

**SUBMISSION TO GOVERNMENT:  
REPLACEMENT FUNDING FOR THE  
CHRISTCHURCH CITY COUNCIL'S  
SOCIAL HOUSING**

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## **PART ONE – EXECUTIVE SUMMARY**

This submission requests Government assistance for the replacement of some of the Christchurch City Council's social housing rental stock.

The Christchurch City Council has provided low-cost rental accommodation to low-income residents of Christchurch for over 70 years and is a pioneer of social housing in New Zealand. Today, the Council has 2649 units in 117 complexes throughout Christchurch and Banks Peninsula, representing 7.2% of Christchurch's rental market. This makes the Council New Zealand's second largest provider of social housing; Housing New Zealand Corporation being the largest.

The Council bases its replacement programme on a 90 year asset life span which is scheduled to commence in 2026. However, an expenditure spike of approximately \$50m in maintenance is forecast for 2015 due to the age and sooner than anticipated deterioration of some of the portfolio, and planned renewals/ replacements e.g. roof replacements, kitchen and bathroom renewals.

Due to the age and sooner than expected deteriorating condition of much of the existing stock it is necessary to bring forward the replacement programme so as to address issues around the health and well-being of tenants as well as responsibly managing the physical asset and the funds generated through rentals.

In order to advance the current programme of replacement, without having the full burden fall upon tenants, alternate funding is being sought for seventeen (out of 117) of Council's social housing complexes that are in most urgent need of replacement. This is a one-off capital injection to avoid the expenditure spike and the ensuing rent rises for tenants that would be necessary to fund it (the eligibility criteria ensure that this accommodation is accessible only by those from lower socio-economic groups).

The Christchurch City Council, through its provision of social housing, accommodates many people who would otherwise struggle to obtain affordable accommodation; in particular ex-prisoners and people suffering from a mental illness. It is only since 1996 that the Council moved from predominantly providing accommodation for older people to include a greater number of other people from the lower socio economic sector. At the moment approximately 42% of the Council's social housing tenants are under 60 years of age.

Investment in social housing by the Council helps ensure the accommodation need of eligible people (predominantly single but also couples) is managed to provide safe, accessible and affordable accommodation. In the interests of the sustainability of the service along with initiatives such as Ageing in Place and Healthy Homes, further investment is now needed to raise the standard of the Council's accommodation to an appropriate level.

There are distinct linkages between the Government's National Energy Efficiency and Conservation Strategy, New Zealand Housing Strategy, New Zealand Positive Ageing Strategy, the Local Government Act 2002, the Greater Christchurch Urban Development Strategy and Christchurch City Council strategies in terms of providing for the well-being of people through the provision of warm, dry housing designed for the needs of the community in a well planned manner.

In its 2009 rent review the Council provided for the planned replacement of its social housing accommodation through rental increases, but undertook to apply a reduction in the rental increases agreed for 2010–14 if an alternative source of funding the replacement of the portfolio is realised.

If no alternate source of funding is found (such as Government funding) the rental increase agreed to by the Council in 2009 will remain in place with a further review in 2014. This will have a direct, and in some cases significant, impact on accommodation affordability for tenants, for although only a small number of complexes need replacing the ripple effect for the funding of such work affects all tenants in the Council's portfolio.

In endeavouring to identify alternate sources of funding the replacement of the portfolio without this expense falling fully on the tenants, the Council recently met with key stakeholders. Although there was wide ranging discussion, the group was unable to identify any feasible options, other than receiving grants or selling assets to release funds.

Therefore the Christchurch City Council is approaching Government to formally request \$84.175 million spread over twelve years to replace seventeen (out of 117) existing Council social housing complexes. The \$84.175 million will be used to fund the replacement of approximately 455 units, predominantly bedsits. It will enable the replacement programme to be advanced, commencing from 2011-12. This advancement will enable properties no longer appropriate for modern living to be replaced, thereby enhancing tenants wellness with an improvement in tenant health and reduced medical costs from what has been identified through research and contact with tenants... With earlier replacement, ongoing maintenance and refurbishment costs will also be reduced which, over time, will release further capital for the replacement programme.

As well as enabling the Council to maintain and operate a more efficient and effective social housing portfolio, a rebuilding programme with Government assistance offers the following benefits for the Government:

- Maintaining current levels of council social housing provision
- Improving the housing and the health of low income and/or vulnerable groups, including the elderly
- Involvement in best practice sustainable house building
- Supporting the local building industry
- Stimulating the local economy
- Accommodation Supplement savings
- Reducing demand on Housing New Zealand stock

Through the Council's Long Term Council Community Plan (LTCCP) and its Social Housing Strategy the Council has demonstrated its ongoing commitment to provide social rental housing at a minimum of the current number of units. A prime goal of the Council is to future proof its social housing and the advanced replacement of a number of complexes is an integral component of this.

It should be strongly noted at this point that the rent levels for Council's recent complexes include a replacement cost. This is how the Council intends to operate its new stock, thus preventing the current replacement funding shortfalls (largely from the unanticipated rapid deterioration of some stock) from occurring in new stock.

Lastly, while recognising that its own research indicates that additional social housing will be required in Christchurch, any future decision by the Council to provide additional housing will not be funded through income received from its rental portfolio. Alternative means of funding would need to be sourced to ensure that the funds set aside in the Council's Housing Fund<sup>1</sup> for future replacement of stock are not compromised.

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<sup>1</sup> The Council's Housing Fund is being built up through the balance between income from rentals and the cost of providing and operating the service.

## **PART TWO - CONTEXT**

### **2.1 Background - Council Involvement in Social Housing**

The Christchurch City Council has provided low-cost rental accommodation to low-income residents of Christchurch for over 70 years and is a pioneer of social housing in New Zealand.

Today, the Council has 2649 units in 117 complexes throughout Christchurch and Banks Peninsula, representing 7.2% of Christchurch's rental market. This makes the Council New Zealand's second largest provider of social housing, Housing New Zealand Corporation being the largest. Ninety per cent of the Council's units are bed-sit, studio or one-bedroom units.

The Christchurch City Council and the people of Christchurch are proud of its long history of providing social housing to the people of Christchurch. After the First World War there was an acute housing shortage in Christchurch. In 1921 the Christchurch City Council received a special loan from the State Advances Office to build eight houses on Council land in Huxley Street, Sydenham. In 1922 six more houses were built. In following years, the Council's housing scheme was hampered by a lack of funds. In 1925, the State Advances Office turned down its application for a further loan.

Ten years later, the Council decided something further had to be done about the housing shortages in the city. In 1938 a sub-committee was set up to prepare plans and investigate suitable sites for old-age pensioners' cottages. One month later, it recommended that a £25,000 loan be raised from the State Advances Department for the construction of 50 new cottages. The report was adopted and a portion of what was then the waterworks yard in Sydenham became the site of the first 16 cottages. They were built facing Barnett Avenue, a street specifically designed for the new housing complex.

