long term maintenance plan to bring the units up to a higher standard so as to ensure they are of an average to good condition.

Alternatively, if KDC decide to transfer the Portfolio to a CHP or develop new housing we would suggest a project plan is developed to understand what period the current PHUs are required for and implement a maintenance plan appropriate for the period the current units will be required.

A survey should be carried out to understand the level of maintenance which is required on the current Property and the associated costs of work before plans are developed.

6 RECOMMENDATIONS FOR KDC'S PHU PORTFOLIO

6.1 Summary

Based on our findings in the sections earlier in this report, we have the following key recommendations for KDC's PHU provision in Mangawhai.

1. Investigate options for alternative locations for the pensioner housing units.

2. Further investigate the feasibility of the development options identified in this report.

3. Council could then consider if it wishes to continue providing PHU's in Mangawhai and in particular at Fagan Place in the current configuration.

4. Council could engage with HNZ or a CHP to understand if they would be interested in working with KDC on a development in Mangawhai (Fagan Place or other location), either owning the new units or working in partnership with KDC to deliver elderly housing.

5. KDC could consider one of the future ownership structures outlined in this report, including the transfer to a joint entity with a CHP or transferring the housing provision directly to a CHP with Council possibly providing the land for the development. By transferring the portfolio to a CHP this will ensure that wrap around services are provided to tenants and a higher income can be achieved.

6. In the interim the current rent policy could be reviewed to increase the rent to a social rental of 80% of market for any new lettings.

7. If the decision is made to retain the status quo, so as to sustain the units to an appropriate standard for elderly accommodation, the current provision in the annual plan should be reviewed so as to provide sufficient funding to cover upgrading, preventative and reactive maintenance.

8. In the interim a waiting list should be created to accurately document demand and record applicants' details. This should be audited by the Tenancy Manager on a regular basis.

9. Review eligibility criteria to reflect practices of other Councils.

6.2 The Key Considerations in Making these Recommendations

- There is evidence of a growing demand for PHUs in the district. This is based on an increase in the population of those 65 years and over in the area and current demand for the units, however further analysis needs to be carried out to understand exact demand.

- Existing condition of pensioner units requires modification to bring them in line with best-practice standards. This includes preventative maintenance as well as possible modifications to meet standards for elderly housing. The units would need to be retrofitted if the current portfolio was retained, or if new units were to be built these standards would need to be incorporated into the design brief.

- According to the current budgets, KDC's PHU portfolio appears to currently be meeting the objective of being self-funding. However there is preventative maintenance that hasn't been completed on the property with many building elements reaching the end of the lifespan. Therefore the current budget does not provide a true reflection of the total operational costs. For example, they are not capturing the full extent of the maintenance requirements. Clarification is also required that the full management costs of the portfolio are being captured.

- KDC's PHU portfolio is relatively small and at this scale it is difficult to make the portfolio self-funding and sustainable in the long term.

SECTION B – DEVELOPMENT OPPORTUNITY REVIEW

7.1 Study Background & Purpose

TPG has been engaged by KDC to undertake a high level conceptual review and cost estimate for potential redevelopment options for the Property, so as to help KDC determine its optimal use. We note the Property as follows:

- 10-12 Fagan Place, Mangawhai Heads comprising 22,267m^2 (2.2672ha)
- 8-8a Fagan Place, Mangawhai Heads comprising 3,670m^2 (0.3670ha)

7.2 The Approach and Methodology

TPG has identified the relevant zoning of the sites under the Operative KDP, and then reviewed the relevant development controls and associated provisions.

We have also checked for any site-specific District Plan notations or limitations that may impose site specific constraints over and above the usual zone parameters.

We have considered both conservative development options, and options that 'push the boundaries' a little in terms of the rule framework.

The study does not take into account non-planning factors that may affect development feasibility, including but not limited to: infrastructure capacity, the potential presence of contaminated material on the site.

7.3 Planning Background

Kaipara District Plan

The Property is zoned Residential, Harbour Overlay under the Kaipara District Plan (KDP) – Operative 2013. In order for an activity to be considered ‘permitted’ it must meet the comprehensive performance standards listed in Section 13.10 of the KDP Residential Chapter. After a review of the performance standards we consider the relevant permitted activities to include;

- Construction of one dwelling per site, or
- Construction of one additional dwelling per 1,000m^2 net site area (without subdivision),
- Construction of one commercial / industrial building per site, or
- Construction of one additional commercial / industrial building per 1,000m^2 net site area (without subdivision),
- Signage, and
- Car parking.

Further relevant activity controls for permitted activities in the Residential zone, Harbour Overlay are as follows:

- Maximum Height – 8 metres
- Maximum impermeable surfaces – 40% of the net site area
- Maximum building coverage – 35% of the net site area

Residential subdivision is classified as a Controlled, Restricted Discretionary, Discretionary or Non-complying activity and will require resource consent in all cases. Subdivision is therefore not permitted as of right.

Mangawhai Community Plan

The proposed Mangawhai Community Plan (MCP) has indicated a zone change to 'Medium Density Residential and Mixed Use' for the Wood Street area where the Property is located. We are advised that the draft MCP will be released for consultation shortly. Given no planning framework has been established we have relied on the KDP being the operative document. However, the MCP indicates KDC's desire to further intensify the land use surrounding the Property and we have taken this into consideration.

In consideration of the KDP permitted activities explicitly excluding a subdivision of the Property for either residential or commercial uses we believe the optimal development of the Property will require resource consent.

A zone change from 'Residential' to 'Medium Density Residential and Mixed Use' is anticipated by the MCP; however, a comprehensive resource consent application may be sufficient to optimise the Property. In our experience a private plan change can take upwards of three years and will incur significant cost over and above a resource consent process.

The table below summarises our opinion on the consenting risk[1] for each of the options, and a high level estimate of consenting timeframes and development yield[2]:

Development Option	**Consenting Risk**	**Timeframes**	**Yield**
Residential Subdivision – 41 lots	Low	4-5 months	41 lots
Residential Townhouse (High Spec) – 41 Units	Low / Medium	4-5 months	41 units
Residential Townhouse (Low Spec) – 41 Units	Low / Medium	4-5 months	41 units
Residential Duplex Townhouse – 82 Units	Medium	5-6 months	82 units
Commercial / Mixed Use Townhouse and Retail – 41 Units, 2,000m^2 GFA Retail	Medium	5-6 months	41 units, 2,000 m^2 GFA Retail
Two Storey Apartment – 86 Units	Medium / High	5-6 months	86 Units
Three Storey Apartment – 129 Units	Medium / High	5-6 months	129 Units
Commercial / Mixed Use Three Storey Apartment & retail – 121 Units, 1,000m^2 GFA Retail	Medium / High	5-6 months	121 units, 1,000 m^2 GFA Retail
Commercial / mixed use rezoning	Medium / High	24 months	17 lots

7.4 Initial findings

The Property offers strong development opportunities for a good range of potential uses in the KDP. We consider a development of three storeys would be the upper limit in terms of how the development would fit in with the surrounding neighbourhood. Some retail may be suitable at the ground level of the more comprehensive development options.

[1] The consenting risk assessment is broad, but takes into account: likelihood of public notification, substantive case and likelihood of approval, consultant and council costs, and timeframes.

[2] Timeframes are high level estimates of the time taken for Council to process the application from the time of lodgement. The longer timeframes reflect an assumption of public notification, a hearing, and decision deliberation. The timeframes err on the conservative side.

7.5 Development Opportunity Review

The purpose of the following feasibility analysis is to provide a high level conceptual review, cost estimate and financial viability study as the first step to help KDC determine the optimal use of the Property. Further stages with more detailed analysis will be required on the options shortlisted as a result of this initial study, so as to test the assumptions and estimates in this report.

For the purposes of this section we have taken a view that the Property is a readily developable site, albeit encumbered by a number of improvements which shall be removed or demolished by KDC.

Part of the Property will not be available for development and has been excluded from our investigation. The area comprises approximately 5,500m² and is occupied by 10 community housing units within a joint KDC/Housing NZ/Rodney Health Trust arrangement. We have proceeded on the basis that the existing KDC PHU's will be removed but the community housing units will remain.

We are therefore left with approximately 1.7ha of development land.

We have undertaken financial feasibility studies for the above nine development types for the Property.

7.6 Market Commentary

We have researched comparable sales from Mangawhai Heads along with what we consider to be similar holiday destinations in the upper North Island, within reasonable driving distance from Auckland.

