

COUNCILLOR WORKSHOP |November 2026

DCC Community Housing

Revenue and Financing Policy

DUNEDIN CITY COUNCIL | kaunihera ā-rohe o Ōtepoti

Purpose of the Workshop

Council resolved on 27 May 2026 to keep Community Housing rents unchanged for 2026/27 while longer-term funding options are considered.

Discuss longer-term funding options for DCC Community Housing.

FOCUS

Revenue and Financing Policy settings

Consider affordability and how depreciation could be treated.

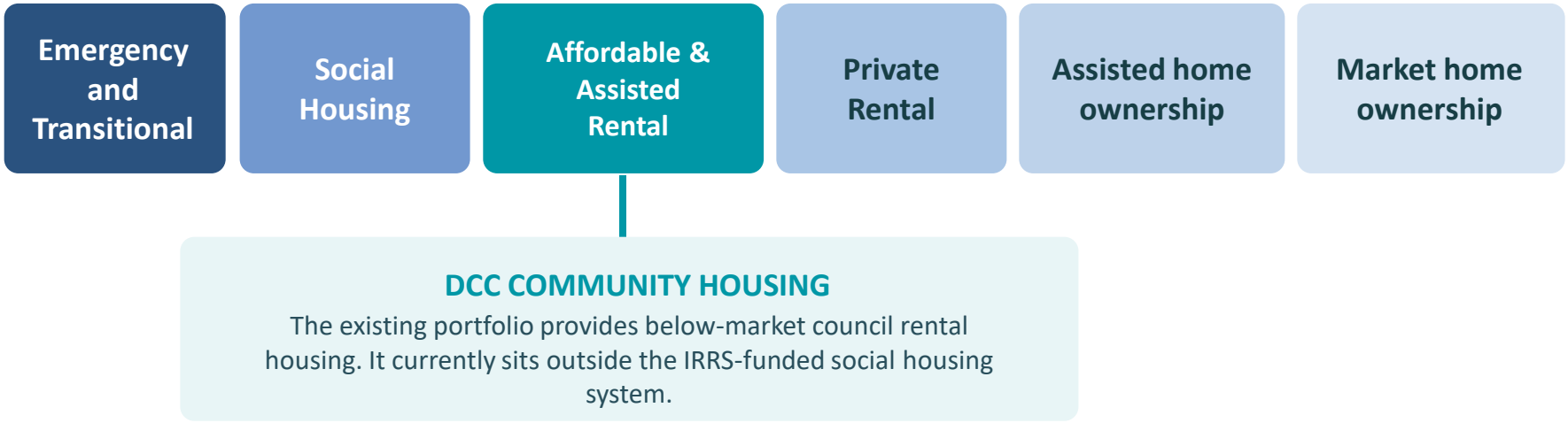


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CHARACTERISTICS OF DCC COMMUNITY HOUSING

The people, places and purpose of the portfolio

Where does local government fit within the housing system?



DCC COMMUNITY HOUSING

The existing portfolio provides below-market council rental housing. It currently sits outside the IRRS-funded social housing system.

This is a spectrum of housing options rather than a pathway.

DCC Community Housing Portfolio

940

COMMUNITY HOUSING UNITS

92

SITES ACROSS ŌTEPOTI DUNEDIN

Homes are located throughout the city, supporting residents to remain connected to their communities.

Who does the portfolio prioritise?

The Community Housing Policy 2022 prioritises people aged 55+ with limited income and assets, particularly those with urgent or accessible-housing needs.



Resident Demographics

Most Community Housing residents are aged over 65 years of age and live alone.



78%
of residents are 65+

733
single-unit homes

Resident age profile

65 years and over	654 residents	**70%**
55–64 years	201 residents	**21%**
Below 55 years	72 residents	**8%**

Pictured above: North East Valley residents Linda and Pat became neighbours 20 years ago and are now best friends.

Waitlist



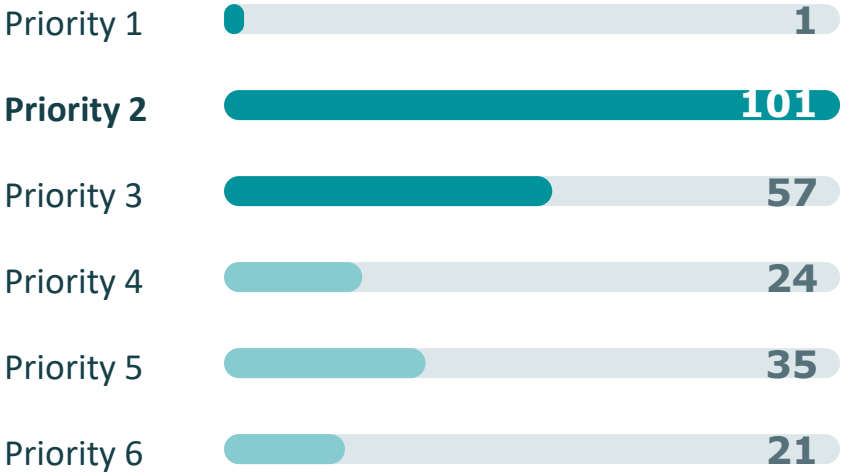
245 TOTAL APPLICANTS

AGE PROFILE

32%	20%	48%
78	49	118
< 55 yrs	55–64 yrs	65+ yrs

Applicants by priority

Demand is concentrated in Priorities 2 and 3.