At the official opening ceremony of Barnett Avenue in August 1938, the Mayor said that this was the first venture of its kind in New Zealand, a purpose-built complex for elderly persons' housing provided by a local authority. A further loan of £25,000 was raised and eight more cottages were built on the same site. Another 26 houses were built on Willard Street, at the rear of Addington School, bringing the city's total number of pensioner cottages to 50.

The Council's housing portfolio grew over the years to provide more housing for Christchurch's elderly residents. The 1970s and 1980s were years of particularly high growth. Some complexes were built on land owned by the Council, and others were purchased by the Council already built. The growth was encouraged by central government which offered low interest loans to city councils to provide housing.

A series of local body amalgamations occurred over the years, with the most recent being the amalgamation of the Christchurch City Council and the Banks Peninsula District Council. Although this meant the Christchurch City Council absorbed 546 social housing units, no funding was specifically received for the future replacement of this stock.

Central government stopped providing the low interest loans in the early 1990s. Along with this change, the Christchurch City Council acknowledged that there were gaps in the provision of affordable housing for people who were not elderly, but who had a disability (or disabilities) or who were disadvantaged.

A review of housing needs in 1996 resulted in a formal decision to widen the role of the Council's social housing by providing accommodation for a broader range of people. This required the construction of more flexible accommodation options to meet the community's needs such as units with more bedrooms and facilities for those with physical disabilities.

The Council also recognised that it is accommodating some of the most vulnerable members of society. In addition to a tenant-centred accommodation service, the Council also provides an activities service to its tenants. This service is designed to assist its tenants to participate in a range of activities designed around health, nutrition, exercise, personal development, education and recreation.

The Council's social housing is run as a self-funding entity, receiving no funding from rates. Asset management, staff and operational costs are all funded through revenue generated from providing the service. To achieve this, the Council must set aside sufficient funds to meet current and future replacement of building components at the end of their useful life generally and the replacement of an ageing portfolio in particular.

## 2.2 Christchurch City Council's Social Housing Strategy (2007)

In 2007 the Council adopted its Social Housing Strategy. The Strategy has as its vision "To contribute to the community's well-being by ensuring safe, accessible and affordable social housing is available to people on low incomes, including elderly persons and people with disabilities".

The Council's Social Housing Strategy signals a clear intention to continue to directly supply, and work with others to encourage the provision of, social housing. Integrating social housing into the wider community is a key part of the Strategy. This means locating social housing near community hubs wherever practical to provide opportunities for community integration and allow access to services by the residents.

Christchurch's housing need and the development of the Council's Social Housing Strategy have been influenced by:

- Decreasing housing affordability.
- An ageing population.
- Demand for an increase in the number and type of emergency and supported housing services.
- A limited supply of housing suitable to the needs of people with disabilities.
- A lack of suitable and safe housing options for a range of other groups.

Challenges noted in the Council's Social Housing Strategy are:

- A housing portfolio which is not necessarily compatible with today's housing needs or those of the future.
- Managing the increasingly complex housing needs of applicants.
- The compatible placing of tenants of varying backgrounds, ages and levels of health and well-being within the same complexes.
- Co-ordination with other social housing providers and services.

The Social Housing Strategy sets out the direction for both the Council's provision and support of social housing, and the ways it can deliver this vision. It was developed through research and consultation with key players in the social housing sector. Partnerships and collaboration are central to this strategy, which emphasises that addressing social housing needs is something that cannot be done by one agency or sector alone.

Maintaining, upgrading and expanding its provision of social housing where needed are all seen as important directions for the Council within this strategy. It is expected that this will require some reconfiguring, remodelling and relocating of existing stock. This is in the context of a housing portfolio that aims to be financially self-funding and sustainable in order to maintain existing levels of provision and to achieve the desired outcomes of the strategy.

The strategy notes that demographic and socioeconomic information and trends show the need for continued provision of both affordable housing and social housing. Current trends such as falling home ownership, ageing population, income inequality, and rising rental expenses are likely to continue to have a significant impact on the ability of people to access and secure housing. This suggests that there will be a growing need for social housing among a range of low-income groups. The Social Housing Strategy recognises these challenges and that the Council has a leadership role in the provision and facilitation of social housing in Christchurch.

## 2.3 The Ongoing Need for Social Housing

### 2.3.1 Link Between Affordable Housing and Social Housing

Christchurch city's home ownership rate fell from 74% to 69% between 1996 and 2006, and is projected to fall to 64% by 2016<sup>2</sup>. This decline is expected to be the most pronounced for families and those in the under 40 years age groups. Decreasing levels of home ownership are projected to become a permanent structural feature of New Zealand society.

It is becoming more difficult for aspiring home owners to enter the housing market. For example from the 2006 Census data, in Christchurch it is estimated that there are 28,380 renter households earning less than the household income required to purchase a lower quartile priced house. Furthermore, of this group there are 6,140 renter households who, while earning more than the median household income, still cannot afford to purchase a lower quartile priced house under standard bank lending criteria (Table One). According to 2001 Census data, no renter households fell into this category.

**Table One:** Changing Home Ownership Affordability for Renter Households

Income Measurement	Census Year	
	2001	2006
Median Household Income (MHI) for all households	\$36,500	\$48,200
Household Income Required to Purchase at Lower Quartile House Price	\$31,440	\$71,560
Renter Households Earning Less Than Amount Required to Purchase at Lower Quartile House Price	17,610	28,380
Renter Households Earning More Than MHI but Less Than Amount Required to Purchase at Lower Quartile House Price	0	6,140

These ownership trends have significant economic and social implications with asset ownership, such as housing, often being important for meaningful and ongoing participation in society. In the absence of a well developed and supported housing policy response the danger in the long term is the emergence of an asset and income poor older population.

### 2.3.2 Social Housing Needs Analysis

To gauge the challenges that Christchurch faces in social housing provision, the Council completed a social housing needs assessment in 2008. This work estimated that there were 30,770 households in Christchurch experiencing financial housing stress, i.e. paying more than 30% of their gross household income on housing costs. Of this group, 17,050 were renting households, which made up 41% of all renting households (Table Two). Slightly more than 71% of one-parent renter households were noted to be facing financial housing stress.

**Table Two:** Financially Stressed Households by Tenure

Tenure	Percentage of Income on Housing Costs		
	At least 30%	At least 40%	At least 50%
Owned	14.6	5.0	3.3
Rented (all)	41.3	26.1	17.6
Total	23.0	11.4	5.3

<sup>2</sup> Data for this section come from *Christchurch City housing market assessment and social housing needs analysis* (2008). DTZ, Wellington.

The number of renter households experiencing financial housing stress is forecast to increase to 24,600 households by 2026, meaning a rise from 12.7% to 15.3% of all households. One person households are projected to account for 69% of the growth in financially stressed renter households. This in turn is expected to increase demand for social housing, particularly for single people, for whom the Council is the main provider.

The Council's social housing needs assessment shows a clear link between falling levels of home ownership and long term rising demand for social housing. This means that despite a recent recovery in home affordability, current and projected tenure trends and structural ownership changes suggest that capability at all levels of government is needed to be able to respond to both affordable housing and social housing issues. Central government support for local government involvement in social housing is essential in meeting these challenges.

