

COMMUNITY HOUSING UPDATE

Department: Property

EXECUTIVE SUMMARY

- 1 Dunedin City Council (DCC) owns 936 Community Housing units. Most of the units are one-bedroom units and they are prioritised for people aged over 55, in urgent need of housing. The portfolio complements other social and community housing provision in the city which focus on families and younger people.
- 2 On 31 May 2021 Council resolved to include \$20m of new capital and \$22.6m of renewal capital in the 10 year plan 2021-2031, to build more community housing and redevelop and maintain current housing stock.
- 3 Since May 2021 staff have progressed detailed plans to redevelop three community housing sites and have undertaken initial work on the redevelopment of a fourth site, to increase and improve the housing stock on those sites.
- 4 Since 2019 there has been a 41% increase in the cost to build a home (Statistics New Zealand), and the estimated costs (which are detailed in the non-public Agenda attachment) to redevelop the first three community housing sites will exceed the 2024/25 Annual Plan community housing capital budget.
- 5 Due to the escalation of building costs, the programme has been paused, and most of the new capital budget for the Community Housing Development programme has not been included in the draft 9 year plan capital budget.
- 6 The purpose of this report is to update Council on progress and the estimated costs of the Community Housing Development programme. Council is asked to consider whether it wishes to continue with the Community Housing Development Programme.

RECOMMENDATIONS

That the Council:

- a) **Considers** the funding allocation, if any, Council wishes to include in the 9 year plan 2025-34 for the community housing development programme, for consultation purposes.
- b) **Notes** the Community Housing Update report.

BACKGROUND

- 7 In 2020 a review of the Dunedin City Council Housing Policy 1997 and the Dunedin City Social Housing Strategy 2010-2020 highlighted changes to Dunedin's housing environment after both the policy and strategy were written.

- 8 Consultation was undertaken as part of the 10 year plan 2021–31 and the public was asked ‘should the DCC build more community housing units?’
- 9 Of the 1,900 submissions received, 82% (1,558) supported DCC building more housing units. Written feedback indicated that the housing should be prioritised for those most in need. On 31 May 2021 Council resolved the following;

Moved (Mayor Aaron Hawkins/Cr David Benson-Pope):

That the Council:

- c) **Decides** that the Council include \$20 million in the 10 year plan to build more community housing, being \$2 million per annum over the 10 year period.

Division

The Council voted by division:

For: Crs Sophie Barker, David Benson-Pope, Rachel Elder, Christine Garey, Doug Hall, Marie Laufiso, Jim O'Malley, Jules Radich, Chris Staynes, Steve Walker and Mayor Aaron Hawkins (11).

Against: Crs Carmen Houlahan, Mike Lord, Lee Vandervis and Andrew Whiley (4).

Abstained: Nil

The division was declared CARRIED by 11 votes to 4

Motion carried (CNL/2021/092)

- 10 The 10 year plan 2021 – 2031 included a budget of \$20m new capital for housing growth and \$22.6m for community housing asset renewals. The new capital budget of \$20m was spread evenly at \$2m per year over the 10 years from 2021. The renewals capital budget was inflation adjusted over the 10 years 2031.
- 11 A DCC Community Housing Development programme was planned and included the delivery of 54 community units between 2024 and 2027. The programme included the redevelopment (demolish and rebuild) of 29 existing units and building 25 additional units on four existing community housing sites.

DISCUSSION

DCC Community Housing Programme progress

- 12 Prior to the 10 year plan 2021-2031, work was already underway on two major community housing redevelopment projects, at the Palmyra and School Street sites. The Palmyra project (40 units) was a significant redevelopment and added two units to the portfolio. The School Street (10 units) project was a complete redevelopment of the site with the addition of one new unit. These two projects increased Council's community housing stock by 3 to 940, with two of the new units being fully accessible and the School Street site built to Homestar 8 standards.
- 13 When planning the Community Housing Development Programme, staff considered multiple factors and prioritised existing DCC community housing sites for potential redevelopment. Staff considered factors such as the year of construction, condition and estimated life remaining of

the improvements, the level of exposure of the property to known hazards, the current density of the site against development potential, the level of demand for the area, and the financial performance of the site.

