

## COMMUNITY HOUSING FEES AND CHARGES

Department: Property

### EXECUTIVE SUMMARY

- 1 This report asks Council to consider the Dunedin City Council (DCC) Community Housing fees and charges (rent) for 2024/2025.
- 2 The draft Annual Plan 2024- 2025 budget for Community Housing has been based on an 11% (\$14 - \$25 per week) increase in rent. An 11% increase in rent would cover the increased cost to operate the portfolio including, rates, insurance, and interest.
- 3 Tenants will be consulted with directly and as part of consultation on Annual Plan 2024/25. Staff will report back to Council with a summary of feedback during deliberations in May 2024.

### RECOMMENDATIONS

That the Council:

- a) **Approves** as its preferred option for consultation an 11% increase in Community Housing rental increase for 2024/25

**Notes** that tenant and public submissions on Community Housing rental increases for 2024/25 will be presented to Council for consideration as part of Annual Plan 2024/25 deliberations in May 2024.

### BACKGROUND

- 4 As part of the Long Term Plan 2021/31 process, Council consulted the community on general rates revenue being used to subsidise community housing rents by asking the question “Do you support rates being used to subsidise rents for DCC community housing?”.
- 5 59% of submissions (1751) were in favour of rates revenue being used to subsidise rents and on 31 May 2021 Council resolved the following:

*Moved (Cr Chris Staynes/Mayor Aaron Hawkins):*

*That the Council:*

- a) **Amends** the 2021-2031 Revenue and Financing Policy for Community Housing to be rates revenue at 10% and other revenue at 90%.

**Division**

*The Council voted by division:*

*For: Crs Sophie Barker, David Benson-Pope, Christine Garey, Doug Hall, Carmen Houlahan, Marie Laufiso, Jim O'Malley, Chris Staynes, Steve Walker and Mayor Aaron Hawkins (10).*

*Against: Crs Rachel Elder, Mike Lord, Jules Radich, Lee Vandervis and Andrew Whiley (5).*

*Abstained: Nil*

*The division was declared CARRIED by 10 votes to 5*

**Motion carried (CNL/2021/094)**

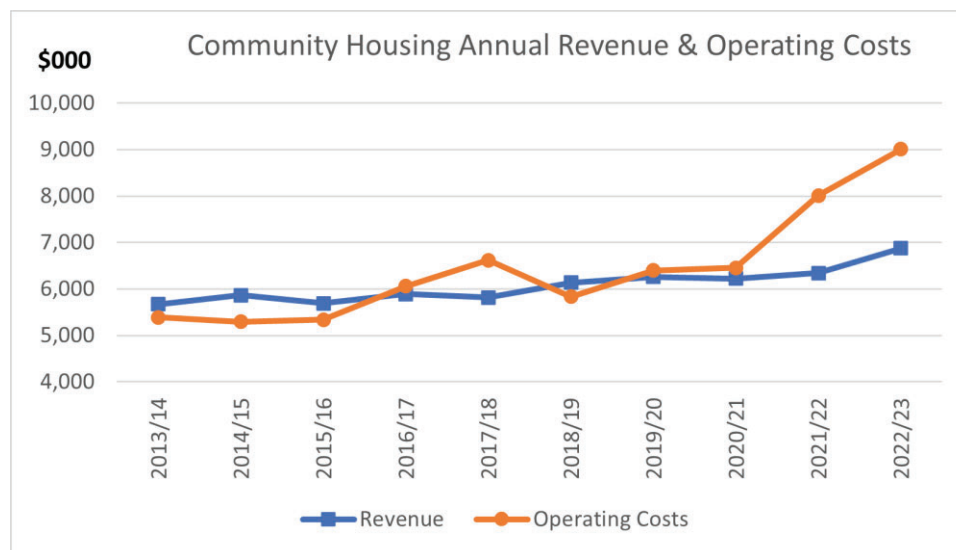
- 6 A Revenue Policy Compliance report to Council on the 22 February 2023 noted that to comply with the Revenue Policy, rents would need to increase by an average of 24% (\$29 - \$52 per week).
- 7 During the Annual Plan 2023/24 deliberations Council approved fees and charges for the housing portfolio including a 5% increase in rents.
- 8 Over the last ten years Council has increased rents between 0% - 8% annually. Rent increases for the ten years from 2014 till 2023 are summarised in Table 1.