Our investigation has considered the following:

- Sales within the past 12 months
- Residential vacant land sales
- Apartment/multi-unit residential properties
- Constructed later than 2000
- Low rise properties where possible
- Establishment of sales rate $/m^2 to support our high level feasibility studies

Comparable Section Sales

There have been a number of vacant land sales over the past 12 months indicating a buoyant market for residential sections. We find the following sales trends:

- Waterfront/near waterfront sites can sell for c. $800,000
- Elevated sites with sea views can achieve c. $350,000
- Elevate sites without sea views can sell for c. $280,000
- Sites closer to Mangawhai Village without views sell for c. $150,000

Location	Sales rate $/m^2	Comments
Mangawhai Heads	$754/m^2	Vacant 1,061m^2 site sold in Mangawhai Heads in April 2017
Whitianga	$688/m^2	Vacant 755m^2 site sold in Whitianga in December 2016
Whitianga	$769/m^2	Vacant 767m^2 site sold in Whitianga in December 2016
Whangamata	$676/m^2	Vacant 525m^2 site sold in Whangamata in February 2017
Whangamata	$635/m^2	Vacant 747m^2 site sold in Whangamata in October 2016
Waihi Beach	$734/m^2	Vacant 449m^2 site sold in Waihi Beach in August 2016

Comparable Apartment Sales

We note the following analysis of apartment / multi-unit residential properties within the past 12 months:

Location	Sales rate $/m^2	Comments
Snells Beach	$7,000/m^2	Two sales within the former Whisper Cove development
Tutukaka	$3,200/m^2	Eight sales within Oceans Resort
Whitianga	$3,300/m^2	10 waterfront apartment sales within Marina Park
Whangamata	$5,100/m^2	Seven sales
Mt Maunganui	$6,500/m^2	Sales rate reflects numerous sales of apartments near the main beach.
Paihia	$4,650/m^2	Seven sales within Edgewater Palms

We are concerned that the comparable sales rates are less than current construction costs of approximately $3,500 - $6,000/m^2 for multi-unit apartment developments. The above developments were built when construction costs were lower than what they are today. It appears that sales prices have not increased at the same rate as construction costs. From this we can draw initial assumptions that the development of multi-unit apartments will not be viable at this stage.

Commercial Property Sales

There are a limited number of commercial properties within Mangawhai and fewer regular sales by which to make comparisons from. We note the following three sales on Wood Street:

12 Wood Street

Sold 26 June 2017 for $2,185,000. The property sold with a 5.4% yield on income of $118,556 per annum and $4,210/m^2 based on land and buildings.

7 Wood Street

Sold 24 February 2015 for $3,050,000. The property sold with a 7.56% yield on income of $230,625 per annum and $2,890/m^2 based on land and buildings.

8 Wood Street

Sold 20 November 2015 for $495,000. The property was sold at the same time as the Mangawhai Fishing and Tackle Shop and mini golf business situated onsite. Essentially a development site the sale analyses at $436/m^2 on the land area of 1,135m^2.

We note that the sales are of prime retail properties with frontages to Wood Street. The subject property is situated in a secondary location with limited exposure compared with these sales.

We note the most recent sale of 12 Wood Street and $4,210/m^2 based on land and buildings. What we take from this sale is that a notional developer would need to purchase land, undertake consenting and then build a commercial development (including their own profit margin) all for a cost less than approximately $4,210/m^2 in order for the project to be considered a viable development. We are mindful that given current construction costs this may not be viable.

7.7 Estimated Development Profitability and Residual Land Value Estimates

We summarise our feasibility studies as follows:

Development Option	Residual Land Evaluation	Uplift post consent
Residential Subdivision – 41 lots	$5.8m	$2.9m
Residential Townhouse (High Spec) – 41 Units	($2.3m)	Nil
Residential Townhouse (Low Spec) – 41 Units	$3.5m	$600,000
Residential Duplex Townhouse – 82 Units	$6.9m	$4m

Commercial / Mixed Use Townhouse and Retail – 41 Units, 2,000m^2 GFA Retail	($9.2m)	Nil
Two Storey Apartment – 86 Units	($12.7m)	Nil
Three Storey Apartment – 129 Units	($20.1m)	Nil
Commercial / Mixed Use Three Storey Apartment & retail – 121 Units, 1,000m^2 GFA Retail	($21.7m)	Nil
Commercial/mixed use rezoning	$3.4m	$500,000

For the purposes of the uplift calculations we have assessed the land, as is, at $2.9 million being an estimate of the residual from gross realisation of section sales (based on the section sales evidence in the table at the top of page 22), on a conservative 34-lot subdivision, less costs. This is an estimate of what a developer would pay for the land as it currently sits. Suitable allowances have been made for risk of consenting and profit margin. We note that this is not a registered valuation.

We have then undertaken residual land evaluations and compared these against the $2.9 million as is evaluation to ascertain the uplift in value, based on each of the above development scenarios in the above table.

7.8 Development Findings

It is clear from the above table that less intensive development options indicate a higher level of viability. Construction costs are exceedingly volatile and are significantly impacting on development opportunities.

From our recent discussions with Quantity Surveying firm Rider Levett Bucknall, apartment developments are now generally too costly to build compared with sales returns in all but the blue chip suburbs of Auckland. We understand that developers are scarcely making profits given the current financial constraints.

The multi-level apartment development options indicate negative land values and do not appear to be viable options at this time.

Duplex townhouse and residential subdivision options appear to be the most viable options; however, it will be significantly influenced by the end price a developer will pay for the land to undertake a development.

We consider that a developer would currently find it difficult to complete a profitable commercial / mixed use development after the commercial rezoning option. This will impact on the demand for commercial land and the maximum price they can pay for it.

We have limited local sales information on which to base our findings and it has been a challenging exercise to find profitable options given the current construction cost environment. The commercial land rezoning option has relied upon a single sale of land at 8 Wood Street and we must caveat this for further investigations.

This is an indicative study and will require substantial further refinement including Quantity Surveyor input into our estimated development costings, land surveyor input to further refine net developable areas and possibly engineering advice.

7.9 Viable Options

From our high level analysis the following development options represent the viable uses of the Property:

1. Residential Duplex Townhouse Development
2. Residential Subdivision
3. Residential Townhouse Development (Low spec)
4. Commercial land rezoning

8. CONCLUSIONS

The decision on the provision of PHU's in Mangawhai should be made based on what KDC's appetite is for long term involvement in pensioner housing. A key driver for the decision will be around the future development of 8-8a and 10-12 Fagan Place which should be considered when deciding on the strategy for the PHUs going forward.

This report aims to provide different options for the future provision of PHUs. We would recommend as a next step further investigation into each option is completed with potential costs and future outcomes being analysed once a preferred go forward strategy is identified.

The financial feasibilities for the apartment and mixed use development options conclude that it is currently unlikely that these will be viable. This is due to the combination of high construction costs in the current tight construction market and the projected net realisation from sales. We are of the opinion that developments of this type are some years away from being economically viable.

Whereas the construction costs for apartments in Mangawhai will be similar to those prevailing in Auckland, we anticipate average sales figure for apartments in Mangawhai will be in the range of \$3,500 - \$6,000/m^2 versus an average of \$8,000 - \$13,000/m^2 in Auckland.

The most profitable development scenarios involve a residential subdivision or low density residential uses where the costs of development are lowest. Simple lightweight residential and duplex style developments appear to offer the best return on the Property.

We recommend that further in-depth investigations should be undertaken into the four viable development options including;

- Early due diligence investigations to support an eventual masterplan.
- Outline bulk and location sketches.
- Quantity Surveyor input on high level costings developed in this report.
- Further market demand/supply testing.
- Discussions with possible development partners/funders if required.

This report has been prepared by Sophie Randell, Property Consultant and Dan Brazier, Senior Advisor - Corporate Advisory Services, and peer reviewed by Stuart Bagley, Principal - Corporate Advisory Services, The Property Group Limited, Auckland.

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APPENDIX 1- LAND STATUS REPORT

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4 March 2014

Kaipara District Council
Private Bag 1001
Dargaville 0340

Attention: John Burt

Dear John

Historical Investigation into Kaipara District Council Property – 10-12 Fagan Place, Mangawhai Heads (Retirement Village).

Purpose of Investigation:
The purpose of the investigation is to provide information to assist the Kaipara District Council in determining whether the land subject to this report may be available for disposal. Prior to disposal Council needs to consider all statutory and policy obligations in relation to former owner rights that needs to be met prior to transfer of any land.

It is noted that the land subject to this report has not been declared surplus to requirements.

The details are as follows:

Legal Description:	Lot 1 DP 436430.
Area:	2.2672 ha.
Status:	Land held by Kaipara District Council in fee simple, contained in Computer Freehold Register 535533.
Encumbrances:	Appurtenant sewage drainage right created by Easement Certificate D049969.2.
Location:	10-12 Fagan Place, Mangawhai Heads.
Physical Description:	This property is an irregular shaped parcel of land, located at the head of Fagan Place cul-de-sac. The south-western portion of the site is occupied by relatively modern pensioner housing operated by the

Rodney Health Trust, while older pensioner units managed by the Kaipara District Council occupy most of the balance of the site. A Mangawhai Eco-care pump station is located on the western boundary of the site.

Survey Plan Requirements: This parcel has been surveyed on DP 436430.

Title Requirements: This parcel is currently contained in CFR 535533.

Acquisition History:

The land subject to this report was originally included within the Mangawhai Block estimated to comprise 50,000 acres that was purchased by Her Majesty the Queen on 3 March 1854 from the original Maori owners for the consideration sum of £1,060, as recorded in Turtons Deed No. 98. The original sellers are recorded as Paikea Arama Karaka and 121 other Maori owners.