- 14 Consideration was also given to how quickly progress could be made on each site and how to manage tenants that are displaced during works.
- 15 Four community housing sites were identified for redevelopment which would add 25 new units to the portfolio and upgrade 29 units.

Site One - Fitzroy Street Community Housing Redevelopment – South Dunedin

- 16 The Fitzroy Street site had 4 one-bedroom units in an early 1900s converted villa. It has issues with rising damp and a poor layout. The units were demolished in 2024 in preparation for the redevelopment. This site was prioritised for redevelopment due to the standard and age of the current units.

Site Two - Oxford Street Community Housing Development – South Dunedin

- 17 The Oxford Street site development involves building 4 new one-bedroom community housing units on the vacant site at 235 Oxford Street (marked in red below). This property was purchased in 2005 and the dilapidated house demolished in 2008. The land sits alongside a current DCC Community Housing site (marked in blue below) and is in the high demand area of South Dunedin.

Site Three - Thorn Street Community Housing Redevelopment – Caversham

- 18 The Thorn Street redevelopment involves adding 11 additional community housing units to the community housing portfolio by demolishing the existing 9 community housing units and building 20 new community housing units.
- 19 This site was chosen due to the age of the units, and because the site was under-utilised.
- 20 The redevelopment would be two stories, which is fitting with the character of the area and takes advantage of the outlook to the park. Designs include a lift to ensure that all of the units can be accessible.

Site x Redevelopment

- 21 Staff are unable to advise Councillors of the location for this site until ground testing and site layout drawings are complete. Staff have also not spoken to affected tenants.
- 22 The redevelopment will be two stories and will take a similar approach to Thorn Street. It will add 10 units and redevelop the existing ones.
- 23 This site was chosen due to the size and age of the units, and because the site has the potential to increase the number of units to the portfolio.

Design Standards

- 24 As part of planning work, staff developed a set of Community Housing Design Standards. The standards provided guidance and direction that ensured each new build is warm, dry with low running and maintenance costs. Guidance from the Council was to use Universal Design and consider sustainability.

- 25 The new units were designed to be between 43 – 56 square meters in size, one bedroom and including features like individual outdoor spaces, landscaping in common areas, spaces for electric scooter parking, and guest pick up and drop off areas.
- 26 Universal Design aspects included in the design are things like increased door widths, flush door thresholds, increased floor area to allow a turning radius, flush shower access and kitchen joinery at appropriate heights, different front door colours.
- 27 Sustainability features that were worked into the design include increased wall and attic insulation, foundation slab insulation, upgrade building wrap to reduce heat loss, thermally broken window frames with low E glazing and heat recovery ventilation.
- 28 Another important consideration in the design was reducing long-term operational costs by using durable materials.
- 29 Staff worked alongside the Urban Planning team to ensure design were sympathetic of the area and in line with the appropriate planning requirements.
- 30 The detailed design process for Fitzroy, Oxford and Thorn Street is complete. Resource and Building Consent have been granted for Fitzroy and Oxford.



Image 2. Fitzroy Street, redevelopment layout

Procurement and Costs

- 31 Cost estimates on for the redevelopment of the sites in 2022 was \$10.3m of new capital and \$8.9m of renewals.
- 32 After the detailed design phase and ahead of going to market for Main Contractor services, staff approached a Quantity Surveyor (QS) to provide a cost estimate. The cost estimate received back from the QS were higher than staff were comfortable with, and so staff then undertook market research to compare current building costs across the sector.