### **Special Housing Need Assessment**

Special housing is defined as households who because of their circumstances have housing needs in addition to affordability. Additional needs commonly relate to the adequacy of the physical condition and structure of housing, especially as it relates to the physically disabled; suitability of house size (overcrowding); accessibility to housing in the face of age, employment status and race discrimination; and sustainability in relation to ability to sustain private sector housing as a result of things like financial capacity, location or homelessness.

The key findings around special housing need in Christchurch city were:

- Poverty and affordability is at the heart of every type of special housing need;
- Anecdotally, beneficiaries make up 90% plus of all those with special housing needs;
- Special housing need is inextricably linked with social support and health; and
- Those with the most pressing special housing need generally have other significant support needs in addition to housing and will gravitate to Christchurch city from throughout the South Island because of the number and range of social support agencies operating in the city.

The number of households with current unmet special housing need is estimated to be approximately 1,370 households. The types of special housing required in Christchurch are:

- Social, supported and transitional housing for at risk and vulnerable young people, especially for males aged 16-18 years;
- Supported and transitional housing for the homeless – often single men 40-60 years old who are socially isolated;
- Supported, transitional and emergency housing for single women;
- More supported and transitional housing for women with children;
- More one and two-bedroom housing on one level with flat access, based on universal design principles and located near services and transport for people with physical disabilities and the elderly;
- More affordable one-bedroom dwellings with supportive landlords and supported housing for those who experience mental illness;
- More large houses for refugees and for Pacific people households;
- More supported one-bedroom dwellings available for male prisoners on release;
- Supported accommodation for women prisoners on release;
- More supported accommodation for teenage mothers;
- More supported housing for young mothers and families; and
- A 'wet house' for chronically addicted alcoholics.

In terms of dwelling type, the key gap appears to be around affordable one-bedroom (in particular) and two-bedroom units for single people across most target groups. More generally (and this impacts on all special needs groups), there is a need in Christchurch for better quality dwellings of all types that are well insulated and cost efficient to heat.



In the future it is likely to be the special housing needs of the elderly that will present the greatest challenge to social housing providers and support agencies in Christchurch, both in terms of the amount of need, its type and location. At the same time the ageing population will inevitably result in significant increases in the size of other special needs groups, in particular those with physical and sensory disabilities. This will bring a requirement for more social housing which is accessible and able to accommodate (or be refurbished to accommodate) people ageing in place.

Finally, it will be the adequacy of support structures around not only the elderly, but people with special housing needs generally, that will be a significant determinant of the rate at which the need for social housing increases. The Council plays a key role in facilitating such support for its tenants.

In summary, it is projected that some of the greatest ongoing need for social housing will be for one bedroom units largely to house individuals living alone. This research has implications for the Council around its future management and rationing of the social housing portfolio, and in identifying options for social housing provision and partnerships. At very least, the Council needs to maintain its current level of provision, and ensure its stock is in a suitable condition to meet demand.

## 2.4 The Council's Social Housing Market Share

In 2008 there were 8,549 social housing units in Christchurch, with the Council's share being 31% of this total (Table Three). Of the Council's share, ninety percent of its stock is comprised of one bedroom units (including bedsits and studio units).

One bedroom social housing units account for 36% of all public social housing stock in Christchurch (i.e. HNZC and CCC). The Council's share of the social housing one bedroom rental market is 81%, while its share for the total one bedroom rental market (i.e. public social housing plus the private sector) is 42%.

The Council's current waiting list for single bedroom accommodation averages 220 people (for three months to September 2009). This is projected to rise to more than 330 by 2026 given the predicted rise in financially stressed households as identified in the Council's 2008 social housing needs analysis<sup>3</sup>, if no further one bedroom social housing stock is constructed. HNZC has a waiting list of 744 in the greater Christchurch area (as at September 2009), with 28% of those on the list seeking one bedroom accommodation.

Clearly, the Council is a significant player in both the one bedroom social housing market and the overall one bedroom rental market. A loss of Council stock (i.e. if some current stock is not replaced in a timely manner) would create further shortages in this area, and would largely force low income prospective tenants onto either the HNZC waiting list, or into the private market where rents would probably rise in response to increased demand.

Currently the maximum one bedroom rental for the Council's social housing is \$126.50 per week, compared with a median of \$175 rent for one bedroom housing in the private market (year ending June 2009, i.e. a ratio of 72%. This ratio declined in recent years, but is now at its highest point following this year's rent rise (Table Four).

**Table Three:** Social Housing Stock

Provider	Number of Units	Percentage
Housing New Zealand	5597	65.5
CCC	2649	31.0
Non-Profit/Third Sector	301	3.5
Total	8547	100

**Table Four:** Comparison of Council and Private Sector One Bedroom Rents

Date	Council Maximum Rent (\$)	Median Private Sector Rent* (\$)	Council Percentage of Private Sector
1 July 2006	103.20	150	68.8
1 July 2007	108.50	160	67.8
1 July 2008	111.00	175	63.4
1 July 2009	126.50	175	72.3

\* Department of Building and Housing

<sup>3</sup> ibid

## **2.5 Strategic Links to Government**

Funding for the Council's social housing has strategic linkages to both central government and local government policy. The key links are noted below, while others are also referred to in the environmental benefits listed in Section Six.

### **Central Government**

#### **National Energy Efficiency and Conservation Strategy (2007)**

This strategy promotes energy efficiency, energy conservation and renewable energy with the context of a sustainable energy future. It is a key part of the Government's response to meeting its energy, climate change, sustainability and economic transformation goals. It emphasises warm dry healthy homes, improved air quality and reduced energy costs. Assistance for the Council's social housing would be of relevance to achieving the strategy's targets of improving the performance of both new and existing homes, although it is not feasible to retrofit insulation into some of our units.

#### **New Zealand Housing Strategy (2005)**

Central government, through Housing New Zealand, is currently advocating a stronger role for local authorities in meeting housing need. For example, the New Zealand Housing Strategy seeks a collaborative approach to meeting New Zealand's housing needs over the next 10 years and outlines ways that central and local government, iwi/Maori, Pacific groups and the wider housing sector can work together (Housing New Zealand Corporation, 2005). The Housing Innovation Fund and the Local Government Housing Fund has been established to encourage third sector groups and local government to increase their involvement in social housing and provide home ownership opportunities for low-income earners. Funding to support the retention of Council stock would help achieve several of the strategy's key aims, including improving the quality of New Zealand's housing stock and meeting diverse housing needs.

#### **Local Government Act (2002)**

Since 2002, with the passing of the new Local Government Act (LGA), councils have for the first time been explicitly expected to promote the social and cultural as well as environmental and economic well-being of their communities. The Local Government Act 2002 envisages councils collaborating with community and voluntary groups, government agencies and other stakeholders to identify, and find solutions to, community issues, such as housing. The Local Government Act does not explicitly state that local authorities should be involved in the provision of services, such as social housing. However, providing and supporting social housing is one of the ways that the Council contributes to building strong communities and to the social well-being of the community.