In 1864, Allotments 41, 42, 43 and 44, Suburbs of Molesworth were reserved and set apart by the Superintendent of the Province of Auckland for the Improvement of the Harbour of Mangawhai pursuant to the Auckland Waste Lands Act 1858, by Auckland Provincial Government Gazette 1864 p 27.

On 29 June 1870, the Crown issued a Grant to the Superintendent of the Province of Auckland, in trust, for the improvement of the Harbour of Mangawhai for Allotments 41, 42, 43 and 44, Suburbs of Molesworth comprising 144a 0r 25p (58.3380 ha) pursuant to the Public Reserves Act 1854, as recorded in Crown Grant 5986B (13BG.94). Deeds Index 4B.618 was set up to record Crown Grant 5986B and subsequent transactions.

In 1875, Allotments 41, 42, 43 and 44, Suburbs of Molesworth vested back in the Crown as a result of the abolition of the Provincial Government pursuant to the Abolition of Provinces Act 1875. Under section 9 of the aforesaid Act, all real and personal property previously vested in the Superintendent of Auckland vested in the Crown for same purposes as they were held by the Superintendent of Auckland.

On 6 October 1893, to assist in the maintenance and improvements of the Mangawhai wharf Allotments 41, 42, 43 and 44, Suburbs of Molesworth vested in the Mangawhai Road Board pursuant to section 2 of the Mangawhai Harbour Endowment Reserve Act 1893, as an endowment for the improvement of the Mangawhai Harbour, held by the Board as if it was a Harbour Board constituted under the Harbours Act 1878. The Act provided that if in the event a Harbour Board for the Mangawhai Harbour was created at any future time, the said land vested in the said Harbour Board with the ownership being divested from the Mangawhai Road Board.

On 8 June 1897, Certificate of Title 83/148 issued for Part Allotment 41 and Allotments 42, 43 and 44, Suburbs of Molesworth comprising 134 acres (54.2279 ha) in the name of the Mangawhai Road District.

Upon the creation of the Mangawhai Harbour Board, the ownership of Part Allotment 41 and Allotments 42, 43 and 44 automatically vested in the Mangawhai Harbour Board.

On 4 February 1953, Certificate of Title 1063/259 issued for Part Allotment 41 and Allotments 42 and 43, Suburbs of Molesworth comprising 99a 1r 2.2p (40.1706 ha) in the name of the Mangawhai Harbour Board as an endowment for the improvement of the Harbour of Mangawhai, pursuant to section 2 of the Mangawhai Harbour Endowment Reserve Act 1893.

In 1964, the Mangawhai Harbour Board undertook a subdivision of the land contained in Certificate of Title 1063/259 as shown on DP 55555, creating Lot 52 DP 55555 comprising 6a 1r 27.4p (2.5986 ha).

On 30 August 1965, upon dissolution of the Mangawhai Harbour Board, the land contained in CT 1063/259 vested in the Otamatea County Council pursuant to the provisions contained in section 14(3) of the Northland Harbour Board Act 1965.

On 1 March 1968, Lot 52 DP 55555 vested in the Otamatea County Council as a reserve for recreation purposes subject to the Reserves and Domains Act 1953, pursuant to section 35(4) of the Counties Amendment Act 1961.

On 30 January 1969, CT 16D/1190 issued for the residue of the land in CT 1063/259, being Part Allotment 43, Suburbs of Molesworth, in the name of the Otamatea County Council.

On 5 December 1969, CT 17D/336 issued for Lot 52 DP 55555 in the name of the Otamatea County Council as a recreation reserve subject to the Reserves and Domains Act 1953.

In 1973, Lot 52 DP 55555 transferred to HM the Queen for recreation purposes pursuant to section 44 of the Reserves and Domains Act 1953 at nil consideration, as recorded in Transfer 295951.1. Section 44 of the aforementioned Act provided Council with the power to transfer to the Crown for recreation or health purposes any land acquired by Council, such land to vest in the Crown as a public domain.

On 25 September 1975, Lot 52 DP 55555 was declared a public domain subject to Part III of the Reserves and Domains Act 1953, to form part of the Mangawhai Heads Domain and administered as a public domain by the Domain Board, by GN 334689.1 (NZ Gazette 1975 p 2140).

In 1979, the Mangawhai Community Health Committee approached the Otamatea County Council enquiring whether there was any Council or private land available for the establishment of a pensioner village.

In 1981, in response to the community interest, the Otamatea County Council and the Commissioner of Crown Lands held discussions on a proposal to exchange part of the Mangawhai Domain reserve land at Fagan Place for other land owned by Council located on the west side of Molesworth Drive.

On 10 September 1981, Lot 52 DP 55555 was classified as a reserve for recreation purposes pursuant to the Reserves Act 1977, by GN 997178.1 (NZ Gazette 1981 p 2521).

In 1982, to faciate the proposed exchange the Otamatea County Council resolved to uplift the Public Open Space designation affecting Lot 52 DP 55555.

On 7 August 1986, the Department of Lands and Survey authorised the exchange of a portion of the Mangawhai Heads Domain, being Lot 52 DP 55555 together with Lots 78 and 79 DP 39205, pursuant to section 15(1) of the Reserves Act 1977 by GN B647355.1 (NZ Gazette 1986 p 3324) for fee-simple land owned by the Otamatea County Council being Lot 2 DP 108637 contained in CT 61B/129.

On 23 January 1987, Lot 52 DP 55555, together with Lots 78 and 79 DP 39205, transferred to the Otamatea County Council as recorded in Transfer B647355.5. Under the provisions contained in section 15(5) of the Reserves Act 1977, Lot 52 DP 55555 was deemed no longer subject to any reservation affecting the land, and became land held by the Otamatea County Council in fee simple.

On 31 March 1987, CT 61A/967 issued for Lot 52 DP 55555, together with Lots 78 and 79 DP 39205, in the name of HM the Queen for recreation reserve under the Reserves Act 1977, and on the same day the Otamatea County Council was registered as owner pursuant to Transfer B647355.5. Again on the same day, CT 61A/975 issued for Lot 52 DP 55555, together with Lots 78 and 79 DP 39205, in the name of the Otamatea County Council in fee simple.

In January 1988, the Otamatea County Council undertook a subdivision of the land in CT 61A/975 as shown on DP 126655, creating Lot 5 DP 126655 comprising 2.4587 ha. On 28 November 1988, CT 73D/767 issued for Lot 5 DP 126655 in the name of the Otamatea County Council in fee simple.

In September 1996, the residue of the land in CT 73D/767 transmitted to the Kaipara District Council.

In October 2010, the Kaipara District Council undertook a subdivision for boundary adjustment purposes as shown on DP 436430, creating Lot 1 DP 436430 comprising 2.2672 ha.

On 3 October 2013, CFR 535533 issued for Lot 1 DP 436430 in the name of the Kaipara District Council in fee simple.

Summary:
Lot 1 DP 135365 was originally included within the Crown purchase of the Mangawhai Block that occurred in 1854 which was conducted on a "willing seller and willing buyer" basis as the Crown did not have access to any compulsory provisions contained in any Act to acquire land from private individuals at that time. The purchase by the Crown of the Mangawhai Block was for the general settlement of New Zealand and not for the purposes of a public work.

Once in the Crown's ownership, the land had the status of ordinary Crown Land. The first time Lot 1 DP 436430 (when it was formerly Allotments 41, 42, 43 and 44, Suburbs of Molesworth) became a public work was in 1864 while already in the Crown's ownership when the land was set apart for the Improvement of the Mangawhai Harbour pursuant to the Auckland Waste Lands Act 1858, by Auckland Provincial Government Gazette 1864 p 27.

In 1893, the public work was changed to an endowment for the improvement of the Mangawhai Harbour by the Mangawhai Harbour Endowment Reserve Act 1893. In 1966, the Mangawhai Harbour Endowment Reserve Act 1893 was repealed by the Mangawai Lands Empowering Act 1966.

Lot 1 DP 436430 (when it was formerly Lot 52 DP 55555) again became a public work when it vested in the Otamatea County Council as a recreation reserve in 1968 with the ownership subsequently transferring to the Crown in 1973. Lot 52 DP 55555 remained held as a recreation reserve until 1987 when it was used as part of an exchange and transferred back to the Otamatea County Council in fee simple to be used for Pensioner housing.

In the Court of Appeal judgement of 1999 between Port Gisborne Limited and WK Smiler and others, the Court ruled that where land had been acquired and held as part of the general policy of the Crown at that time for settlement and development purposes, the original sellers of the block were not the original owner for the purposes of a offer back pursuant to section 40(2) of the Public Works Act 1981. The facts in that case are similar to this property whereby the Crown acquired the land for general purposes and subsequently the land subject to this report became a public work while in the Crown's ownership.

Therefore in terms of Court of Appeal judgment there is no requirement to offer the land back to the original seller as they are not deemed to be the former owner for the purposes of an offer back.

