CENTRAL HAWKE'S BAY
DISTRICT COUNCIL

Retirement Housing Section 17a Review

October 2020

Central Hawkes Bay District Council
Retirement Housing s17A Review

Summary of review process and recommendation – October 2020

1. Purpose

This report summarises the Retirement Housing Review of possible future options on the ownership, management and service delivery of this activity.

2. The Review

Council is carrying out a service and delivery review of its Retirement Housing activity, which meets the requirements of Section 17A of the Local Government Act 2002. The activity delivers affordable housing for residents aged 60+ with limited assets. Council last built additional units 37 years ago, supported by government financing, a policy that ended in the late 1980's.

The Local Government Act was amended in 2014 and included new provisions relating to periodic reviews, at least every six years, of existing Council infrastructure, services and regulatory functions, providing the requirement for Section 17a reviews. This Review meets the requirements of a s17A review under the Local Government Act 2002 (LGA).

Council has not completed a major review of its retirement housing portfolio for over ten years, nor has it since 1999 completed a robust asset management plan review of its retirement housing assets. This review sets out to address fundamental challenges and opportunities with the portfolio.

3. Central Hawke's Bay Housing Strategic Framework

In 2019, Council adopted its Housing Strategic Framework. The overarching aim of the Framework is to 'support our community to Thrive through access to a home' - He āhuru mōwai, e taurikura ai te hāpori'. This aim is supported by four strategic goals:

Goal One INCREASING SOCIAL HOUSING LEADERSHIP	Goal Two WORKING TOGETHER TO IMPROVE HOUSING	Goal Three PROVIDE ACCESS TO SUITABLE HOUSING	Goal Four RETIREMENT HOUSING IS PROVIDED IN THE MOST EFFICIENT AND EFFECTIVE WAY

This body of work focusses on the achievement of Goal 4 – 'Retirement Housing is provided in the most efficient and effective way'. Goal Four is supported by two result areas of:

- Our retirement housing is sustainable and managed to provide the most efficient and effective outcomes to our community in the widest sense
- Our Central Hawke's Bay People can retire in Central Hawke's Bay.

This review has set out to achieve and support these result areas.

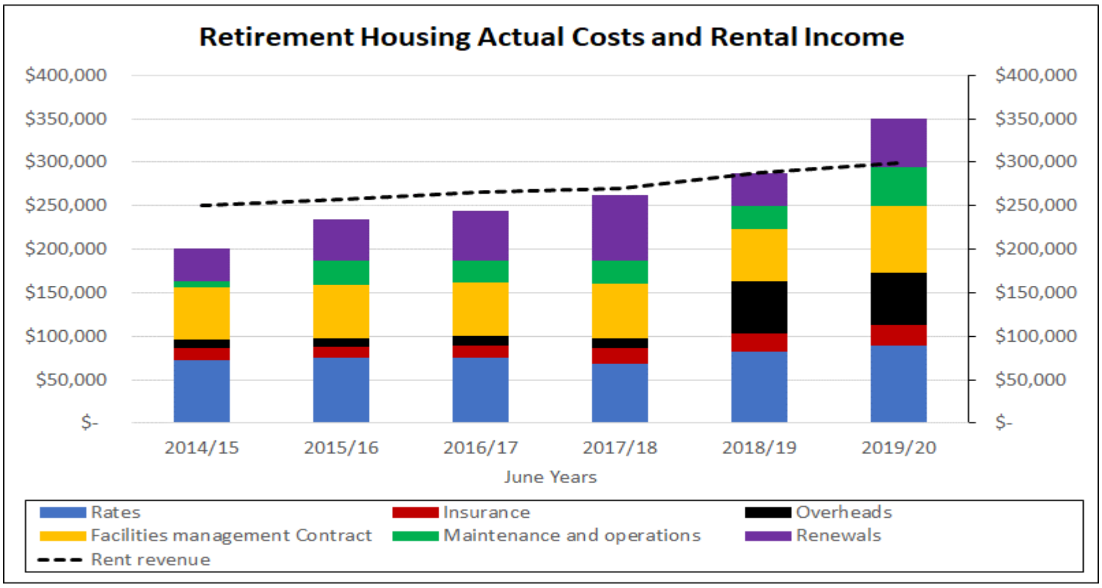
4. Context

The Council owns and manages a housing portfolio of 48 units built between 1969 and 1983. Rentals are well below market rates and falling further behind.