More generically, the LGA makes explicit the requirement of councils to plan properly for the maintenance of their assets and to link that asset provision to the key activities of councils.

#### **New Zealand Positive Ageing Strategy (2001)**

The aim of the Positive Ageing Strategy is to improve opportunities for older people to participate in the community in the ways that they choose. The strategy identifies 10 priority goals, with recommended actions to achieve these goals. These goals are around the themes of income, health, housing, transport, ageing in place, cultural diversity, rural, attitudes, employment and opportunities. The Christchurch City Council, along with other government departments and councils, is asked to provide an action plan each year and report on progress at the end of each year.

## **Local Government**

### **Greater Christchurch Urban Development Strategy (2007)**

The Greater Christchurch Urban Development Strategy (UDS) is a long-term plan for managing urban growth and land use in greater Christchurch. The UDS is a partnership between the Christchurch City Council, Environment Canterbury, the Waimakariri District Council, Selwyn District Council, and the New Zealand Transport Agency. In terms of housing, the UDS recognises challenges around an inadequate range of housing types to fulfil current demand, and for the provision of housing needs for an ageing population. One key objective is to increase the supply of well-located, affordable housing by carrying out a study of housing affordability options. This includes examining inclusive zoning measures, partnerships with developers, and monitoring the supply and demand of both affordable housing social housing.

### **Christchurch City Council's Strengthening Communities Strategy (2007)**

The Council has also developed a Strengthening Communities Strategy to provide a framework to guide the Council's work with community organisations to help develop strong communities. Through the strategy, the Council aims to identify priorities within the community and focus resources in these areas, to ensure it is outcome-orientated and delivering maximum benefit to the people of Christchurch. There has also been a review of community research to help understand community trends, issues and imperatives. This review noted several priorities for the Council to focus its efforts on, including the ongoing support and resourcing of social housing, and targeting more support services to its social housing complexes.

## **PART THREE – RECENT DEVELOPMENTS**

### **3.1 Rent review 2008/09**

The Council has addressed funding shortfall issues regarding the upcoming planned replacement of its stock. Using a cost of consumption model and a cashflow model, to plan for both the maintenance and ultimate replacing of stock, the funding gaps have become more apparent.

To ensure affordability to tenants, previous Councils have approved only modest increases in rent that have neither generated sufficient income to enable the Council to properly maintain its units nor allow accumulation of funds to rebuild the portfolio when required. The issue was compounded by use of the Housing Fund (which includes a depreciation component) to purchase additional units in an attempt to meet increased demand, rather than setting these funds aside for eventual stock replacement.

To address this funding gap, the Council resolved at its meeting of 27 March 2008 to increase rents for all of its existing social housing tenants (with the exception of tenants at a new complex, Whakahoa Village<sup>4</sup>) by 24%, from the beginning of the first rental period in July 2008 and for all new tenancies beginning on or after 1 May 2008.

This decision was subsequently successfully challenged in the High Court. The court ruled that the process was deficient and thus the Council was only able to increase its rents by 2.3% (based on the Capital Goods Price Index, or CGPI) for the 2008/09 year.

The Court ruled that the Council had not fully explored other ways in which to fund social housing and in particular the option of Government assistance.

Following the High Court decision, the Council sought fresh public comment on a range of rental increase options through a Special Consultative Procedure, commenced in early 2009. The Council hearings panel that considered submissions resulting from this process recommended that the Council's social housing rents increase by 14% for the year beginning 1 July 2009 and, if there are no alternative sources of funding the future replacement of the Council's housing units available and in place before 31 March 2010, by a further 16% for the year beginning 1 July 2010.

The panel also proposed that the Government be approached again for assistance and that the Council's housing working party convene a meeting of elected members, Council staff and community representatives (key stakeholders) to further examine long-term options for funding.

The hearings panel made it clear that should one or more of these options be adopted then the recommended increases in rent must be reduced to take account of any additional funds secured. This includes assistance from the Government.

As in previous consultations, the community continued to support an ongoing Council role in providing social housing, but at no cost to the ratepayer. An approach to Government for funding assistance in turn minimises the financial impacts on tenants.

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<sup>4</sup> The reason for Whakahoa Village being treated differently is that this is a new complex opened in 2007 and when its initial rents were struck this included a replacement factor.

### 3.2 Rent Review 2009/10

Following the Special Consultative Procedure, at its meeting of 23 April 2009 the Council resolved to:

- Instruct the Councils' housing working party to convene a meeting with key stakeholders, to explore possible funding options.
- Provide for the on-going maintenance of the councils' social housing portfolio by increasing rents for all existing housing tenants (with the exception of Whakahoa Village tenants) by 14% from the beginning of the first rental period in July 2009 and for all new tenancies (except Whakahoa Village tenancies) beginning on or after 1 May 2009.
- Increase rents for Whakahoa Village tenants by an amount equal to the 2008 increase in the CGPI from the beginning of the first rental period in July 2009 and for all new tenancies beginning on or after 1 May 2009.
- Seek financial assistance from the Government for the future replacement of the Council's social housing portfolio, and to apply any alternative funding received to reducing the rental increases as passed above.

A further motion passed by the Council, provided for rent increases during the period July 2010 - June 2015. The increases are:

- July 2010 : 5.7%
- July 2011 : 2.8% plus movement in Capital Goods Price Index
- July 2012 : 2.8% plus movement in Capital Goods Price Index
- July 2013 : 2.8% plus movement in Capital Goods Price Index
- July 2014 : 2.8% plus movement in Capital Goods Price Index

The increases above exclude Whakahoa Village tenants, whose rents will increase only by the movement in the CGPI. A further clause resolved that any alternative funding received is to be applied to reducing the rental increases except for Whakahoa Village.

It should be strongly emphasised at this point that the above rent increases above have not been applied to new complexes such as Whakahoa Village - the most recent complex built by the Council with HNZN assistance via the Housing Innovation Fund - as the rent levels for this complex include a replacement cost. This is how the Council intends to operate its new stock, thus preventing the current replacement funding shortfalls from occurring in new stock.

The effect of the rent rises agreed by the Council is to allow the maintenance and ongoing replacement of its housing stock in line with the AMP. It does not provide sufficient funding to accelerate the replacement programme to achieve the lift of housing standards to the desired level at an acceptable pace.

### 3.3 Key Stakeholders Meeting

Following the Council's 23 April 2009 decision, a meeting with key stakeholders was held on 1 September 2009. The meeting sought to identify alternative means of financing the replacement of the portfolio without this expense falling fully on tenants. A range of ideas resulted, but the meeting could not identify any funding scenarios which could assist significantly with the issue without having an impact on tenants.

Examples of options considered at this meeting, and their drawbacks, included:

- Partnerships / joint ventures – the partnering body would require a return on capital.
- Provide land to other organisations to construct social housing – the Council does not have a surfeit of surplus land available.
- Lease housing stock rather than own it – cost of lease would include eventual refurbishment and replacement costs.
- Bond issue – would require dividends for investors and eventual repayment of the bond.