Other section 40 Considerations:

1. **Section 40(2)(a) – Impracticable:** Considered; applicable as the original seller of the land contained in Turton's Deed No. 98 is not considered the former owner for the purposes of an offer back.
2. **Section 40(2)(a) – Unreasonable:** Considered; applicable as the original seller of the land contained in Turton's Deed No. 98 is not considered the former owner for the purposes of an offer back.

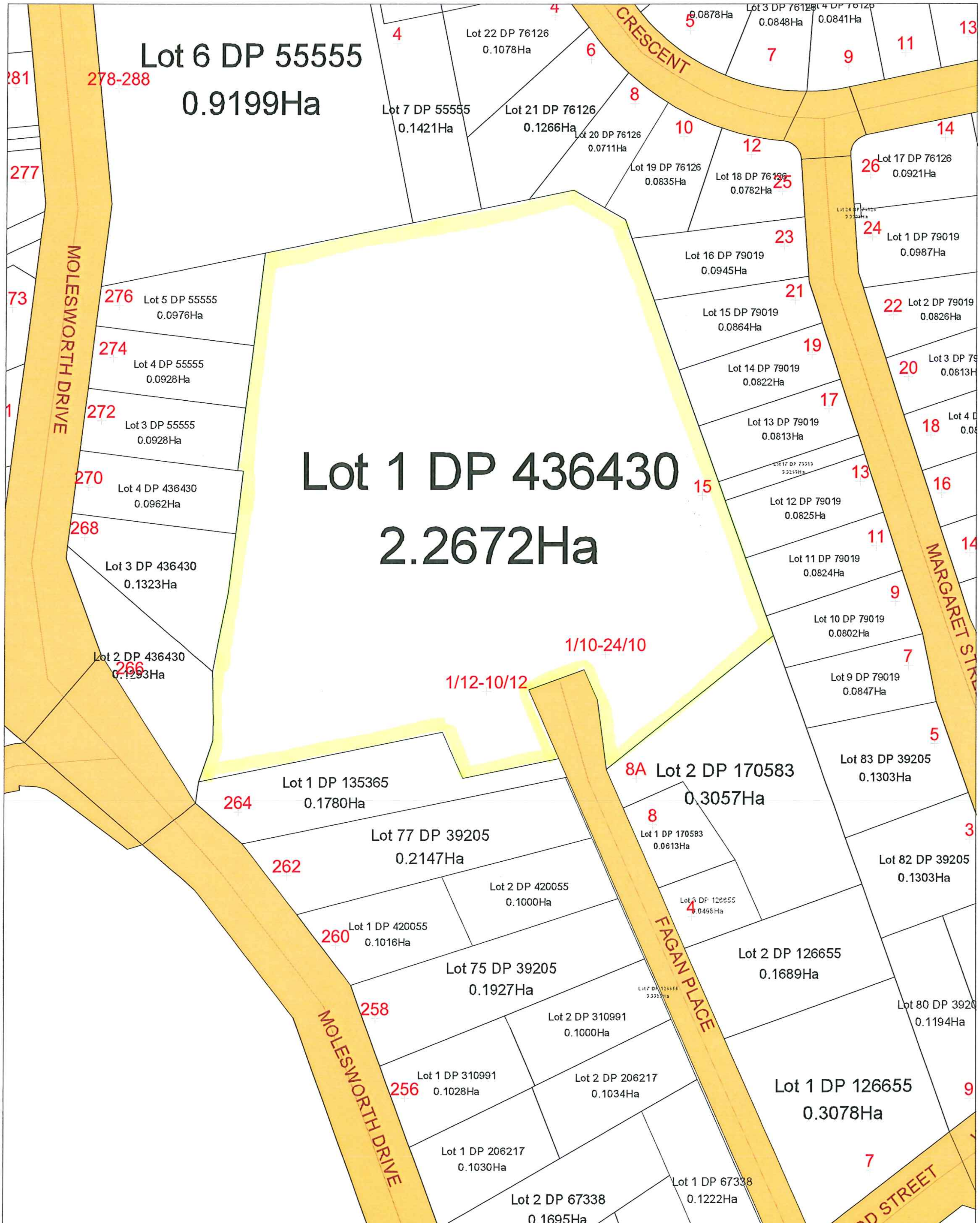
3. **Section 40(2)(a) – Unfair:** Considered; not applicable as grounds for exemption cannot be made based on unfair.
4. **Section 40(2)(b) – Significant Change:** Considered, not applicable as grounds for exemption based on significant change in character in connection with a public work cannot be made.
5. **Section 40(3)** – Not applicable, as the site was not acquired between 31 January 1982 and 31 March 1987.
6. **Section 40(4) – Disposal to Adjacent Owner:** Considered, not applicable as the site is considered to be of sufficient size to 'stand-alone'.

<u>Conclusion:</u>

Lot 1 DP 436430, if declared surplus, would be exempt from the requirement to offer back to the former owners pursuant to section 40(2)(a) of the Public Works Act 1981, being impracticable and unreasonable to do so.

Prepared By:

Steven Schwarz
Property Consultant
LINZ Accredited Supplier



Spatial Map Print

Scale 1 : 1500

0 25 50 75 100 125 150m

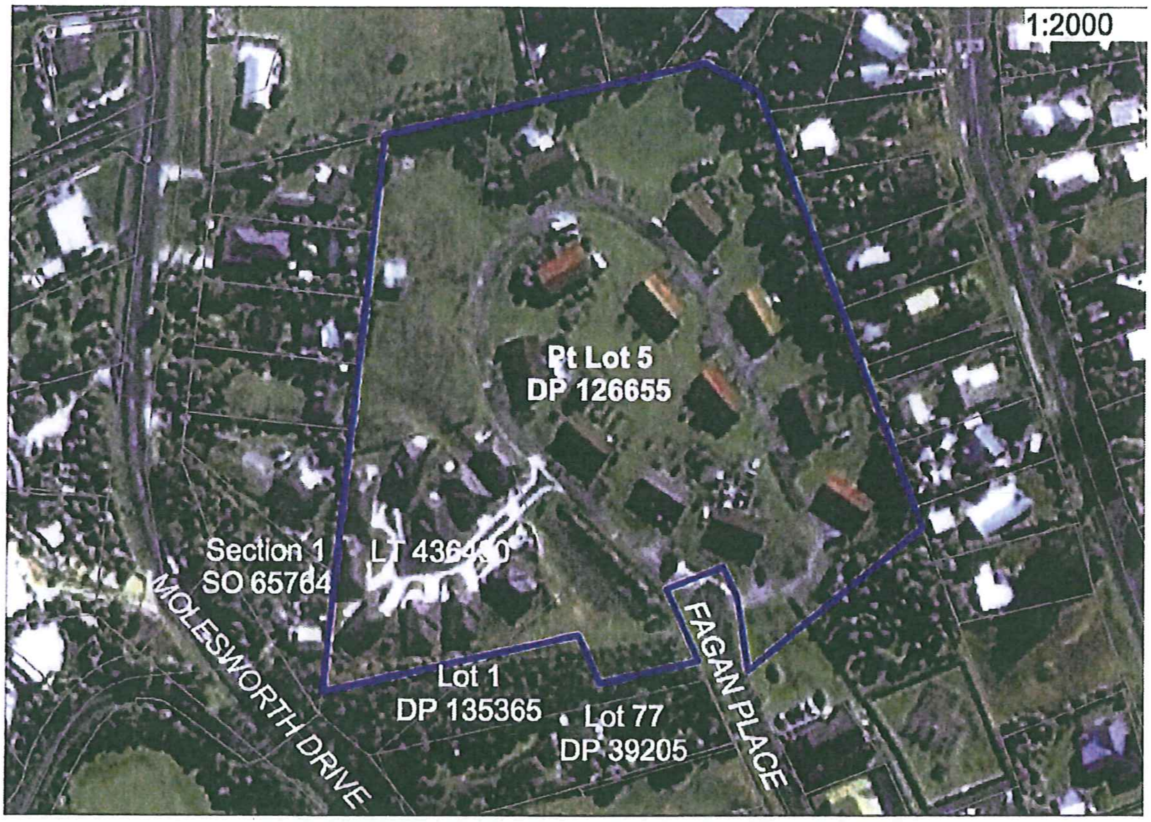
This data has been compiled from official records. Location of boundaries requires an analysis of all relevant information in compliance with the Survey Regulations. Attribute data requires an analysis of the appropriate legal record.

