Dr. Bruce McCabe,

Chairman Omokoroa Residents and Ratepayers Association Inc.

Presentation to Council Meeting 15 September 2022

The Section 17A Elder Housing Activity Report dated February 2021concluded that:

	Yes	No
1. There was ratepayer support for Council to continue to provide elder housing.	63%	37%
2. Those in support of elder housing want this activity to be fully self-funding	58%	
3. If council elder housing is **not fully self-funding** then this activity is to be transferred to a community housing provider	90%	

This report contained the following recommendations. These were adopted by and informed Councils' decision to continue with and reinvest in Council-owned Elder Housing in the 2021-2031LTP:

That Council continue to provide elder housing as an activity of Council, with the following conditions:
1. The activity is a 'ring fenced' activity of Council. This means the revenue (from rental income) covers the expenditure, including all interest costs, of providing the activity.
2. The activity is to provide elder housing for those aged 65 years and over (or the equivalent of the age of eligibility for New Zealand superannuation) and with limited financial means.
3. Sites are redeveloped over the next 30 years to ensure the units are fit for purpose for tenants' needs. Redevelopment will be funded from the activity revenue, and external sources on a case-by-case basis where that is an option.
4. An operational policy is developed which sets out eligibility criteria and tenanting guidelines. The policy will include a clause that weekly rents are set to no more than 35% of the net weekly rate of NZ superannuation, minus the accommodation supplement.

Resolution PP22-5.36, passed at the Policy Committee on the 14 June 2022, (**Attachment 1**) provided policy direction for Council's involvement in housing. It also requested that the CEO "*prepare a high-level Investment Programme with an initial focus on elder housing regeneration, and vacant land opportunities in alignment with Council's role (Recommendation 4), and investment principles (Recommendation 5),* *to be brought back to the Policy Committee for consideration for use of Better Off Funding*".

A "high level investment Programme" has not been provided by the CEO.

Recommendations 5(b) and 7 of ***RESOLUTION PP22-5.26*** and the Section 17A Elder Housing Activity Report adopted by Council require Council-owned Elder Housing to be self-funding.

Firstly - considering the Business case for continuation with Council-owned Elder Housing with investment in 7 units at Beach Road Katikati:

1. Elder Housing is currently loss-making. The Section 17A report states that in 2019, the accumulated loss was $474,568 and projected to increase.
2. The accumulated loss increased to $894,000 in April 2022 (**Attachment 2**).
3. Since April 2022, council land at Beach Road Katikati has been used to construct 7 units with an approved budget of $1,950,000.
4. The value of the land used for the construction of elder housing in Beach Road (estimated to be about $500,000) needs to be accounted for in the Business case so that the opportunity cost it is not a cost to ratepayers (**Resolution PP22-5.365(e)**).
5. The current indebtedness of Elder Housing is now estimated to be $3.44M (**Attachment 3**).
6. With an annual interest payment of 8% on debt and Council operating, overhead and depreciation costs fixed at the reported 2019 amounts, an annual cost recovery from rent spread evenly over all of the elderly housing units would result in weekly rental of $240.76 (**Attachment 3**).
7. This rent is at the upper limit of what Council is prepared to charge for a single occupancy dwelling. When repairs and maintenance is included, rents would be in excess of this amount.

Secondly - considering the Business case for continuation with Council-owned Elder Housing with investment in 7 units at Beach Road Katikati and the redevelopment to increase the number of units at Heron Crescent from 11 to 17:

1. The projected cost for the re-development of Heron Crescent is $4.6M.
2. When this development is completed Elder Housing indebtedness will be at least $7.94M (**Attachment 3**).
3. Re-development of Heron Crescent will increase the total number of elder housing units to 83.
4. Spreading repayment of debt, interest and operating, overhead and depreciation cost (fixed at 2019 values) evenly over all 83 units would result in weekly rental of **$344 for a one bedroom unit**.

This basic consideration of debt and costs, (not including repairs and maintenance or increased operational costs) clearly shows that the proposed expenditure on Elder Housing will result in Elder Housing going further into debt that it will be unable to service and repay. This will result in an ongoing and increased burden on ratepayers.

To be consistent with Council Policy, divesting the elder housing to a CHP is now required to prevent further loss-making and to minimise the financial burden of this activity on ratepayers.