The activity has a policy to be 'self-funding' with 100% private funding stated in the Revenue and Financing Policy. In reality there is insufficient rental income to cover the full maintenance and renewal costs. In the 2020/21 year around $100,000 is required to meet the new Healthy Homes Standards. The Council subsidy (the difference between market rates and the actual rents charged) is now around $200,000 a year.

A summary overview of the portfolio includes:

- Flats are fully occupied with waiting lists
- Demand is expected to grow with critical shortage of affordable housing and an increasing over 65 population from 20 to 27% of Central Hawke's Bay residents in the next ten years
- Private sector is not building one bed units
- Average rents (all housing) up 53% in last five years
- Council rental revenue increased by 20% from 2015 to 2020
- Wooden joinery and old materials result in high operating costs such as regular painting
- Growth, ageing population – numbers on Superannuation increasing at 4% a year
- Number of residents receiving Accommodation Supplement increasing quickly, only 25% of Council tenants are accessing this funding.



There is no return on capital invested in the portfolio, although recent market trends have resulted in significant capital gains to Council.

The units are in reasonable condition and all basic maintenance is carried out, but they are in need of being modernised and do not meet the mandatory requirements of the new government rental standards. The Housing Reserve does not have sufficient funds to pay for all the upgrades and renewals needed. Financial modelling indicates that within 12 months the activity will require additional Council funding unless rents are significantly increased.

The district has a severe housing affordability and availability issue. House prices and rental costs have increased significantly in recent years. There are few publicly owned rental houses.

Council became involved in the ownership and delivery of retirement housing in the 1960's as part of a whole of government focus on significantly increasing the size of the housing stock across New Zealand. Government concentrated on social housing, and local government was given access to funding to provide affordable housing for pensioners with low assets / income. This policy ended in the late 1980's and building of these units by local government largely ceased.

Over the last 30 years Councils have maintained a status quo approach, usually treating these assets as self-funding with very few design and quality upgrades. A large backlog of renewals and design improvements has built up over time. This has been exacerbated, with the change in government policy in 2014 regarding registered Community Housing Providers (CHP) being able to access subsidised rental funding (the Income Related Rent Subsidy – IRRS) and other grant functions such as 50% of construction cost suspensory loans.

The current and previous governments have been consistent in refusing to allow Councils to access this funding. In response to this a number of Councils have decided to exit their housing activity and sell or transfer the assets to either:

a. A registered CHP usually at below market prices
b. A community trust (not for profit) at no return to Council
c. A purchaser through market tender

Despite this, the majority of Councils still own, manage and deliver retirement housing services. A wave of new investment in these assets is underway including new units being planned or built. A number of larger Councils further subsidise the activity by rates funding and revenue deficit.

Contextually, there are risks with Council making significant changes or decisions on its portfolio, ahead of potential Central and Local Government Change. The political environment and the future of Local Government is in a period of significant potential change, with the introduction of the Three Waters Review and the new water services Regulator – Taumata Arowai. The change in three water operations for Central Hawke's Bay District Council alone, would introduce significant potential change to the operation and form of Central Hawke's Bay District Council.

The investment from Central Government in Local Government – whether through infrastructure or social capital investment, as well as the shift in view of the importance of localism for social services, could shift the focus on Local Government dramatically. Further the potential for a rapidly changing political environment and radical shift in political ideology after the 2020 election, is something for Council to be mindful of through this review – particularly in light of possible changes in the delivery of local social services. A major shift to privatise or further isolate Council from community services such as housing could be detrimental long-term.

5. The Review Process

Council has considered a range of options in the context of the Council strategic goals, project THRIVE and the Housing Strategic Framework 2019.

This review project was initiated by Council in December 2019, and Council received background reports and has had a number of workshops over the last year to identify:

- The issues facing the activity
- The critical success factors and the key objectives
- The long list of options
- The short list of options that best meet Council strategic goals, success factors and key objectives.

COVID-19, deferred the programme through March and April following the initiation of the project in December 2019, with Council identifying the key issues that the review was seeking to resolve for the portfolio through the review in an initial workshop in July. These are outlined below:

What are we trying to fix?	
1	The lack of fit-for-purpose housing and wraparound services currently provided to Council's Retirement Housing tenants.
2	The evidence of growing and forecast demand for affordable (rental) retirement housing in Central Hawke's Bay.
3	The long term financial sustainability challenges for the activity, including the inability for Council to access the government's Income Related Rent Subsidies (IRRS) scheme or other related grant funding.