DREAM

PLANNING

To: Kaipara District Council, Attention Neil Barr (Stratus Ltd)
From: Dream Planning and Terra Consultants

Subject: Lot 5 DP 126655 – Fagan Place, Mangawhai Heads – Retirement Village



Legal Description	Lot 5 DP 126655
Current Use	Retirement housing, Eco-Care pumpstation, stormwater detention
Land Area	2.4587ha
Zone	Residential (Harbour Overlay)
Any other Notations	Interest(s) on Certificate of Title: Right to drain sweage specified in Easement Certificate D049969.2

Fagan Place © 2014 Google

Fagan Place © 2014 Google

COMPUTER FREEHOLD REGISTER
UNDER LAND TRANSFER ACT 1952

Search Copy

R.W. Muir
Registrar-General
of Land

Identifier	**535533**
Land Registration District	**North Auckland**
Date Issued	03 October 2013

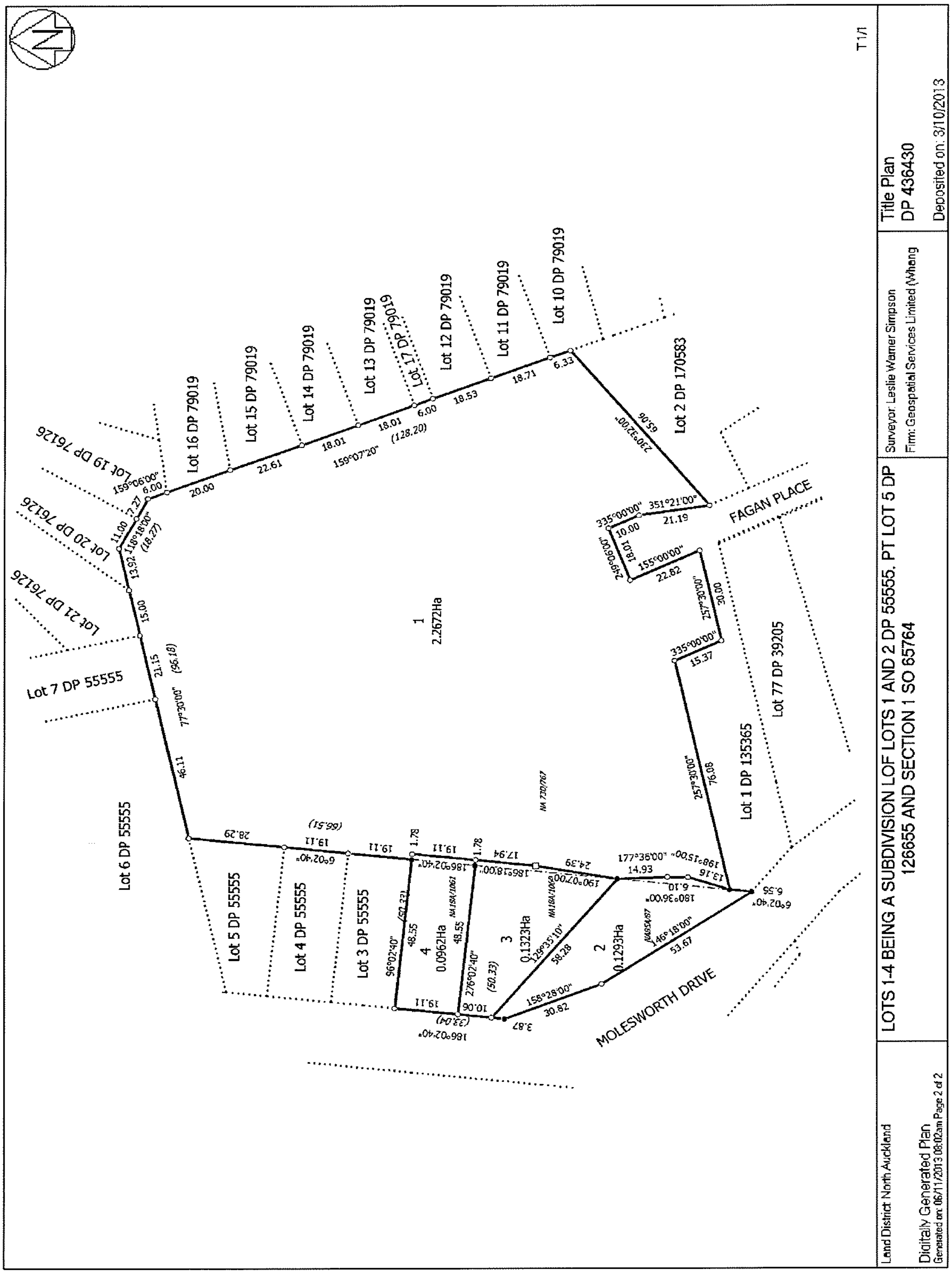
Prior References
NA73D/767

Estate	Fee Simple
Area	2.2672 hectares more or less
Legal Description	Lot 1 Deposited Plan 436430

Proprietors
Kaipara District Council

Interests

Appurtenant hereto is a right to drain sewage specified in Easement Certificate D049969.2 - 27.9.1996 at 2:36 pm



Title Plan
DP 436430
Deposited on: 3/10/2013
Surveyor: Leslie Warner Simpson
Firm: Geospatial Services Limited (Wheng
LOTS 1-4 BEING A SUBDIVISION LOF LOTS 1 AND 2 DP 55555, PT LOT 5 DP 126655 AND SECTION 1 SO 65764
Land District: North Auckland
Digitally Generated Plan
Generated on: 06/11/2013 08:02am Page 2 of 2
T1/1
1
2.2672Ha
2
0.1293Ha
3
0.1323Ha
4
0.0962Ha
FAGAN PLACE
MOLESWORTH DRIVE
Lot 10 DP 79019
Lot 11 DP 79019
Lot 12 DP 79019
Lot 13 DP 79019
Lot 17 DP 79019
Lot 14 DP 79019
Lot 15 DP 79019
Lot 16 DP 79019
Lot 19 DP 76126
Lot 20 DP 76126
Lot 21 DP 76126
Lot 7 DP 55555
Lot 6 DP 55555
Lot 5 DP 55555
Lot 4 DP 55555
Lot 3 DP 55555
Lot 2 DP 170583
Lot 1 DP 135365
Lot 77 DP 39205

APPENDIX 2- SUPPORTING INFORMATION

Current Level of Rent Subsidy

According to the Ministry of Business, Innovation and Employment Tenancy Services website, the market rents for one bedroom flats and houses in Kaipara are as follows:

Table A - MBIE Tenancy Services Market Rent Statistics

Location	Size	Lower Quartile	Median Quartile	Upper Quartile
Kaipara – Entire District	1 Bedroom Flat	$160	$185	$200
Kaipara – Entire District	1 Bedroom House	$265	$300	$313

Note: MBIE only provides rent rates for the entire Kaipara District therefore we have not been able to obtain an individual rent rate for Mangawhai on the MBIE website.

The market rentals in Mangawhai are generally higher than those in Dargaville and Ruawai and therefore we adopt the Upper Quartile rate for a 1 Bedroom Flat in Kaipara which is $200 per week. The rate of $200 per week reflects that the units are not up to the same standard as those which are currently renting for $260 to $280 per week on realestate.co.nz and TradeMe.

Table B - Indication of the Current Level of Rent Subsidy

Address	10 - 12 Fagan Place
No of Units	24
Bdrms	1
CMR PW per unit	$ 200.00
Total Market Rent Per Annum Per Unit	$ 10,400.00
Social Rent P/W P/Unit (80% of Market)	$ 160.00
Total Social Rent Per Annum Per unit	$ 8,320.00
Total Social Rent Per Annum All Units	$ 199,680.00
Present Council Weekly Rent Per Unit	$ 142.00
Total Council Rent Per Annum (All Units)	$ 177,216.00
Difference between Social Rent and Council Rent (All Units)	$ 22,464.00
Council Rent as % of Market	71%

The markets rents in Table B are based on the MBIE Tenancy Services Upper Quartile Market Rent Statistics as per **Table A.**

This illustrates that if an acceptable social level of rent is set for the units, based on a percentage of market rent, additional income would be available for upgrading the units to address deferred maintenance and obsolescence.

Currently KDC are charging 71% of the current market rent. Based on the practice of other Councils we consider that this may represent too high a discount. At 80% of market rent this would yield an additional income of $23,712 pa based on 100% occupancy. KDC could also consider charging a higher rental for couples. It would therefore be beneficial to undertake a review on how rents are set and perhaps change the current rent setting method.

Policy & Eligibility Criteria Used for Allocation of Units

The current eligibility criteria are as follows:

- A single person or couple with at least one party being;
- Over 65 of age or 55 with a permanent disability
- Independently able
- Hold less than $35,000 in financial assets
- Holder for a Community Services Card
- Residents or family in the Kaipara District

It would be beneficial to KDC to ensure that tenants and applicants continue to meet the eligibility criteria by having tenants complete a “change of circumstances” form on an annual basis to ensure that eligibility criteria continue to be met and so that the process is transparent.

How KDC's Eligibility Criteria and Policy Compares to Other Councils

Council	Rent Charges	Asset Owning Policy	Income Policy	Age Policy	Other
Kaipara District Council	All units $141 pw	Less than $35,000 in assets. No reference to Single or Couples	Not specified	Over 65 or over 55 with a permanent disability.	Preferred to be a holder of a community services card and a resident of/or family in the Kaipara District.
South Waikato District Council	1 bedroom $92 pw, 2 bedroom $102pw	$50,000 Single, $75,000 Couple	Must be on sickness benefit, invalids benefit or NZ Super.	Age 60 or over, Any age and in receipt of an Invalid's benefit, Age 55 or over and in receipt of any Special Age Benefit or Sickness Benefit.	
Waikato District Council	All Units $125 pw	$17,500 Single, $20,500 Couple	Must not be in full time employment	Over 65	
Auckland Council (now CHP owned)	$135 - 204.48 pw - 30% of tenants gross income (aligns with housing affordability threshold)	$40,000 Single, $60,000 Couple	Must not earn more than the NZ Super	Must be eligible for NZ Super, currently over 65	4 weeks bond required
Waipa District Council	Market Rent	$20,000 Single, $35,000 Couple	Must not exceed NZ Super inc Accomodation supplement plus 10%	Over 65, but may be consiudered over 55 on invalid benefit	Has a policy of building more PHUs where there is demonstrated demand
Tauranga Council	$123 - $142pw Single, $149- $167pw Couple	$20,000 Single, $25,000 Couple	Can earn up to $90 pw over NZ Super	Over 65	2 weeks bond required
Hastings District Council	Rents start from $107pw	$40,000 Single, $45,000 Couple	No more than $29,500 single, $45,000 couple	Over 55, priority for over 60	
New Plymouth District Council	Rents vary dependent on location and unit size from $91 - $163	Must have no significant assets	Must be on pension, benefit or low income	Over 65	Those under 65 considered on case by case basis

As illustrated above, Council policies on eligibility vary widely, but share common criteria. Kaipara District Council has a relatively low asset owning threshold compared to most other Councils and there are no different levels specified for couples vs. single tenancies. KDC does not include any reference to additional income outside of benefits on the eligibility criteria as other Councils have. A review may therefore be warranted.

Note: When we refer to the rent policy of all rent being set at $142 per week this only relates to the Mangawhai PHUs not the entire KDC PHU portfolio.

HOW KDC'S PHU PORTFOLIO COMPARES WITH OTHER COUNCILS AND COMMUNITY HOUSING PROVIDERS

Overview

At this point in the report, to set the context for this review, we thought it would be useful to provide some commentary on the current trends and statistics in the social housing sector in New Zealand.

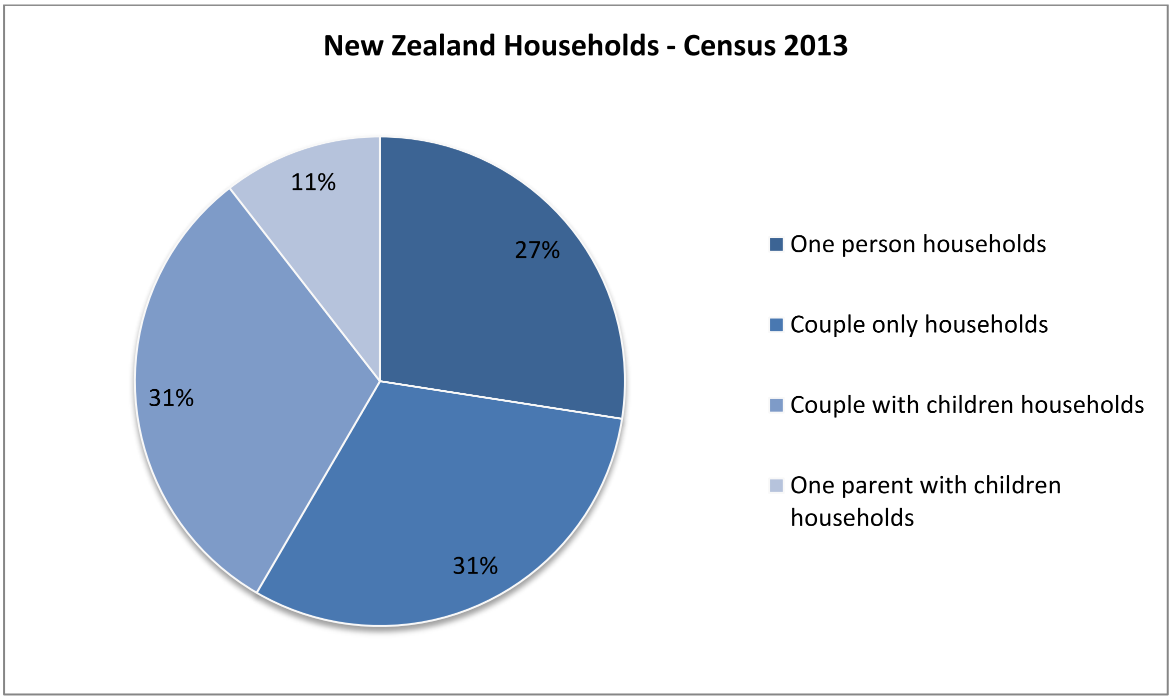
There is strong and persistent demand for affordable and social housing in the main centres of New Zealand. As our population ages, the demand for smaller housing units is growing. Single person households are predicted to double comparative to other household formations over the next 25 years and MSD's social housing register shows two thirds of applicants require 1 or 2 bedroom units.

The total population of New Zealand was 4.4 million as at the 2013 Census, made up of 1.5 million households. Over 1.5 million or almost one third of the population resides in Auckland, with over 60% of the total population residing north of Taupo. The total number of households is expected to grow over the next four years to reach 1.64 million. The largest growth will be in households of couples without children and single person households, reflecting NZ's ageing population. By 2019 almost one quarter of all households will be single person households.

The demand for affordable and social housing in the main centres of New Zealand, particularly in Auckland, is growing. It is estimated 400,000 new dwellings will be required to meet demand by 2040 – an average of 17,000 per year. However, building numbers have been much lower than this, at around 5,000 per year, and in a post-election briefing to the Minister in December 2014, MBIE estimated the annual shortage of new supply housing was now at 18,000 and likely to increase.

The demand for smaller housing units is growing rapidly. Single person households in Auckland are predicted to double comparative to other household formations, an increase of 72,000 by 2040. The current waiting list for people requiring social housing held by MSD for Auckland shows there are 3173 households in urgent need of housing, with 1917 households requiring 1 and 2 bedroom units.

Household Composition



Housing and Older People

The number of people aged 65 years or more has doubled since 1980 and is likely to double again to reach 1.2 million by 2036. This population is also ageing. By 2061, one in four people over the age of 65 years will be 85 years or older, compared with one in eight in 2012. Our older population will also be more ethnically diverse with increasing proportions of Māori, Pacific and Asian people.

As people live longer, their income needs, physical and mental health needs and social needs change significantly. Older people face a number of challenges to maintain their independence and remain active in the community. Furthermore women live longer than men and their safety in their community is essential to well-being. Increasing numbers of older people will live alone and by 2051 the number of older people with a disability is expected to grow by 60 percent.

Saville-Smith and Saville in their report to the Office of Disability Issues and MBIE in 2012 argue that as our population ages, the economic and social well-being of New Zealand as a whole will become contingent on the economic and social contributions of older people. Fundamental to this ability to contribute is ensuring access to housing that supports active daily living and independence. This aligns with government's drive towards a 'restorative' model of home support. This model aims to maximise the older person's independence so that they can remain in their own home for longer. At present, millions of dollars are spent every year on modifying homes for older people. Saville-Smith and Saville believe this cost could be substantially reduced if there was an increased focus on the building of accessible houses, and recommend regulation of the building industry to meet accessible standards in new homes.

Generally people over the age of 65 years have lower levels of financial hardship than other age groups. Many older people now and in the future will reside in owner occupied private dwellings. However, a greater number will be renting, mostly in the private sector. By 2050 it is estimated the number of older people renting will be around 3 times as many as there are today, up to 170,000. Approximately 20% of Housing New Zealand's tenants are over the age of 65 years, with almost half of these tenants based in Auckland.

Kaipara

An example of the demand for and supply of social housing we detail some statistics for the Kaipara district and in particular Mangawhai in the following section.

Population

The 2013 census Kaipara had a population of 18,960 which was an increase of 4.5% since the 2006 census. The Kaipara District population currently ranks 43rd in size out of 67 districts in New Zealand. There are 7,938 occupied dwellings in Kaipara, with approximately 2,937 vacant. In Kaipara, 68.3% of households occupy private dwellings. For households in the Kaipara District who rented the dwelling they lived in, the median rent is $200.00, this compared with $280.00 for New Zealand as a whole.

At the time of the 2013 census, the usual residential population of Mangawhai was 1,329, which was an increase of 411 people, or 45% from the 2006 census. The population of Mangawhai is getting older with 25% of residents aged 65 years and over as at the 2013 census which is an increase from 18% in 2006.

Rental Affordability

Rents have risen substantially in Mangawhai over the last three years. A three bedroom house which rented for $280.00 per week three years ago is now being rented for anything between $440.00 and $550.00 per week. Rents in the private market are no longer affordable for those on lower incomes which are increasing demand for social housing and Council PHU stock.

Housing New Zealand

The following is data sourced from the Housing New Zealand website. As at 31 March 2017 Housing New Zealand owns 114 properties across the Kaipara District. This is made up of One Bedroom (2), Two Bedroom (54), Three Bedroom (51) and Four Bedroom (7) properties across the District.