Almost half of applicants are aged 65 or over, and are concentrated in Priorities 2 and 3.

DCC Community Housing Units Age



Share of housing units by construction era

The 1960s and 1970s dominate the portfolio.



Older homes require sustained maintenance, renewal and forward planning to remain safe, suitable and cost-effective.



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OPERATING EXPENDITURE AND REVENUE

Understanding the cost of providing the service

Community Housing Funding 2026/27

TOTAL EXTERNAL REVENUE
$7.95m

TOTAL EXPENDITURE
$10.62m

DEFICIT
$2.67m

Deficit is funded by rates

Community Housing Operating Budget 2026/27

Operations and maintenance	$3,338,162
Planned maintenance	$2,031,704
Reactive maintenance	$1,306,458
Occupancy costs	**$3,188,380**
Rates	$2,281,221
Materials damage insurance	$733,350
Electricity	$128,798
Ground rent	$29,611
Energy management	$15,400

TOTAL EXPENDITURE $10.6m

Depreciation	$2,995,719
Buildings	$2,979,253
Plant and machinery	$16,466
Personnel costs	**$507,485**
Interest on term debt	**$386,000**
Internal costs	**$187,000**
Internal property management fees	$187,000
Consumables and general costs	**$18,305**
GST adjustment expense	$10,874
Printing	$3,000
Sundry expenditure	$231
Sundry expense	$4,200

Community Housing Budget 2026/27

What makes up the $10.6m expenditure budget?



$3m Depreciation is larger than the reported deficit.

Community Housing cost pressures

Three significant components of the 2026/27 expenditure budget

01

Rates

$2.28m

Occupancy cost

02

Materials damage insurance

$0.73m

Occupancy cost

03

Depreciation

$3.00m

Accounting expense

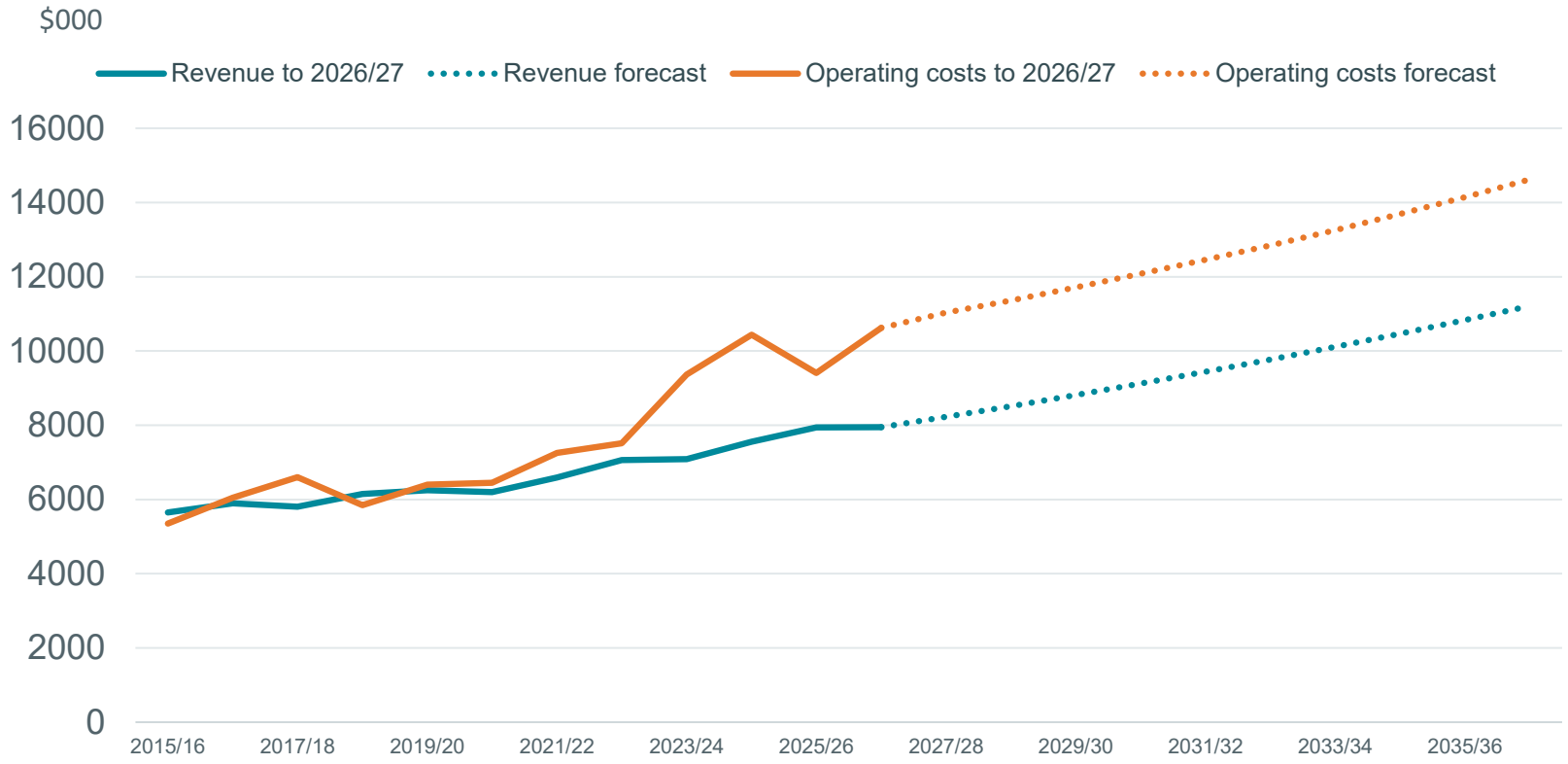
Depreciation accounts for 28% of the $10.6m total expenditure budget.

WHY THIS MATTERS

The cost pressures need to be considered when determining the level of funding required to sustain the portfolio.

Community Housing Revenue and Expenditure

3.5% annual rent increases from 2027/28 | Full depreciation funded



If rental increases do not keep pace with cost increases, the portfolio will require an increasing level of rates subsidy.



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CAPITAL RENEWALS AND DEPRECIATION

Sustaining the housing portfolio over the long term

Community Housing's Draft 10-Year Capital Renewal Plan

General Asset Renewals	Windows	Roofing
$7.40m | 56%	$2.76m | 21%	$3.05m | 23%

WINDOWS | $2.76m over 10 years

319 dwellings | 34% of the portfolio

3,830 windows
$9.58m current replacement cost.

50-year assumed life | $200k long-run annual average.
$500k annual programme, then reducing to $400k, then to $200k

ROOFING | $3.05m over 10 years

~24% of dwellings | 22% of roof area

47,613 m²
$11.90m current replacement cost.

50-year assumed life | $238k long-run annual average.
Annual programme reduces from $400k to $250k

Depreciation and asset revaluations

Asset revaluations can significantly change annual depreciation — without a matching change in annual renewal expenditure.

VALUATION

Based off "Optimised Depreciated Replacement Cost" (ODRC). An external valuer determines the current estimated replacement cost factoring in the remaining useful life and functional/economic impact of each asset.

RENEWALS

Funded separately through Council's capital programme. There is no direct year-by-year relationship between depreciation and renewal expenditure.

POLICY QUESTION

To what extent should depreciation influence the assessment of financial performance and future Community Housing rents?



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TENANT AFFORDABILITY

Balancing rent contributions with residents' ability to pay

Rent affordability

The impact of a rent increase depends on the income support they receive.

Residents aged 65 years and over

70% **of DCC community housing residents are aged 65 or over**

- Eligible for NZ Superannuation.
- May also qualify for Accommodation Supplement if income is below regional limits.

Residents aged under 65 years

29% **of residents are likely to have low income or receive Jobseeker Support**

- Supported Living Payment is available for individuals who have a permanent, significant health condition, injury or disability.
- Accommodation Supplement may contribute towards housing costs where eligibility criteria are met.

Accommodation Supplement

A non-taxable financial payment provided by Work and Income to help people pay their accommodation costs.



WHAT IT CAN DO

Help eligible residents meet their accommodation costs.

FROM 1 APRIL 2027

+$10–$30 per week

Maximum payments are increasing.

RENT-SETTING IMPLICATION

Staff have prepared examples which we will go through shortly. Each example outlines the funding and the impact on community housing rents as percentage and dollar amount, alongside affordability information.

Income Related Rent Subsidy (IRRS)





School Street, Kaikorai | Existing DCC housing
Photos by Andy Spain

CURRENT POSITION

DCC cannot access IRRS directly.

IRRS is paid to Kāinga Ora and registered Community Housing Providers. Local authorities cannot register as Class 1 Social Landlords.