*Table 1 – Rent Increase History*

Year	Community Housing Rent increase (\$ increase from the previous year)	Community Housing Rent increase (average % from the previous year)
2014	No increase	0%
2015	No increase	0%
2016	No increase	0%
2017	No increase	0%
2018	\$9 per week	8%
2019	\$1 - \$3 per week	1%
2020	No increase (COVID)	0%
2021	\$3 - \$6 per week	3%
2022	\$4 - \$8 per week	4%
2023	\$6 - \$11 per week	5%

- 9 Since 2020 the cost to operate the Community Housing portfolio has been increasing due to general rates, insurance, and depreciation. Changes in DCC Community Housing rental revenue versus expenditure since the 2013/14 financial year is outlined below in Table 2.

*Table 2 – DCC Community Housing Revenue and Operating Costs.*



## DISCUSSION

- 10 Council has 940 units in the Community Housing portfolio which are prioritised for people aged over 55 years, and in urgent need of housing. The portfolio complements other social and community housing providers in the city that prioritise other groups.

### Demographics of tenants

- 11 The majority of tenants are single person households and 70% of the portfolio (733 units) are single bed units. The age demographics are –

71% (659) of tenants are over 65 years of age.

21% (202) of tenants are aged between 55 and 64 years of age.

8% (74) of tenants are aged below 55 years.

- 12 New Zealand citizens 65 years and older are eligible for NZ Superannuation payments. New Zealand citizens experiencing unemployment are eligible for Job Seeker benefit payments.
- 13 New Zealand citizens with income below regional limits are eligible for Accommodation Supplement payments. The Accommodation Supplement payment is worked out as a percentage of the cost of accommodation.
- 14 71% of DCC community housing tenants are aged over 65 years and are eligible for the Accommodation Supplement and NZ Superannuation. The remaining 29% of tenants are likely to be low income or receiving the Job Seeker benefit and Accommodation Supplement.
- 15 The affordability of rent increases for tenants is dependent on whether they are in receipt of Accommodation Supplement, benefits, or NZ Superannuation. Staff have attempted to outline affordability in Table 4 below.

**Market rent information**

- 16 Staff engaged property valuers CBRE to consider comparable market rents for DCC Community housing units. A detailed market assessment was not able to be completed in time for this report, however indicative values have been provided (based on 'desk based' assessment). The valuer noted the lack of comparable market data for single bed accommodation.

*Table 3 – Market rent comparison*

Unit Type	Number of units	2023/24 Rent	Market Rent (range)
Bedsits	67	\$128	\$225 - \$240
Single (partitioned)	316	\$131	\$230 - \$270
Single (separate)	349	\$136	\$260 - \$270
Double (partitioned)	60	\$179	\$250 - \$320
Double (separate)	47	\$185	\$285 - \$450
1 Bedroom	54	\$195	\$285 - \$400
2 Bedroom	47	\$228	\$370 - \$450

- 17 Staff have prepared three rent increase examples for comparison. These were chosen because:
- A 3% increase in rent would be in line with previous annual increases to rent.
  - An 11% increase in rent would cover the increased cost to operate the portfolio.
  - A 26% increase would align the portfolio's funding to current Revenue and Finance policy of user pays 90% plus rates revenue 10%.
- 18 Staff have outlined the three examples below. Each example outlines the rent increase as a percentage and dollar amount, alongside affordability information.

*Tables 4 – Examples of rent increase*

<b>Example One – 3% increase, would be consistent with previous annual rent increases.</b>	
<b>Actual Rent \$ per week after the increase</b>	\$132 - \$235
<b>Increase \$ per week</b>	\$4 - \$7
<b>Revenue &amp; Financing</b>	73% user fees (\$7.4m) 27% rates revenue (\$2.7m)
<b>Percentage of Income</b> <b>NZ Superannuation + Accommodation Supplement</b>	Single 26% Couple 24%
<b>Percentage of Income</b> <b>Job Seeker + Accommodation Supplement</b>	Single 32% - 34%
<b>Example Two – 11% increase, which would cover the increased cost to operate the portfolio in 2024/25.</b>	
<b>Actual Rent \$ per week after the increase</b>	\$142 - \$253
<b>Increase \$ per week</b>	\$14 - \$25
<b>Revenue &amp; Financing</b>	79% user fees (\$7.7m) 21% rates revenue (\$2.4m)
<b>Percentage of Income</b> <b>NZ Superannuation + Accommodation Supplement</b>	Single 28% Couple 26%
<b>Percentage of Income</b> <b>Job Seeker + Accommodation Supplement</b>	Single 34% - 36%
<b>Example Three – 26% increase, which would align to the current Revenue and Funding Policy.</b>	
<b>Actual Rent \$ per week after the increase</b>	\$161 - \$287
<b>Increase \$ per week</b>	\$33 - \$59
<b>Revenue &amp; Financing</b>	90% user fees (\$9.1m) 10% rates revenue (\$1m)
<b>Percentage of Income</b> <b>NZ Superannuation + Accommodation Supplement</b>	Single 30% Couple 29%
<b>Percentage of Income</b> <b>Job Seeker + Accommodation Supplement</b>	Single 39% - 41%