Kaipara District Council PHUs Compared To Industry Standards

How Does the Repair and Condition of KDC's PHU Portfolio Compare to Industry Standards?

We have researched the social housing market so as to provide some benchmarks on condition standards in the industry.

For example, HNZ's Asset Management Strategy includes the objective of reducing the average age of state properties to 50 years. Once the property reaches this age, it should be considered for significant upgrade to reset its lifespan, or it is replaced.

The Community Housing sector is relatively fledging and most organisations have not had the opportunity to work through asset replacement strategies. Indeed, many have not yet developed plans for asset replacement. Most have some asset management plans in place, but these tend to focus on maintenance and upgrade work for properties. Most of these plans tend to be short to medium term and do not go beyond 10 years.

CHP's are audited against the standards contained in Community Housing Aotearoa's Best Practice Guide. This Guide includes reference to the need for housing providers to ensure they plan for long term maintenance and upgrade of properties. Definitions include:

Long term maintenance covers the life cycle of the building and makes plans to replace key components over this period (e.g. kitchens, bathrooms, roofing).

Cyclical maintenance – most usefully planned in 5-10 year cycles, covers every day aspects such as internal and external painting.

The Best Practice Guide indicates Asset Plans should include:

- The projected life expectancy of components.
- Costings for component replacement.
- Timeframes for replacement.

Larger organisations with substantial portfolios should have asset plans that cover at least 15-20 years. Furthermore a reserve based on a percentage of the replacement value of a property should be set up to cover cyclical maintenance and upgrades.

The condition of the PHU's at the property is comparable to other pensioner housing portfolios administered by other Councils throughout New Zealand. The units which have receive recent kitchen and bathroom upgrades would be considered slightly superior to the average condition of units.

Many Councils are identifying that their PHUs are not currently being maintained to an ideal benchmark. Therefore they are investigating options to ensure long term maintenance requirements are addressed going forward or alternatively divesting their portfolios.

Like with many other Councils the PHU's have been managed in a reasonably passive manner. The units are in average to poor condition cosmetically and there is an accumulation of deferred maintenance. Upgrading is required on the units to make them fit for today's needs and standards.

Photos: Current Condition of Units

How Does KDC's Current Approach to Management of their PHUs Compare to the Social Housing Industry Approach?

Background

In order to provide a comparison for KDC's approach to the management of their pensioner housing units, we first provide some background in this section on the current status of the provision of social housing across New Zealand. We also provide information on how other Councils are managing their PHU portfolios and a commentary on current innovations and developments in the sector.

Social housing in the New Zealand context is a form of affordable housing which includes assistance for those who otherwise cannot meet their own needs in the market. Assistance generally is in the form of subsidies to improve affordability, but may also include elements of support, and generally targets those with particular social, health or economic needs.

Social housing in New Zealand is primarily provided by central government, with over 69,000 housing units across the country. Local authorities collectively make up the next largest contributor, holding 11,310 units, predominantly provided for older people. Not-for-profit organisations make up a small but growing proportion of the overall provision, with an estimated 5,000 units.

Social Housing Reform

Since the initiation of the Housing Innovation Fund in 2003, successive governments have been looking for ways to 'share' the responsibility of the provision of social housing with the community housing sector. The Social Housing Reform Programme (SHRP) of 2010 provided strong direction for the future of the provision of social housing, clearly indicating the role of government and support for the sector.

This programme draws heavily on overseas direction; in particular the direction social housing has taken in Australia and the United Kingdom. In both countries community housing providers play a prominent role in the provision of social and affordable housing.

The Social Housing Reform (Housing Restructuring and Tenancy Matters Amendment) Act 2013 founded a regulating authority to govern the sector, the Community Housing Regulatory Authority (CHRA). This agency has the powers to suspend or revoke registration when a registered Community Housing Provider (CHP) no longer meets the eligibility criteria or is failing to meet one or more of the Performance Standards.

CHPs can apply to become registered as a Class 1: Social Landlord. Once registered, they are eligible to enter into a contract with the Ministry of Social Development (MSD) - the Social Housing Agency is to receive the Income Related Rent Subsidy (IRRS) provided they meet certain requirements.

These reforms and initiatives have driven significant change in recent years in the provision of social housing in New Zealand, with the role of the community housing sector set to expand further. Government is also underway in the transfer of 20% of state housing stock to the CHP sector. Local authorities have been excluded from government reforms and funding and consequently many are now reviewing their future role in the provision of social housing.

Local Authority Housing

Community Housing Aotearoa estimates that in the local government sector, 62 councils provide homes, with 89% being in the form of bedsits and one-bedroom units. Many local authorities are considering a range of options for the future of their stock.

The role of local government in social housing was supported by central government through subsidised loans throughout the 1960s and 1970s, which saw a dramatic increase in the number of units. Today, local government is a significant provider of social housing in New Zealand. As at the 2013 Census, there were 11,310 households and 16,317 people living in rental housing provided by local authorities. In total, 62 local authorities provide rental housing, with the smallest providing four units and the largest providing 2,600 units. Most authorities provide between 25 and 150 units (66%), with 10% providing over 300 units.

Housing is predominantly provided as long term rental accommodation for older people, with 95% of councils providing specifically for older people and 88% providing only for those aged 65 years and older. The configuration of stock reflects this target group, consisting primarily of low rise, multi-units, the majority of which (66%) are one bedroom units and bedsit or studio units (23%). A smaller proportion of local authority housing is made up of two or more bedroom units (11%). In some areas the main supply of housing for older people is provided by the local authority.

Most housing programmes run by local authorities are expected to be self-funding and because of the affordable nature of the housing, income generated has often not been enough to meet the costs of upgrading and redeveloping stock. As a result a large proportion of stock owned by local authorities is outdated and does not meet the needs of older people of today.

The development of housing has not kept pace with demand and due to lack of growth many local authorities consider Council-owned housing has little impact on the overall provision of affordable housing in their regions. Councils have also questioned the 'value for ratepayer money' aspects of retaining pensioner housing and along with this, are considering whether the provision would be better placed elsewhere. Since the mid-1990s a number of Councils undertook the full or partial sales of their housing stock to community organisations, the private market or Council-owned entities. Central government social housing reform has ignited the debate around the role of local authorities in housing, as they have been excluded from accessing IRRS and capital funding. Many councils are now considering or have already transferred their stock to CHP's.

Council PHU Case Studies

To make a comparison to KDC's approach, we have outlined below how some other Councils around NZ are dealing with the provision of pensioner housing.

Hamilton City Council – Sold its 17 pensioner housing complexes (344 remaining units), to Accessible Properties in March 2016.

Christchurch City Council – The council is the second biggest landlord in the country but with rents set at only half the market rate, it has been struggling to generate enough money to maintain and upgrade its more than 2600 units. Just over half are at their mid-life renewal phase but there are no funds to upgrade them. It has set up a partnership with Otautahi Community Housing Trust who separately manages its 2,600 units. Through its Housing Accord, government has agreed all new tenants can apply for IRRS. The new entity was set up to help address financial problems facing the council's social housing operation. Council has a 49 per cent stake, by injecting into it, over time, with up to $50m worth of council-owned land and other assets, held by the social housing unit. Other community housing providers can charge higher rents through the IRRS the Government introduced through MSD. The Government pays the difference between what a tenant is able to pay and the market rent. By setting up a new not-for-profit entity and leasing council housing stock to it, the council should be able to access the IRRS and potentially earn an additional $12m a year.

However, the entity has to operate at arm's length from the council, and the council's stake in it must be 49 per cent or less.

Auckland Council - In December 2015 the council partnered with The Selwyn Foundation and set up a jointly owned CHP, Haumaru Housing Association who now manage and will further develop its portfolio of 1412 homes for older people in Auckland.

Whakatane District Council - Their 79 pensioner housing units were sold to Tawanui Community Housing for $2.5 million. Ownership of the units transferred on 1 October 2015, with all existing tenancy arrangements continued under the same terms and conditions. Following the transfer, the Council no longer manages these units.

Nelson City Council - Own 142 Community Housing Units which Opus was managing under a contract with responsibility for collecting rent, delivering maintenance and providing wrap around services to a limited extent. This contract expired in December 2015 and we understand it was in the process of being retendered.

Tauranga City Council - provides 280 social housing units.

Rotorua Lakes Council - has a pensioner housing portfolio of approximately 150 housing units, which is managed internally by one Property Officer.

Rodney District Council - In 1995 the Rodney District Council (RDC) sold its 45 unit pensioner housing complex to FAI Metropolitan Life Assurance Company. Council had earlier taken the decision to remove itself from direct housing provision. As a condition of sale RDC required the registration of an encumbrance over all titles that bound the purchaser to honour certain, specified rights relating to the tenancies that existed on settlement.

In this case, RDC's objective was to realise the value of the pensioner housing asset while protecting the interests of existing tenants. As these tenancies end, FAI or any subsequent owner is free to raise rents or (more likely in view of its prime location) redevelop the site for prime uses.