Other options suggested included the consolidation of some sites and selling resultant surplus land; providing support services to other agencies rather than functioning directly as a landlord; and creating a Council Controlled Organisation (under the LGA) to run the Council's social housing.

Although the stakeholders meeting canvassed alternate sources of capital and possible alternate models for delivery, the only options that provide for replacement of the housing stock without the full impact being felt by tenants involve the Council receiving grant money or the sale of some assets to release funds.

## PART FOUR – TENANT MATTERS

### 4.1 Research on the Health of Council Housing

From a tenant health perspective, it is becoming increasingly urgent for the Council to replace stock that is contributing to negative health issues for tenants. While the Council has done all it reasonably can in terms of insulating and improving most of its stock, ultimately it cannot overcome building defects in some of its stock.

Evidence for the link between tenant health and stock quality comes from the Council's 2008 social housing research. The research sought to examine the interaction between the Council's social housing and the tenants who use it, in order to develop and improve understandings of a healthy and sustainable housing service. A stratified random sample technique was adopted, with a sample size of 182 being taken from the Council's social housing portfolio.

In terms of housing performance and the experience of tenants living in them, less than two-thirds of those surveyed (64%) said they feel satisfied with the overall temperature of their unit. Forty-three percent reported 'often' or 'always' feeling cold in winter. Thirteen percent said that they felt both too cold in winter and too hot in summer. When examined further, it was found that 63% of those relying on just bar or fan heating reported experiencing winter cold 'often' or 'always', compared with 37% of those who had other forms of heating experiencing winter cold 'often' or 'always'. In this light it should be emphasised that the elderly are still a significant proportion of the Council's tenants, with over half being aged more than 60 years.

In order to supplement their heating, 15% of those surveyed resorted to running unflued gas heaters in their units. While there did not seem to be any greater rates of health issues among this group, the health of those using gas heating will need to be monitored, given that from a health perspective unflued gas use is not a viable long term proposition<sup>5</sup>. Improved heating would presumably also lessen the need for supplementary heating such as gas heaters.

The effects of inadequate heating methods can be seen in the more highly reported health conditions (e.g. respiratory or lung disease, arthritis, diabetes) and health symptoms (e.g. headaches, dizziness, tiredness and lethargy) observed among those who just relied on bar and/or fan heating. For example, for those who relied on just bar and/or fan heating, 59% had three or more health conditions compared to 47% of those using additional or other heating methods (excluding gas). The research emphasised that adequate heating (and by implication insulation) and comfortable temperature levels throughout the year are an urgent area that the Council needs to address for some of its stock.

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<sup>5</sup> Morgan, C. (2008). 'The importance of a warm, dry home for good health this winter', *Environmental Health Quarterly Report*, 10 (1), 2-3.



## 4.2 Funding for Maintenance and Replacement and Impacts on Tenants

In recent years the Council has been grappling with the issue of the funding required to maintain and provide for the replacement of its social housing portfolio. In an effort to ensure affordability to tenants, previous Councils approved only modest increases in rent that have neither generated sufficient income to enable the Council to properly maintain its units nor accumulate funds for the purpose of rebuilding the portfolio when required.

As a yardstick to assess tenant affordability, the Council uses the model adopted by the Ministry of Social Development, which measures the proportion of the population spending more than 30% of their disposable income on housing. Under this model, the rent increase of 14% in 2009 resulted in an estimated maximum of 39% of Council's social housing tenants being above the 30% threshold. Nationally in 2007, 26% of all New Zealand households exceeded this same threshold.

With the majority of the Council's social housing tenants receiving most of their income from welfare benefits, for future rent increases the proportion of tenants above the MSD threshold will be determined by the annual movements in benefit levels. As well as financial impacts on tenants, the financial cost of the recommended rental increases is heavily subsidised by way of the accommodation supplement available through the Government for eligible beneficiaries.

Uppermost in the Council's mind in considering the affordability of rents is that it must also have regard to its ability to continue to provide the current level of social housing. While there is no doubt that the community wants the Council to continue to provide social housing it also requires this service to be self sustaining. This is in keeping with the Council's Social Housing Strategy, which requires it to operate its social housing service in a manner that is both financially sustainable for the Council and financially affordable for its tenants. The only way in which this can be achieved is for rents to increase to cover the cost of the service provided, or for alternative sources of funding to be made available.

## **PART FIVE – PORTFOLIO DEVELOPMENT & MANAGEMENT**

### **5.1 Portfolio Design and Changing Tenant Demand**

Most of the Councils' social housing complexes were designed and built with older persons in mind, consistent with the original focus being on pensioner housing. More than 90% of the portfolio consists of one bedroom units or bedsit / studio units.

A significant shift in the age and make up of social housing tenants has occurred over the last two decades, through de-institutionalisation and the Council's decision to offer its housing to a wider range of people. The key change is fewer units occupied by older people - down from more than 80% in the early 1990s, to approximately 58% today.

The changing age profile is also illustrated by 39% of recent applications being made by people aged 50 years or younger. The tenant mix changes have had an impact on noise control, privacy, security and maintenance issues in the complexes, as well as on the use of open spaces within complexes.

These changes mean that the original focus on housing for the elderly has been replaced by the need to accommodate many people who need safe and affordable housing after experiencing deinstitutionalisation from health and correction services as well as those displaced by urban redevelopment which has removed boarding houses located on increasingly valuable central city land. Elderly people are still looking for accommodation, but they no longer form such a large percentage of those applying for the Council's social housing.

Bed-sits are generally smaller in area than a one bedroom unit and provide an open plan living/sleeping area. Studios are bedsits that have been modified to create a partial separation of sleeping areas. The very narrow nature of some units prevents them from being remodelled for better use of the available space. Bedsits and studios, because of their cramped nature, are below the standard the Council wants to offer its tenants, e.g. ergonomic problems with elderly and/or disabled tenants, and have health issues.

Although no bedsits or studios have been built in the last 20 years, there is still demand for them. The rentals for bedsits and studios are less than rentals for one bedroom units but the cost of building and operating all three types of unit is very similar. The changing tenant demographic, the physical limitations of some bedsit/studios and their location in generally older, less desirable complexes are all factors contributing to concerns about the suitability of these units and the merit of spending more money to substantially upgrade them.

The quality of the Council's social housing varies, with a range of designs and construction materials. Older complexes tend to be of weatherboard construction with timber framing and corrugated iron or concrete tile roofs. Although well built, they now require substantial reinvestment due to physical ageing or functional obsolescence. Renewal of, or significant repair to, base infrastructure such as drainage, electrical and plumbing systems, and foundations has been required at a number of older complexes. Complexes constructed in the 1960s and 1970s are now starting to display similar issues.

The site layout and density of some of the older complexes contributes to high grounds maintenance compared to newer, more intensively developed complexes.

Construction of complexes built in the 1960s and 1970s is a mix of brick, tilt slab concrete and concrete block with some concrete block units not being lined on the internal face of external walls - resulting in units that are difficult to heat and have significant condensation problems. A number of these display problems with functionality, high maintenance costs and materials failure.

Complexes built since the 1970s tend to be more consistent with modern expectations, although there are some complexes with condensation and insulation problems which are difficult and expensive to remedy.

More recent developments, i.e. 1980s onwards, have not yet reached a point where extensive and expensive renewal of components is required.

The condition of the stock varies across the portfolio depending on factors such as age, design and materials. Tenant lifestyle is also a factor but to an extent this is controllable.

An extensive condition assessment has been conducted and this is reinforced through regular property inspections with information obtained informing the cost of consumption model for future maintenance programming purposes.

The expectations on the Council to comply with legislative change since the 1970s, and the Council's own wish to provide warm, comfortable and appropriate housing, means investment is required to address these and other issues. In particular, issues associated with health and safety, physical access, condensation and poor insulation require more urgent attention. This work is disruptive to tenants and adds significantly to the cost of operating the social housing service. The upgrading programme has been allowed for in the cost of consumption financial forecasts, and is likely to span several decades.

## 5.2 Condition Assessment

As already noted, the condition of the Council's housing stock varies across the portfolio, depending on factors including age, materials, design, environmental conditions and the nature of tenant lifestyles/occupancy. At a generic portfolio-wide level, the condition is moderately good. Many exceptions to this exist and some aspects and areas of the portfolio are showing their age, with quite noticeable asset failure.

Building component degradation occurs at different speeds. A number of significant maintenance and renewal cycles have relatively short time-lines (i.e. up to a 13 year cycle). The Council completed an extensive condition assessment of its units in 2004 and has subsequently continued to monitor asset condition and performance in several ways. These include annual housing officer inspections; targeted project inspections; contractor inspections and contract management audits. A comprehensive check is also done when each unit is vacated to identify work that can be done quickly and immediately.

Since 2001, the Council has electronically captured asset maintenance information. More recently, the Council has used its financial and asset management systems to schedule maintenance as well as programme projects for the future. This is done using known recent trends, industry based cycles and condition monitoring. The quality and reliability of these forecasts is continually improving as more information and data is collected. Key maintenance and renewal strategies employed by the Council are covered under asset maintenance and renewal strategies.

However, the fundamental problem faced by the Council is the timeframe available to generate sufficient reserves for the imminent (in asset terms) major replacement requirements. With more recent additions to the portfolio, rentals generate positive cashflows, but for older housing stock and those complexes already suffering from functional obsolescence the cashflow is negative.

### 5.3 Asset Management

In accordance with the requirements of the Local Government Act, the Council has developed an asset management plan in support of its LTCCP. The asset management plan summarises the physical and financial history of assets, provides a snapshot of their current condition and also provides a forecast of works required to maintain or achieve the desired technical standard or level of service over time.

The asset management plan also expresses the original and current reason for the property's existence and seeks to align asset performance with the demand for the activity and the levels of service in place for the activity. It addresses the potential for changes in activity demand, identifies the implications these might have on the assets adequacy and identifies asset solutions, either planned or possible, to address identified gaps. In essence the asset management plan is a tactical business plan summarising how the Council plans and manages assets in support of certain activities.

The Council's social housing asset management plan was written in 2003 and is currently being extensively rewritten; this process has been completed to the stage where it is under review prior to final sign-off as a working document.

The Council's present and future needs in relation to property assets are highly susceptible to changing community needs and expectations, along with other factors that lead to functional obsolescence. Traditionally the planning, provision and on-going management of the Council's property assets has largely been reactive, as opposed to part of a long term strategic plan to achieve targeted community outcomes. The asset management plan attempts to overcome these issues. The asset management plan is based on best practice for high turnover rental properties<sup>6</sup>.

In support of the asset management plan, the Council has developed a cost of consumption model which basically takes into account the costs involved in owning and maintaining the property over its life period (based on 90 years). This model allows predicted income (rentals plus interest earned), predicted expenses and required asset replacement provisions to be profiled and a projected cash flow calculated.

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<sup>6</sup> For example with reference to the National Asset Management Steering (NAMS) Group and the International Infrastructure Management Manual (IIAM)

## 5.4 Portfolio Funding

Following the development of the asset management plan the Council's social housing rents were changed in 2003, so that the rent for each unit more accurately reflected the type of accommodation provided and the cost of providing it. The AMP analysis also identified that for the Council's social housing to remain financially viable in the long term, a significant rent increase was required, along with tighter management of asset related levels of service. The Council has sought to adequately fund all asset and operational costs through revenue generated from rentals. The tool developed to capture the total cost of owning and operating social housing was the cost of consumption model. The 2009 decision to increase rentals by 14% was consistent with this approach, and was a vital and prudent step in ensuring the financial viability of the Council's social housing.

The ability to continue providing social housing at current rental levels is directly related to the income earned through investment (in low expenditure years) and allowing the replacement fund to grow. Even with the higher rentals approved from 2009 through to 2014 which allow for replacement, it will be a number of years before the Council is in a financial position to start a replacement programme without resorting to borrowing and thereby imposing more cost on the tenants i.e. payment of interest in addition to capital plus saving again for the next round of replacement of the complex in approximately 90 years time.

Current rentals, coupled with the proposed increases over the next few years will allow for the eventual replacement of the social housing stock. However, this does not allow the Council to address the issues as they relate to tenant health and wellness as early as the Council feels necessary. After 2014, rent rises will default to that of the movement in the CGPI.

This replacement factor in the rentals will impact on tenants who are on fixed incomes and is likely to place more of them in a situation of housing costs being considered to be unaffordable.

## PART SIX – REPLACEMENT PROGRAMME

### 6.1 Proposed Replacement Programme

Under the current AMP replacement of stock would begin in 2026 once stock starts to reach 90 years of age, but this request to Government is to bring forward the replacement of some of these units due to their poor performance, maintenance costs, and negative health impacts.

Table Five indicates the seventeen complexes for which replacement could be accelerated and their associated cost. Table Six then summarises the replacement programme over a twelve year time period. Lastly, Table Seven indicates the extent of the problems faced with these complexes and why they are therefore considered to be in urgent need of replacement.