## OPTIONS

- 19 Council is asked to consider options for community housing rent increases for 2024/2025.
- 20 Staff note that a community housing rent increase of 26% would align with Council's Revenue and Finance Policy in the Long-Term plan 2021/31.
- 21 However, a 26% increase is not considered further in this report as it potentially would be a decision of high significance and staff consider the alignment of the policy and rents is better considered as part of the 9 Year Plan.
- 22 Whilst neither of the options put forward to Council for consideration aligns with the revenue and Finance Policy, Option 1 would meet cover the increased operating costs to operate the portfolio, and Option 2 would require additional operating costs to be met by rates.
- 23 Council's preferred option would form part of the consultation process for the Annual Plan 2024/25 and will be open for submissions from any members of the public. In addition, under either option, Council would write to its tenants inviting submissions and providing an opportunity to be heard.

### **Option One – Approve, as its preferred option for consultation, an increase in DCC Community Housing rents for 2024/25 by 11% (Recommended Option).**

- 24 The draft Annual Plan 2024/25 budget for Community Housing has been based on an 11% (\$14 - \$25 per week) increase in rent. An 11% increase in rent would cover the increased costs to operate the portfolio including, rates, insurance, and interest.

#### *Advantages*

- Covers the increased cost to operate the portfolio.

#### *Disadvantages*

- The affordability of the rent increase may be difficult for some tenants.
- Does not align with the Revenue and Finance Policy

### **Option Two – Approve, as its preferred option for consultation, an increase in DCC Community Housing rents for 2024/25 by 3%, or an amount less than 11%.**

- 25 An increase of 3% in community housing rental is in line with previous increases.

#### *Advantages*

- The rental increase will be more affordable for tenants.

#### *Disadvantages*

- Does not cover the increased cost to operate the portfolio.
- Does not align with the Revenue and Finance Policy

## **NEXT STEPS**

- 26 The community housing rental increase agreed by Council will be included into the draft Annual Plan 2024/25 budget and consultation material.
- 27 Staff will write to all tenants informing them of the proposed increase in the community housing rental and invite them to submit feedback as part of the Annual Plan 2024/25 consultation.
- 28 Council will receive a summary of feedback as part of Annual Plan 2024/25 deliberations in May 2024.

## **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 enables democratic local decision making and action by, and on behalf of communities.  
This decision promotes the social well-being of communities in the present and for the future.  
This decision promotes the economic well-being of communities in the present and for the future.

### ***Fit with strategic framework***

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

Staff have worked with the Principal Policy Advisor Housing when preparing this report.

### ***Māori Impact Statement***

Ensuring adequate affordable healthy housing, supports quality of life and wellbeing. Mana whenua and Māori will have an opportunity to engage on the Annual Plan 2024/25.

### ***Sustainability***

Ensuring adequate affordable healthy housing, which meets the needs of all residents, supports the quality of life and wellbeing of lower income residents.

### ***LTP/Annual Plan / Financial Strategy /Infrastructure Strategy***

Council's preferred option will be included in the 2024-2025 Annual Plan consultation material.

### ***Financial considerations***

2024-2025 draft budgets are based on an 11% rental increase.

### ***Significance***

Council's decision is considered low in terms of Council's Significance and Engagement Policy.

### ***Engagement – external***

Council's preferred option will be included in the Annual Plan 2024/25 consultation material. Staff will write to tenants directly to inform them of Council's decision and invite them to submit their feedback for consideration as part of the Annual Plan process.

### ***Engagement - internal***

Property Services staff have worked with the Finance and Legal Teams.

### ***Risks: Legal / Health and Safety etc.***

There are no known risks.



**SUMMARY OF CONSIDERATIONS**

***Conflict of Interest***

There are no known conflicts of interest.

***Community Boards***

There are DCC Community Housing units within Community Board areas and the decision made by Council will affect community housing tenants in these areas.