Thames Coromandel District Council - In the mid 1990's TCDC resolved to sell its pensioner housing assets, largely because of concern about the financial drain of ongoing management when other large projects (for example sewage treatment systems in the district's small towns) were proving difficult to fund. To date, we understand that four units in Whitianga have been sold to a volunteer Community Trust, and a further 55 units in Thames have been sold to the newly-formed Thames Pensioner Housing Trust. The units were sold at market value, less an allowance for depreciation.

The Council has also sold a leasehold interest in seven units at Coromandel Township to the Coromandel Independent Living Trust, funded in part by a grant and loan from Housing New Zealand Corporation's (HNZC) Housing Innovation Fund. The Council charges a discounted ground rent, in accordance with TCDC's policy on pensioner housing.

For each transfer, formal mechanisms are in place to ensure units continue to be used for social housing:

If any Trust is wound up its assets must be transferred to an organisation with a similar charitable purpose.

In case of future sale, TCDC must be offered the units first and must approve any other purchaser.

In the Coromandel case, additional protections have been imposed by the HNZC as lender.

Upper Hutt City Council - In June 2000, Compassion Housing Limited, a charitable company formed by the Sisters of Compassion, bought the Upper Hutt City Council's stock of 92 pensioner housing units valued at over $6 million. The Sisters of Compassion have a strong presence in Upper Hutt where they have provided rest home, respite and hospital level care at St Joseph's Home of Compassion for nearly 70 years.

The units were sold to the company following a tender process, a condition of which was that the properties be sold to an aged care service provider. There is no formal requirement, however, for the units to remain as pensioner housing in the long term and the company has no obligation to report back to Council on any future change of use.

Notwithstanding the lack of formal safeguards, Upper Hutt appears to have achieved an excellent result through the sale process, both in terms of realising value, and improving the quality of service for tenants:

In terms of eligibility, Compassion Housing's rental units are available for older people or beneficiaries over 50 in need of affordable accommodation. Preference is given to applicants with less than $60,000.00 combined assets. However, all entry criteria may be varied from time to time, depending on needs and availability of accommodation.

The Compassion Housing's Services Manager maintains a visible presence around the complexes, visiting residents regularly, dealing with maintenance, and generally ensuring that residents are able to maintain their independence. His role description includes:

- Ensuring residents are able to experience a quality of life that enables them to live their lives with personal respect, safety and dignity.

- Arranging for regular assessment of residents and matching their needs with services and entitlements from the community.

- Managing relationships with community and government agencies supporting older persons.

Compassion Homes also employs (on a part time basis) a registered nurse from St Joseph's Home of Compassion to monitor the needs of a small number of residents who have been identified as being at risk of losing the ability to remain independent. There is no extra charge for this service. Tenants who are unwell have the option of using the Home of Compassion rest home facilities on a temporary basis. However, this does not seem to be used widely, with tenants more likely to remain in the flats before making a more permanent move into residential care.

Rentals are kept purposely low, made possible because Compassion Homes is a not-for-profit entity (i.e. it is not required to generate a commercial return on investment) and did not require high levels of debt to purchase the portfolio.

Manawatu District Council - In 2008 the Manawatu District Council (MDC) transferred ownership of its 208-unit pensioner and disabled housing asset to the Manawatu Community Trust. The Trust is a Council Controlled Organisation with the five Trustees being appointed by MDC, and one by other Trust members.

The Council did not realise any cash through the transfer, although an outstanding debt of $700,000 was transferred to the Trust (the balance of the original Crown loan used to construct the units). In this context, MDC has not achieved any financial objectives. Its main driver for the transfer is a belief that a focused, stand-alone entity is a better management option than in-house management for growing affordable housing numbers in the district, promoting community health and wellbeing alongside affordable housing.

Hutt City Council - In May 2007 the Hutt City Council established Urbanplus, a Council Controlled Trading Organisation specialising in property and facilities management, and land development.

The company now manages HCC's diverse facilities portfolio including libraries, public toilets, halls, civic buildings, community and commercial property. They are also charged with developing Council land and property assets. HCC expects an appropriate financial return from its investment in Urbanplus and, to this end, the Company must ensure all projects and services are undertaken on a commercial basis.

As part of the establishment process, management of HCC's 168 unit social housing portfolio was also transferred to Urbanplus, with a mandate to continue provision of pensioner housing and also housing for the socially disadvantaged.

Council will review the number of units to be held for this purpose at least annually.

Ruapehu District Council - RDC has entered in to a long-term management lease for its 16 pensioner units with the Waimarino Rest Home Trust. The Trust receives support and practical assistance from Presbyterian Support Central. The objective here has been to improve the quality of service to council tenants.

Our assessment is that (as RDC still owns the units) there are few financial benefits for Council beyond possible savings in operating costs compared to managing the portfolio in house.

Kawerau District Council - In a similar move, KDC assigned management of its 27 pensioner flats to Mountain View Rest Home in 2000. The units are situated in close proximity to the rest home.

Mountain View is a community owned aged care complex which offers full time hospital and rest home care for 42 residents. They also offer respite and day care, meals, coordinated activities and social interaction for the elderly in our community. There is also a 15 unit independent living village, where cottages are purchased by residents on a license to occupy basis.

In this instance KDC has retained ownership of the units, opting instead of sale to achieve the objectives of improving the quality of service to tenants, while eliminating overheads associated with in-house management.

Social Housing Providers

The Social Housing Sector in New Zealand is still considered relatively small; it collectively owns an estimated 5000 units and manages and leases around 2000 more. CHPs provide a diverse range of accommodation and support services across the social housing sector, from the provision of emergency housing, transitional and medium and long term housing. The sector is characterised by a diverse number of small to medium sized players, with their origins often in the health or social service sectors, from church-based origins, or those that have developed to provide housing specifically for a particular project.

Examples of some of the larger organisations in New Zealand include:

Accessible Properties – manages 2,700 units nationally, providing predominantly for people with intellectual and physical disabilities. Established as the property arm of IHC in 2005. In 2016 Accessible was selected as the successful tenderer for the transfer of 1,100 HNZC's housing portfolio in Tauranga.

Haumaru Housing Association – As noted above, HHA is in the process of setting up to take on the management of Auckland Council’s 1,412 PHU’s.

Trust House – owns and manages 500 houses in the Wairarapa area, transferred to them by central government in 1999. Trust House is the only provider of social housing in the Wairarapa area, with no state housing provision.

The Salvation Army – has a long history of providing social housing in New Zealand and owns around 300 units nationally, providing predominantly for independent older people.

All registered CHPs are regulated by the Community Housing Regulatory Authority. This requires them to adhere to the required performance standards, which include having effective governance and management practices, being financially sound, and having the appropriate tenancy and asset management policies, procedures and systems to own and manage social housing. This includes:

Tenancy Management – the organisation must comply with the Residential Tenancies Act (1986) and all other relevant legislation. Assessment is based on the organisation’s tenancy management policies and procedures, including rent setting, managing arrears and dealing with complaints, which must be in line with MSD’s requirements.

Property and Asset Management –the organisation must manage its properties well, including meeting property standard conditions, plans for maintenance, acquisitions and disposals and compliance with all relevant legislation such as the Building Act 2004. Assessment is based on documents such as the organisation’s asset management policies and processes, maintenance schedules and property inspection plans.

Registered CHPs undergo an annual monitoring process and as charitable organisations, surpluses are redirected to the ongoing operation and growth activities of the organisation. They are able to access government funding in the form of the IRRS subsidy and may be eligible for state stock transfers or capital funds.

Residential Tenancies Amendment Bill - New insulation requirements

At this point we thought it would be useful to include a commentary on this new Amendment Bill, which could have ramifications for KDC's portfolio, in terms of requiring further upgrading to comply with the requirements.

The Bill aims to make homes warmer, drier and safer for the 450,000 New Zealand households who live in rental accommodation. The Bill creates regulation making powers to prescribe the location, quantity, and other technical requirements for insulation. Social housing landlords (for tenancies that receive an income-related rent subsidy) must install ceiling and floor insulation by the commencement date for the Bill. Landlords of all other residential rental properties must install the required ceiling and underfloor insulation by 1 July 2019, and meet the regulatory requirements.

It appears that Local Authorities have an exemption to not provide insulation till 1 July 2019 (the social housing requirement to be upgraded by 1 July 2016 appears to only apply to Housing NZ and community housing providers). Failure to comply with these requirements is an unlawful act, for which landlords can be liable for a financial penalty. Landlords will be required to disclose the extent of insulation in their properties as part of the tenancy agreement from 1 July 2016.

Failure to provide this information, or providing false or misleading information, will become unlawful acts. However, for buildings where the insulation details are unknown and the landlord has made all reasonable efforts to obtain the required information, they are able to make a statement to this effect.

In addition, all rented residential housing must have smoke alarms fitted by 1 July 2016. We understand that all KDC units have smoke alarms fitted.

Apart from the new units KDC does not have a clear idea of which of the PHUs currently comply with the required level of insulation.