- 33 Due to commercial sensitivities, the cost estimate and market comparison information is shown in a separate, non-public agenda - *Attachment A Commercial Information*.
- 34 It should be noted that building one-bedroom units comes at a cost premium. Bedrooms are the lowest cost finished area in a home to construct, whereas bathrooms, kitchens and mechanical systems are the highest cost contributors to a home. Additional bedrooms bring the average cost per square metre down.
- 35 After receiving the estimates, staff worked to consider areas where cost efficiencies could be gained however the actual gains found were minimal. In addition to the cost premium of building one-bedroom units, the two key factors contributing to the per square metre costs are;
- 41% increase in the cost to build a home since 2019 (Statistics New Zealand).
 - The cost of compliance for adjoined units, in particular the fire separation requirements ie 25mm GIB must extend from the slab all the way up to the underside of the roof, and include fire stopping of any penetration.
- 36 The cost to meet Universal Design and Sustainability goals is adding to the cost per square metre, in particular the higher specification of insulation. Reducing the insulation specification cannot be achieved without a complete redesign process, because the additional volume of insulation has been worked into the size of the framing.
- 37 The project was then paused due to higher than anticipated costs and further market research has now been carried out. That research is detailed in the non-public Agenda attachment.

Capital Budget and phasing

- 38 The Council resolution of May 2021 phased the \$20m new capital evenly (\$2m per annum) across each year of the 10 year plan 2021-2031 and did not specify the amount of new community housing units to be built for that investment.
- 39 The phasing of the new capital budget does not align with the reality of delivering housing development projects. If Council resolves to proceed with the Community Housing Development programme, a rephasing of the budget will be required to align with likely project delivery timelines.
- 40 Should Council wish to proceed with redevelopment of the three sites, the work could be commenced in Year 1 (2025/26) for Fitzroy and Oxford Street, and in Year 2 (2026/27) for Thorn Street. This is because these projects have already progressed to detailed design phase.

Operational costs

- 41 A Community Housing unit costs on average \$5.9k per annum to operate and maintain (including rates, insurances, overheads and maintenance). These costs are budgeted for in the draft 9 year plan City Properties operational budgets.
- 42 Because Fitzroy Street is a redevelopment of existing units, the budget to maintain the property is already in the draft 9 year plan. However, operational budgets will be impacted by depreciation and interest costs if the redevelopment work at Fitzroy Street is approved by Council.
- 43 The estimated total annual operational costs for four units at Fitzroy Street would be;

Operating & Maintenance	\$23.6k	
Depreciation	\$42k	Based on a 50 year life
Interest	\$87k	Based on 4.12%
Total annual cost	\$152.6k	

44 The estimated total annual operational costs for four units at Oxford Street would be;

Operating & Maintenance	\$23.6k	
Depreciation	\$42k	Based on a 50 year life
Interest	\$87k	Based on 4.12%
Total annual cost	\$152.6k	

45 The estimated total annual operational costs for four units at Thorn Street would be;

Operating & Maintenance	\$118k	
Depreciation	\$194k	Based on a 50 year life
Interest	\$400k	Based on 4.12%
Total annual cost	\$712k	

OPTIONS

Option One – Continue with the redevelopment of Fitzroy Street, Oxford Street, and Thorn Street and include \$6.95m new capital and \$6.95m renewals capital in the 2025-2034 9YP capital budget for community housing.

Debt

- Would require borrowing (based on 4.12%) of \$107K for Year 1, \$393k for Year 2, and then \$573k per annum from Year 3

Rates

- Rates funding of \$107k for Year 1, increasing to \$509k Year 2, and \$865k per annum from Year 3.
- Depreciation is estimated to be \$104k in Year 2, then increasing to \$278k from Year 3.

Zero Carbon

- This option aligns with the Zero Carbon Plan action area 'nurture low emissions urban form' by adding additional housing units primarily in South Dunedin and Caversham. Efforts would be made in the design and construction to minimise emissions, in alignment with the Zero Carbon policy.
- Overall the programme may result in a marginal longer-term reduction in city-wide emissions, however it is not an investment priority from an emissions reduction perspective (refer 'Zero

Carbon Investment Options' report under separate cover). It is unlikely there would be a material impact on DCC emissions.

Advantages

- Aligns with community consultation feedback as part of the 10 Year Plan 2021-2031
- Dunedin City would add its community housing portfolio.