POTENTIAL PATHWAY

Additional housing supply, through a genuinely independent entity could qualify.

Existing DCC community housing units will not be eligible for IRRS.

Income Related Rent Subsidy - Example

New Plymouth Council's review found that the existing portfolio and new-supply pathway should be considered separately.



Wynyard Street, Bell Block

12 new affordable rental homes for older people, to be leased and managed by Habitat for Humanity Central Region.

Source: New Plymouth District Council, 6 October 2026

01 Existing tenancies cannot simply be converted

IRRS applies to eligible public-housing placements.

02 Access requires structural change

A separate entity or CHP partnership, regulatory compliance and a HUD contract would be required — with no guaranteed allocation.

03 Near-term revenue tools remain available

Rent-setting, depreciation funding, accommodation supplement uptake can support revenue while DCC retains its current model.

IRRS is more relevant to new supply, where the CHP arrangement can be established from the outset.

Market Rent Comparison

Weekly rent comparison by unit type

Unit type	Homes	2025/26 DCC rent	Market rent range
Bedsit	67	**$147**	$270–$340
Single (partitioned)	316	**$150**	$295–$450
Single (separate)	349	**$156**	$295–$450
Double (partitioned)	60	**$206**	$380–$520
Double (separate)	47	**$212**	$380–$520
1 bedroom	54	**$223**	$380–$520
2 bedroom	47	**$261**	$450–$550

Example 1 - 3.5% rent increase

Weekly rent is the same under both funding options.

2027/28 forecast	Fund renewals only	Fully fund depreciation
Weekly rent after increase	**$152–$270**	**$152–$270**
Weekly rent increase by unit type	**$5–$9**	**$5–$9**
External revenue	**88% · $8.23m**	**73% · $8.23m**
Rates funding	**12% · $1.13m**	**27% · $3.01m**
Rent as % of income · single on NZ Super	**27%–28%**	**27%–28%**
Rent as % of income · couple on NZ Super	**25%–30%**	**25%–30%**
Rent as % of income · single on Jobseeker	**37%–38%**	**37%–38%**

Rent share uses after-tax income plus estimated Accommodation Supplement at April 2026 settings. Singles: bedsit to single separate. Couples: double partitioned to two-bedroom.

Example 2 – 90% user pays, 10% rates

Rent increases by 5.9% for renewals only, or 27% with full depreciation funding.

2027/28 forecast	Fund renewals only	Fully fund depreciation
Weekly rent after increase	**$156–$276**	**$187–$331**
Weekly rent increase by unit type	**$9–$15**	**$40–$70**
External revenue	**90% · $8.42m**	**90% · $10.06m**
Rates funding	**10% · $0.94m**	**10% · $1.12m**
Rent share · single on NZ Super	**28%–29%**	**32%–33%**
Rent share · couple on NZ Super	**25%–31%**	**30%–35%**
Rent share · single on Jobseeker	**37%–39%**	**43%–44%**

Rent share uses after-tax income plus estimated Accommodation Supplement at April 2026 settings. Singles: bedsit to single separate. Couples: double partitioned to two-bedroom.

Example 3 - Rent set at 80% of market

Forecast external revenue exceeds the funding requirement under both options.

2027/28 forecast	Fund renewals only	Fully fund depreciation
Weekly rent after increase	**$261–$464**	**$261–$464**
Weekly rent increase by unit type	**$114–$203**	**$114–$203**
External revenue	**151% · $14.12m**	**126% · $14.12m**
Forecast surplus · no rates required	**$4.76m**	**$2.88m**
Rent as % of income · single on NZ Super	**41%–44%**	**41%–44%**
Rent as % of income · couple on NZ Super	**38%–48%**	**38%–48%**
Rent as % of income · single on Jobseeker	**58%–61%**	**58%–61%**

Rent share uses after-tax income plus estimated Accommodation Supplement at April 2026 settings. Singles: bedsit to single separate. Couples: double partitioned to two-bedroom.

Revenue and Financing Policy

Council's policy needs to balance the public and private benefits of the service.

PUBLIC BENEFIT

Public consultation showed support for some general rates funding, reflecting a view that Community Housing provides community benefit.

PRIVATE BENEFIT

Tenants receive a direct benefit from the accommodation provided. The policy needs to determine an appropriate contribution from rents and user charges.

NEXT STEP

Staff will seek Council direction through a report setting out the available funding options.

Next Steps

The next stage is to confirm the funding approach and bring options to Council.

01

Confirm the funding basis

Renewals only or full depreciation funding.

02

Consider the revenue mix

Balance tenant contributions and rates funding, with affordability and financial sustainability in view.

03

Report to Council

Present options and implications for the Revenue and Financing Policy next month.

The objective is a funding model that is affordable for residents and sustainable for the portfolio.



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