The three following critical success factors for the review were also identified in the July workshop:

Critical Success Factors	
1	No tenant is worse off than before, with access to wellbeing services in association with the provision of affordable housing and Income Related Rental Subsidies (IRRS).
2	Alignment with the key outcomes of project Thrive – enabling the growth of the retirement housing portfolio to meeting current and future demands.
3	Council can remain focused on its ability to fund its core business priorities, allowing the maximum utilisation of its capital.

The following objectives for the review were also identified in the July workshop:

Retirement Housing Review Objectives	
1	Ensure that tenants have access to well-being services in association with the provision of affordable housing and the IRRS
2	The Retirement Housing Activity is enabling of 'Smart Growth', allowing the activity to grow to meet current and future demand.
3	Ensure that the Retirement Housing activity has a financially viable and sustainable future.

In the July workshop, based on the critical success factor and objectives, the following four options were shortlisted:

July workshop – Shortlisted options for Analysis	
1	Status Quo – Council retains ownership and operates as currently
2	Lease the portfolio to a registered Community Housing Provider, for overall management and private funding of the portfolio.
3	Sell to a registered Community Housing Provider outright.
4	Council Leases or transfers the Portfolio to a JV / Trust.

Through July and August, detailed analysis of the four shortlisted options was undertaken. These were driven by the Critical Success Factors and the agreed objectives. A detailed paper was presented to Council in workshop in August presenting the initial findings of the review, based on the critical success factors. The analysis of these short listed options is summarised in the table below:

Table outlining initial shortlisted option analysis

	Option 1 Status Quo	Option 2 Lease to CHP	Option 3 Sell to CHP	Option 4 JV / Trust
	Discount	Possible	Preferred	Possible
Major issues	Impact on tenants Cannot access IRRS Council investment required	Access to capital Existing tenants not eligible Attracting Community Housing Provider Council investment required	Existing tenants not eligible for IRRS	Complexity Access to capital Access to IRRS Council investment required
Critical for success	Increase rents to $150+ and access Accommodation Supplement	Gaining exemptions for existing tenants to access IRRS	Gaining exemptions for existing tenants to access IRRS	Access to IRRS and exemptions Funding investment
Council benefits	Control of rents and conditions Control of assets Future capital gains	Control of assets Future capital gains	Sale proceeds – could use to invest in more housing	Long term local controlled assets
Political difficulty	Low – but problems growing Rental increases	Low	Initially moderate	Depends on structure and partners
Impact on existing Tenants	Eventually rents have to increase. Accommodation Supplement for those eligible	Some rents reduced, others moderately increase, some major increases	Some rents reduced, others moderately increase, some major increases	Some rents reduced, others moderately increase, some major increases

At the August Council workshop, based on the initial findings, Council sought to review their critical success factors for the review process, noting that the initial analysis was too restrictive to address the key issues the review was seeking to fix. At this point, progress was rapidly gaining momentum also with the three waters review and the role of Local Government in the longer term.

Further advice on the accommodation supplement was also provided at the August workshop, that over a quarter of Councils tenants were unable to access the Accommodation Supplement, due to having assets or income that was above the threshold to access the accommodation supplement. Facilitating the use of the Accommodation Supplement was a key option that was detailed at the August workshop. This resulted in an understanding of the relatively modest impact of significant rent increases on tenants that qualify for this funding. This was a fundamental point in Council amending their Critical Success Factors and has been a major assumption in the extent to which rental levels have been modelled up to.

At the August workshop the following key changes were made to the critical success factors:

August Revised Critical Success Factors	
1	Tenants have ~~No tenant is worse off than before, wit~~h access to wellbeing services in association with ~~the provision of affordable~~ retirement housing and ~~Income Related Rental Subsidies (IRRS~~) can access the Accommodation Supplement.
2	Alignment with the key outcomes of project Thrive – enabling the growth of the retirement housing portfolio to meeting current and future demands.
3	Tenants have ~~No tenant is worse off than before, wit~~h access to wellbeing services in association with ~~the provision of affordable~~ retirement housing and ~~Income Related Rental Subsidies (IRRS~~) can access the Accommodation Supplement.

The objectives were also revised to remove the reference to the IRRS.

The outcome of the August workshop was a focus on two options, both of which have the possibility of increasing the number of housing units over the longer term. Council noted that doing nothing is not sustainable or viable.