**Table Five:** Proposed Complex Replacement

Complex Name	Year Built	Replacement Date Under AMP**	Replacement Age (Yrs) Under Govt Funding	Replacement Cost
Andrews Crescent	1953	2043	58	\$ 6,660,000
Guthrey Courts	1977	2067	34	\$ 5,920,000
Brougham Village*	1978	2068 (65 units ) 2074 (24 units )	34	\$12,025,000
Willard Street	1939	2029	74	\$ 4,810,000
Carey Street	1942	2032	61	\$ 5,920,000
Coles Place	1953	2043	61	\$ 3,700,000
Hennessy Place	1961	2051	53	\$ 2,960,000
Huggins Place	1958	2048	57	\$ 5,550,000
Sandilands	1947	2037	69	\$ 4,440,000
Elm Grove	1956	2046	60	\$ 1,295,000
Feast Place	1959	2049	58	\$ 5,365,000
Boyd Cottages	1964	2054	53	\$ 740,000
Gowerton Place	1960	2050	58	\$ 5,550,000
Bruce Terrace	1959	2049	59	\$ 555,000
Macgibbon Place	1961	2051	57	\$ 6,660,000
Glue Place	1961	2051	59	\$ 6,475,000
Cresselly Place	1961	2051	60	\$ 5,550,000
<b>Total</b>				<b>\$84,175,000</b>

\* Complex with multiple aged buildings

\*\* Asset Management Plan

**Table Six:** Replacement Programme Expenditure over Twelve Years

Programme Year	Financial Year	Replacement Cost	Complexes
Year 1	2010/2011	-	
Year 2	2011/2012	\$12,580,000	Andrews Crescent, Guthrey Courts
Year 3	2012/2013	\$12,025,000	Brougham Village
Year 4	2013/2014	\$10,730,000	Willard Street, Carey Street
Year 5	2014/2015	\$ 6,660,000	Coles Place, Hennessy Place
Year 6	2015/2016	\$ 5,550,000	Huggins Place
Year 7	2016/2017	\$ 5,735,000	Sandilands, Elm Grove
Year 8	2017/2018	\$ 6,105,000	Feast Place, Boyd Cottages
Year 9	2018/2019	\$ 6,105,000	Gowerton Place, Bruce Terrace
Year 10	2019/2020	\$ 6,660,000	Macgibbon Place
Year 11	2020/2021	\$ 6,475,000	Glue Place
Year 12	2021/2022	\$ 5,550,000	Cresselly Place
<b>Total</b>		<b>\$84,175,000</b>	

**Table Seven:** Summary of Problems Faced With Complexes Proposed for Replacement

Complex Name	Good Site Utilisation	Deferred Maintenance due to design defects	Good Urban Design	Insulated to Appropriate Standard				Good Functionality		
				Floors	Walls	Roof	Windows	Bathrooms	Kitchens	Other
Andrews Crescent	No		No		No		No			
Guthrey Courts		YES	No		No	No	No	No	No	No
Brougham Street		YES	No	No	No	No	No	No	No	No
Willard Street	No		No		No		No		No	No
Carey Street	No		No		No		No		No	No
Coles Place	No		No		No		No	No	No	No
Hennessy Place			No		No	No	No		No	No
Huggins Place			No		No		No		No	No
Sandilands			No		No		No		No	No
Elm Grove			No		No		No		No	No
Feast Place			No		No		No		No	No
Boyd Cottages			No		No		No	No	No	No
Gowerton Place			No		No		No		No	No
Bruce Terrace			No		No		No	No	No	No
Macgibbon Place			No		No		No		No	No
Glue Place			No		No		No		No	No
Cresselly Place			No		No		No		No	No



## 6.2 Replacement Stock Examples

The following are examples of typical complexes which have been identified as being most in need of an advanced replacement programme.

### 1. Andrews Crescent:



Constructed in 1953 consisting of 36 bedsits. Concrete piles with timber flooring and un-insulated weatherboard walls. Significant problems with heating and noise transfer between units. Large site which has capacity for further development or subdivision. Functional issues with size of living space, disabled persons access and internal movement, poorly designed bathrooms.

## 2. Guthrey Courts:



Constructed in 1977 consisting of 26 one bedroom units of un-insulated concrete block and fibrolite construction, sited on a concrete slab. The concrete block walls are not lined internally. The roof is flat with limited ceiling insulation. Significant problems with heating, condensation, noise transfer between units.

### 3. Brougham Village:



Constructed in 1978 consisting of 89 units comprised of a mix of 1, 2, and 3 bedroom units. Concrete slab base with un-insulated and unlined concrete block walls. The roof is a combination of clay tiles and butynol.

This complex has significant design issues including some un-insulated fibreglass wall sections, gables with large windows, small and potentially hazardous bathrooms, and difficulties with access for older people and people with a physical disability.



**Brougham Village (contd):**

Shows fibre glass wall sections protruding from kitchen area – unlined internally.

**Brougham Village (ctd)**

Unlined fibreglass wall in kitchen. Unlined concrete block walls.



Typical interior showing unlined concrete block walls.

**Brougham Village (ctd):**





#### 4. Willard Street:



Constructed in 1939 consisting of 26 bedsits. Concrete piles with timber flooring and un-insulated weatherboard walls.

Significant problems with heating and noise transfer between units.

Functional issues with size of living space, disabled persons access and internal movement, poorly designed bathrooms.



## 5. Carey Street:



Constructed in 1942 consisting of 32 bedsits. Concrete piles with timber flooring and un-insulated weatherboard walls.

Significant problems with heating and noise transfer.

Functional issues with size of living space, disabled persons access and internal movement, poorly designed bathrooms.

## 6. Coles Place:



Constructed in 1953 consisting of 20 bedsits. Concrete piles with timber flooring and un-insulated weatherboard walls.

Significant problems with heating and noise transfer.

Functional issues with size of living space, disabled persons access and internal movement, poorly designed bathrooms

### 7. Gowerton Place:



Constructed in 1962 consisting of 29 studios and 1 bedsit. Concrete piles with timber flooring and uninsulated weatherboard walls. Design not conducive to ease of access and living for older people and those with a physical disability, very small inside. Significant problems with heating and noise transfer between units.



## PART SEVEN - BENEFITS OF STOCK REPLACEMENT

Central government and the Christchurch City Council have traditionally worked closely in the development of community initiatives. The Council's social housing complements that provided in Christchurch by Housing New Zealand Corporation with which the council has a close working relationship. The Council's social housing replacement requirement presents an opportunity for this close relationship to be further enhanced.

Assistance with the funding the replacement of the Council's social housing stock would clearly help ensure the long term viability of the Council's social housing programme as an important contributor to the provision of social housing in Christchurch.

### 7.1 Why Rebuilding is better than Retrofitting

When considering whether to retrofit or to rebuild substandard social housing stock for energy efficiency and health outcomes, several pieces of New Zealand research help provide an answer to this question.

Research on the impact of insulating existing homes on the health of householders with respiratory disorders found that significant results were obtained for reduced levels of condensation, moulds and mouldy smells; levels of nitrogen dioxide were halved; asthmatic children reported less coughing and wheezing, and fewer episodes of cold and 'flu'<sup>7</sup>.

However, another study has found that basic insulation of poorer quality houses in colder climates is of more limited value in terms of energy efficiency. The impact of basic ceiling and floor upgrades was recorded over a two year period for a sample of state houses in Dunedin, Invercargill and Gore, after which a few homes were examined more closely. The analysis and modelling concluded that 'this upgrade programme has not produced significant improvement in either thermal comfort or energy efficiency, at least in the colder regions of the country'<sup>8</sup>.

Better results were obtained with a more comprehensive insulation programme. For example, three different levels of thermal insulation were applied from 'basic' to a full thermal envelope, including double glazing and efficient space heating, in 10 existing 1970s homes in Porirua. While heavy ceiling and under-floor insulation definitely improved thermal performance, the greatest reticulated energy savings and temperatures were recorded in the high grade retrofit<sup>9</sup>. However, this work is not always feasible with older housing stock.