Recommendations:

1. That the Officers report be amended to include the following information before it is received and considered by Council:
    a. Policy Committee Meeting Resolution PP22-5.26 be included in its entirety (this is required so that new councillors understand the basis on which a decision is made),
    b. Spreadsheets are attached for the following business cases (these have not been provided by the CEO as required):
        i. The business case for the current situation with present day rents and projected rent increases.
        ii. The business case for the existing units and the 7 new Beach Road Units using current and projected rents, repairs and maintenance, operating costs, interest and loan repayments.
        iii. The business case for the existing, Beach Road and Heron Crescent Units using current and projected rents, operating costs, repairs and maintenance, interest and loan repayments.
2. A basic consideration of costs shows that Council Elder Housing is currently not sustainable, cannot be made sustainable through the proposed capital expenditure and should be divested to a CHP to minimise impacts on ratepayers and tenants.
3. Proceeding with the proposed investment of “Better off Funding” will result in Elder Housing and Council in a worse financial position. This will result in an increased financial demand on ratepayers and for these reasons should not proceed.
4. A statement should be included in the final resolution of this meeting setting out future directions that the next council should consider regarding the future of Council Elder Housing.
5. Councillors provide a ruling of whether Council’s financial involvement in housing, including the proposed construction of Elder Housing is within the constraints of Resolution PP22-5.26 clause 4(b).

Conclusion:

1. The CEO’s report does not contain facts, figures or analysis that could be used to justify expenditure of $500 let alone $5M. There is insufficient quantitative detail for Council to make an informed and transparent decision about any future expenditure on Elder Housing. It also does not provide sufficient detail and analysis to inform future councillors and ratepayers how any decision was made. The report also fails to address the issue that “Better off Funding” cannot be used as a mechanism to pay down debt; it can only be used for new approved activity.
2. The CEO’s report completely ignores the real political risk i.e. that it is likely that the current Government will not be returned to power and no additional tranches of funding will be forthcoming. Even in the unlikely event that a political miracle occurs for this Government and it is returned, this additional tranche would also have to be treated as a loan given the opportunity costs associated with “investing” this money in Elder Housing. It could also make a non-economic situation more perilous.
3. Elder housing is not financially sustainable, now or in the future.
4. The proposed construction of new units at Heron Crescent will make Elder Housing less financially viable and expose ratepayers to additional cost.
5. For the above reasons, Council should not receive the CEO’s report and should not approve the expenditure of additional money on Elder Housing.
6. Council should now consider divesting Elder Housing to a Community Housing Provider in order to minimise losses and cost to ratepayers.

Dr. Bruce McCabe

Chairman

Omokoroa residents and Ratepayers Association Inc.

14 September 2022

Attachment 1

RESOLUTION PP22-5.26

Moved: Cr A Henry
Seconded: Cr M Dean

1. *That the Senior Policy Analyst's report dated 14 June 2022 titled 'Council's Role in Housing' be received.*

2. *That the report relates to an issue that is considered to be of low significance in terms of Council's Significance and Engagement Policy.*

3. *That in alignment with Council's purpose and functions under both the Local Government Act 2002 and the Resource Management Act 1991, the Policy Committee confirms Council's role as the lead agency for facilitating local housing strategies and action plans to deliver on local housing outcomes to improve community wellbeing.*

4. *That in alignment with its role as the lead agency, Council will:*

   a. *Facilitate local housing networks to develop local housing strategies that focus on meeting housing needs across the housing continuum,*

   b. *Use its resources to leverage housing outcomes and co-investment that meet identified gaps in the housing continuum, particularly for assisted rental and assisted ownership housing, ensuring this does not duplicate the role of other organisations and partners,*

   c. *Use its resources to advocate for central government investment into housing delivered by other organisations and housing partners where these meet identified housing needs and gaps in supply.*

5. *That in implementing the role set out in Recommendation 4, the Policy Committee adopts the following investment principles:*

   a. *Council will invest where there are opportunities to partner and to leverage Council's contribution,*

   b. *Council will invest to achieve housing outcomes for those most in need,*

   c. *Council, in delivering to principle b, will not duplicate the role of other organisations,*

   d. *Council will advance social procurement opportunities in project delivery to achieve wider outcomes*

   e. *Council will ensure projects generate a return back to Council that covers project costs at a minimum.*

1. *That the Policy Committee agrees in principle to consideration of the Better Off Funding being used to deliver specific housing outcomes for local communities.*
2. *That the Policy Committee requests the Chief Executive to prepare a high-level Investment Programme with an initial focus on elder housing regeneration, and vacant land opportunities in alignment with Council's role (Recommendation 4), and investment principles (Recommendation 5), to be brought back to the Policy Committee for consideration for use of Better Off Funding.*

Attachment 2 – Response to Official Information request – Elder Housing