In September 2020, a further detailed paper was presented to Council based on the revised critical success factors and objectives. The revised shortlisted options that were presented are outlined in the table below. A third option, selling the portfolio to the market was also requested at this workshop, with the option of funds being invested in new housing or alternatively into other activities:

September options update	
1	**Retain ownership and management**
1a	Increase rents and bring up to current standards
1b	Increase rents, bring up to current standards and invest in new units starting medium term
2	**Sell to registered Community Housing Provider (CHP)**
2a	Sell and reduce council debt / help fund other assets
2b	Sell and use some or all to reinvest in more housing
3	**Sell to the open market**
3a	Sell and reduce council debt / help fund other assets
3b	Sell and use some or all to reinvest in more housing

The next section of this paper, outlines in more detail the analysis associated with each of the options.

6. Options Analysis

This next section of the review provides analysis on each of the three options and their relative sub options. Fundamentally this options analysis focussed on the three principal options of:

- Option 1 - Status quo - Retain ownership and management
- Option 2 - Selling to registered Community Housing Provider (CHP)
- Option 3 - Selling to the open market

Analysis at a sub-option level has been provided, based on the confidence associated with each of the options. A high level analysis of the three options is provided in the following table

	Option 1 – Status Quo		Option 2 – Sell to a CHP		Option 3 – Sell to the open market	
	Option 1a **Status Quo with Rental Increase**	**Option 1b** **Status quo, rental increases and investment**	**Sell to a CHP**	**Sell to a CHP and Invest**	**Sell to the open market and pay down debt**	**Sell to the open market and build new housing**
	Preferred	**Possible**	**Possible**	**Possible**		
Major issues	• Impact on tenants • Cannot access IRRS • Council investment required • Rental Increases – perception of significant increases and potential hardship.	• Access to capital • Existing tenants not eligible • Attracting Community Housing Provider • Council investment required. • Could be achieved through reserve funds over time with rental increases.	• Existing tenants not eligible for IRRS • Assumption portfolio would attract a CHP	• Complexity • Assumption portfolio would attract a CHP • Council investment required	• Political risk	• Unclear if there is mandate for reinvestment
Critical for success	• Increase rents to $150+ and access Accommodation Supplement. • Provides opportunity to build some renewal funds, fund renewals generally – achieves two project outcomes. • Does not immediately achieve new uunits	• If debt funding is required, unlikely to be achieved in the short to medium term. • Could substantially achieve critical success factors if rentals increased sufficiently to not require debt funding.	• Gaining exemptions for existing tenants to access IRRS, unlikely to be achieved. • May achieve critical success factors	• Access to IRRS and exemptions • Funding investment • May achieve critical success factors	• Will not substantially support housing outcomes. • Impact on tenants high • Supports the health of Councils balance sheet	• Unlikely that the same scope of scale of development could be achieved without existing land to acquire. • Impact on tenants high. • Revalued assets not on Councils balance sheet for a period.
Council benefits	• Control of rents and conditions • Control of assets • Future capital gains	• Control of assets • Future capital gains	• Sale proceeds – could use to invest in more housing	• Long term local controlled assets	• Net proceeds offsets debt or new activities	• Newer housing stock
Political difficulty	• Low – but problems growing rental increases fast	• Low • Still challenges growing rental increases fast	• Potentially very high	• Potentially very high – other pressures could see funds not reinvested in housing.	• Very high and difficult • Expect significant tenant and community backlash	• Very high and difficult • Not clear community mandate to construct more or that housing is councils core role. • Unclear to what obvious benefit. • Risks associated with development are high
Impact on existing Tenants	• Eventually rents have to increase. • Accommodation Supplement for those eligible. • Notable impact for those not eligible	• Eventually rents have to increase. • Accommodation Supplement for those eligible. • Significant impact for those not eligible	• Some rents reduced, others moderately increase, some major increases	• Some rents reduced, others moderately increase, some major increases	• Very high. • Would likely create pockets of significant social deprivation if sold on the open market and general occupation occurred.	• Very high. • Would likely create pockets of significant social deprivation if sold on the open market and general occupation occurred.
Rent required	• Minimum of $180 to break even, $200 to establish a reserve	• $200	• $200	• $200	• $275+	• $275+
Minimum Rent for tenant through	• $134	• 134	• $106-134 (AS or IRRS)	• $106-134 (AS or IRRS)	• $225.50 (AS)	• $225.50 (AS)
Owner	• Council	• Council	• CHP	• CHP	• Private	• