

3 June 2021

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Request for Official Information responded to under the Local Government and Official Information and Meetings Act 1987 (LGOIMA) – reference: 8354418 (OIR: 2021-259)

I refer to your request for further information we received on 12 May 2021 for the following:

1. ***"Our revised rents also fairly share 80% of the costs of delivering this service across all tenancies".***

Council's proposed rent increase is based on a **flat rate** rental charge, being \$170 per week for single occupants, and \$246.50 for couples occupying a unit. The flat rate structure replaces a variable schedule of rent that over time become inequitable with tenants, with rents ranging from \$105 per week to \$151 per week per unit.

The proposed flat rate addresses these inequitable rent charges and means all qualifying tenants receiving Superannuation pay an equal amount of rent per week for one-bedroom accommodation in Older Persons housing on the Kāpiti Coast.

This proposal ensures the cost of providing this service is shared in an equitable manner. The rental charged is inclusive of – Water consumption, Insurance, Rates, Ground Maintenance, and Tenant Welfare Liaison Service.

By achieving income of 80% of cost through this proposal, the contribution from rate payers is maintained at 20% of cost which ensures a more sustainable housing programme.

- 1(b) ***Please advise Depreciation and Amortisation forecasts for the next 50 years and the year Depreciation and Amortisation started for these assets.***

The Council has records of the draft Long term plan Depreciation and Amortisation forecasts for the Housing for Older Persons' assets for the next 30 years, as shown in the table below.

LTP Depreciation and Amortisation (Draft)

LTP 2021-22 (Draft)	LTP 2022-23 (Draft)	LTP 2023-24 (Draft)	LTP 2024-25 (Draft)	LTP 2025-26 (Draft)	LTP 2026-27 (Draft)	LTP 2027-28 (Draft)	LTP 2028-29 (Draft)	LTP 2029-30 (Draft)	LTP 2030-31 (Draft)
\$ 406,721	\$ 474,285	\$ 532,976	\$ 565,579	\$ 605,293	\$ 641,981	\$ 617,081	\$ 651,140	\$ 688,303	\$ 602,811
LTP 2031-32 (Draft)	LTP 2032-33 (Draft)	LTP 2033-34 (Draft)	LTP 2034-35 (Draft)	LTP 2035-36 (Draft)	LTP 2036-37 (Draft)	LTP 2037-38 (Draft)	LTP 2038-39 (Draft)	LTP 2039-40 (Draft)	LTP 2040-41 (Draft)
\$ 643,970	\$ 762,832	\$ 807,346	\$ 796,322	\$ 890,984	\$ 900,951	\$ 893,481	\$ 981,411	\$ 1,042,476	\$ 1,089,352
LTP 2031-32 (Draft)	LTP 2032-33 (Draft)	LTP 2033-34 (Draft)	LTP 2034-35 (Draft)	LTP 2035-36 (Draft)	LTP 2036-37 (Draft)	LTP 2037-38 (Draft)	LTP 2038-39 (Draft)	LTP 2039-40 (Draft)	LTP 2040-41 (Draft)
\$ 1,217,408	\$ 1,217,397	\$ 1,244,072	\$ 1,341,953	\$ 1,350,364	\$ 1,358,977	\$ 1,477,093	\$ 1,493,182	\$ 1,523,550	\$ 1,668,223

The Council's fixed asset records in our current system only date back to 2002. All units have been depreciating since 2002 except the new units in Kirk Street which began in 2011 and Eatwell Avenue which started in 2004.

2. Please advise how the proposed increases of \$170 per week (single) and \$246.50 (couple) were calculated.

The weekly rental charge was calculated taking the following into account:

a. Rental revenue achieving 80% of cost

The initial step in determining a weekly rent that achieves revenue of 80% of costs used a calculation dividing the total outgoing costs by the number of pensioner units (118).

b. Affordability

It was important to ensure rent (the cost of accommodation) being charged could meet the "affordable" test commonly accepted which is rent per week, could be no more than 30% of total household income. This measure is applied by other local authorities and housing entities in the business of providing affordable "unsubsidised" accommodation.

c. Total household income

Total household income was calculated by combining available government income to tenants which is Superannuation for Individual / Couple rates with additional support entitlement by way of Accommodation Supplement which is assessed on application on a case by case basis.

3. As this proposal is in regard to the long-term plan 2021-41 - is this increase a forecast for what the rents will cost in 2041?

Over the long term there are a number of influencing factors that contribute to rent setting within a local government context, including the decision making of the council at the time. Any decision made during this long-term plan process will apply for a minimum of three years.

4. Finally - OIR response to my letter and the questions asked in that letter (ref. 2114494) would be much appreciated.

All our 118 units are one bedroom, that can accommodate a couple or single occupant, and we are using the model of 30% affordability and 80% of costs across all tenancies.

Affordable Housing rental of 30% is worked out on household income, with our 118 Units being Housing for Older persons, the 30% has been worked out on the Superannuants income, which is the criteria for our tenancies and is matched against this measure.

Affordable Housing in NZ, the 30% figure has been used by the NZ Governments Te TŪĀPAPA KURA KĀINGA – MINISTRY OF HOUSING AND URBAN DEVELOPMENT, under its Housing Affordability Measure (HAM) when targeting rents and mortgage payments.

This is now being used as a measure by many agencies as the affordable target for housing across New Zealand.

As noted in my letter - I would again like to reiterate how stressful and destabilizing the meeting and correspondence regarding possible rent increases has been to the tenants.

We are mindful that any increase could cause distress, that is why Council contacted all Tenants, held Information meetings for Tenants to attend, and put together and hand delivered info packs outlining the discussions being held about the rents.

We believe it was the right approach given our long-term plan consultation was underway and decisions were being made as a result of that process which would likely affect rents for tenants.

At these meetings tenants were encouraged to voice their concerns through the consultation process and as a result were better informed and were given the opportunity to respond accordingly within the process. Without these meetings, changes may have occurred without their knowledge or input.

The current rent policy has been to achieve 80% of cost recovery through rents however the cost recovery currently is around 57%. The structure was last reviewed in 2018, and to date, ratepayers have been subsidising more than 20% (43%). In addition, the rental charges have not increased in line with the costs incurred.

Council also took the decision not to increase rents in 2020 as part of Councils commitment to supporting the community through the Covid-19 pandemic.

As a result, ratepayers have subsidised a growing proportion of the costs for things like maintenance, refurbishment work and support services.

Yours sincerely



Sacha Haskell
Group Manager Place and Space
Te Kaihautū Takiwā, Waahi hoki