What these studies suggest for Christchurch is that while health gains are apparent, there is limited energy efficiency to be gained in insulating poor quality stock given that full thermal insulation is either not practical or cost-efficient, and that health and energy efficiency gains are best served by replacing such stock.

<sup>7</sup> Howden-Chapman, P., Pierse, N., Nicholls, S., Gillespie-Bennett, J., Viggers, H., Cunningham, M., Phipps, R., Boulic, M., Fjällström, P., Free, S., Chapman, R., Lloyd, B., Wikens, K., Shields, D., Bakeer, M., Cunningham, C., Woodward, A., Bullen, C. and Crane, J. (2008). 'Effects of improved home heating on asthma in community dwelling children: randomised controlled trial'. *British Medical Journal* 337:a1411.

<sup>8</sup> Lloyd, B. and Callau, M. (2006). Monitoring of energy efficiency upgrades in state houses in southern New Zealand. Energy Management Group. Dunedin.

<sup>9</sup> Burgess, J.C., Buckett, N.R., Camilleri, M.J.T., French, L.J., Pollard, A.R. and Hancock, P.J. (2009). Final Monitoring Report from the Papakowhai Renovation project. Report TE106/15. Wellington: Beacon Pathway Ltd.

## 7.2 Key Benefits

### Environmental

Stock replacement would contribute to Government goals on sustainable building design. For example, replacing outdated and poor performing stock would improve the environmental performance and energy efficiency of the Council's social housing. This is a key strand of National Energy Efficiency and Conservation Strategy adopted by the Government in 2007.

Home insulation and cleaner, more efficient forms of heating are key Government goals. With the ability to insulate poorer quality stock often being very limited, replacing of poorer quality housing is the only viable way to achieve insulation and energy efficiency goals. A rebuilding package would fit in with the Government's insulation aims, as noted in its budget announcement on 27 May 2009, to make more New Zealand homes warmer, drier and healthier. In addition to better tenant health, the local economy will benefit from increased employment in the building and construction industry, and the environment will benefit from increased energy efficiency.

In terms of recycling building materials and reducing waste, the Council seeks to follow REBRI (Resource Efficiency in the Building and Related Industries) guidelines (<http://www.rebri.org.nz/>) for construction and de-construction projects. This would also be an opportunity to demonstrate and model effective recycling of building material as well as helping meet the NZ Waste Strategy Targets (<http://www.mfe.govt.nz/publications/waste/waste-strategy-mar02/>).

### Economic

Rebuilding some housing would be a valuable opportunity to work with other parties (e.g. developers) for wider urban redevelopment at the social housing sites needing to be replaced. This would also provide broader opportunities for the Government to be involved in developing and showcasing building sustainability.

Replacing some of the Council's stock would minimise pressure on other sectors of the rental market, especially HNZC, who as at September 2009 had 204 people on their waiting list for one bedroom accommodation in the greater Christchurch area.

Supporting the replacement of stock would stimulate the building industry and help create employment. Work done for the Council on economic multipliers for greater Christchurch (Christchurch City, Waimakariri, and Selwyn) shows that for every dollar spent on residential building \$2.97 of spending is generated.

### Social

Remodelling poor performing complexes will help facilitate better social interaction between tenants (for example, 33% of Council tenants state that they have had negative contact with their neighbours compared to NZ Quality of Life findings of 13% of low income earners reporting this type of contact). This is of increasing importance to the Council given the more diverse tenant profile that it now has.

Rebuilt stock would also contribute to the New Zealand Housing Strategy's goals of improving the quality of New Zealand's housing stock, and meeting diverse housing needs (Council tenants comprise people on very low incomes, often with special housing needs due to health or disability reasons). It would also mean that the Council is able to continue to accommodate many people who would otherwise struggle to obtain affordable accommodation, in particular ex prisoners and people experiencing mental illness.

### Health

Health benefits are clearly likely in terms of improved heating in new stock. Fifteen percent of the Council's social housing tenants use unflued gas heaters in an attempt to supplement

their heating. This often occurs in units that cannot be sufficiently retrofitted to overcome heating and insulation problems. Unflued gas heaters are banned in Australia, Britain and the United States because of the health risk from condensation and unburned by-products. Research shows that poor indoor conditions can exacerbate or trigger asthma symptoms<sup>10</sup>.

### **7.3 Savings for Government**

On the basis of the Council's assumptions (including that all tenants receive a benefit of some sort and that all are therefore eligible for the accommodation supplement - unless their level of assets or income from other sources precludes this), the total annual value of the accommodation supplement subsidy tenants now receive from the Government is approximately \$4.4 million. With an \$84 million cash injection into the Council's replacement programme, the Government's estimated yearly accommodation supplement saving would increase from \$0.17 million in 2010 to \$1.21 million by 2019, representing an overall saving of \$8.65 million over ten years (Table Eight). By necessity these are estimates only and the Government will have access to more accurate information through WINZ.

### **7.4 Opportunities for Government**

In summary a rebuilding programme with Government assistance will offer the following benefits, many of which will be apparent in the short term:

- Maintaining current levels of the Council's social housing provision
- Improving the housing and the health of low income and/or vulnerable groups, including the elderly
- Involvement in best practice sustainable house building
- Supporting the local building industry
- Stimulating the local economy
- Reducing demand on HNZC stock

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<sup>10</sup> Carrer, P., Maroni, M., Alcini, D. and Cavallo, D. (2001). 'Allergens in indoor air: environmental assessment and health effects', *Science of the Total Environment*, 270: 33-42.

**Table Eight: Estimated Accommodation Supplement Savings for Government**

<b>Rentals With No Government Funding</b>											
<b>Year</b>	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Rental (\$)</b>	105.50	111.51	117.87	124.59	131.69	139.20	143.23	147.39	151.66	156.06	156.06
<b>Increase (percent)*</b>		5.7	2.8	2.8	2.8	2.8					
<b>CGPI (estimate)*</b>			2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9
<b>Rentals With \$84m Government Funding</b>											
<b>Year</b>	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Rental (\$)</b>	105.50	109.72	114.11	118.67	123.42	128.36	132.08	135.91	139.85	143.91	143.91
<b>Increase (percent)**</b>		4	1.1	1.1	1.1	1.1					
<b>CGPI (estimate)*</b>		2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9
<b>Accommodation Supplement (AS) Saving With Government Funding</b>											
<b>Year</b>	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Rental Difference (\$)</b>		1.79	3.76	5.92	8.27	10.84	11.15	11.48	11.81	12.15	12.50
<b>AS (at 70c per dollar)</b>		1.26	2.63	4.14	5.79	7.59	7.81	8.03	8.27	8.51	8.75
<b>Weekly Saving (\$)</b>		3,326	6,974	10,969	15,335	20,099	20,682	21,282	21,899	22,534	23,188
<b>Annual Saving (\$)</b>		172,936	362,646	570,364	797,404	1,045,167	1,075,476	1,106,665	1,138,759	1,171,783	1,205,764

\* Rental increase as resolved by the Council, 23 April 2009

\*\* Reduced rental increase that would follow from Government funding.