Disadvantages

- Council debt is increased and there is an impact on rates.

46

Option Two – Continue with the redevelopment of Fitzroy Street only, include \$2.1m renewals capital, and remove \$1.005m new capital in the 2025-2034 9YP capital budget.

Impact assessment

Debt

- Would require borrowing (based on 4.12%) of \$43k for Year 1 increasing to \$87k per annum from Year 2

Rates

- Would be \$43k for Year 1 and increasing to \$129k per annum from Year 2.
- Depreciation is estimated to be \$42k per year from Year 2.

Zero carbon

- This option aligns with Zero Carbon Plan action area 'nurture low emissions urban form' by adding additional housing units in South Dunedin. Efforts would be made in the design and construction to minimise emissions, in alignment with the Zero Carbon policy.
- Overall, the project is unlikely to materially affect city or DCC emissions.

Advantages

- Replaces the four community housing units demolished in 2024 and returns the total Community Housing portfolio to a total of 940 units.
- Partially aligns with community consultation feedback as part of the 10 Year Plan 2021-

Disadvantages

- Council debt is increased and there is an impact on rates.

47 Do not continue with the Community Housing Programme

Option Three – Do not continue with the Community Housing Programme and do not include any new capital and remove \$1.005m renewal capital in the 2025-2034 9YP capital budget.

Debt

- No debt funding is required for this option

Rates

- There are no impacts on rates.

Zero Carbon

- This option is unlikely to materially impact city emissions or DCC emissions, but it precludes longer-term emission reduction benefits from being realised.

Advantages

- Council debt is not increased and there is no impact on rates.

Disadvantages

- Does not align with community consultation feedback as part of the 10 Year Plan 2021-2031.
- Dunedin City would have a reduction of four community housing units (due to the demolition of Fitzroy Street) to 936.

NEXT STEPS

- 48 If Council resolve to continue with Community housing Development programme, the capital budgets will be rephased to align with project delivery timelines and staff will recommence planning for procurement of a Main Contractor.

Signatories

Author:	Anna Nilsen - Group Manager, Property Services
Authoriser:	Robert West - General Manager Corporate Services

Attachments

There are no attachments for this report.

SUMMARY OF CONSIDERATIONS

Fit with purpose of Local Government

This decision promotes the social well-being of communities in the present and for the future.

Fit with strategic framework

	Contributes	Detracts	Not applicable
Social Wellbeing Strategy	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Economic Development Strategy	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Environment Strategy	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Arts and Culture Strategy	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
3 Waters Strategy	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Spatial Plan	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Integrated Transport Strategy	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Parks and Recreation Strategy	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Other strategic projects/policies/plans	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The DCC Community Housing Development Programme responds to a Council resolution and aligns with the Ōtepoti Dunedin Housing Plan 2022.

Māori Impact Statement

Property Services staff have worked with Maata Waka on the Arai Te Uru housing redevelopment and will continue to work with mana whenua via the Ōtepoti Housing Action Plan.

Sustainability

Construction of additional housing units close to centres and public transport routes aligns with the Zero Carbon Plan action area 'nurture low emissions urban form' by contributing to densification. However, given the number of units under consideration, impacts on city and DCC emissions are likely to be marginal or immaterial under all options presented.

LTP/Annual Plan / Financial Strategy /Infrastructure Strategy

The budget is included in the 2021 – 2031 LTP.

Financial considerations

The capital and operational costs of the housing development programme are outlined in the body of the report.

Significance

The 9 year plan will be consulted on using the special consultative procedure.

Engagement – external

Staff have been in contact with Community Housing tenants that will be directly impacted by the redevelopment programme.

Engagement - internal

Property Services have worked with the Principal Housing Advisor, Resource Consents and will the Building Consent team.

Risks: Legal / Health and Safety etc.

There are no known risks associated with this report.

SUMMARY OF CONSIDERATIONS

Conflict of Interest

No conflict of interest have been identified.

Community Boards

Community Boards have expressed an interest in the community housing development programme and will be kept informed on future developments in their areas.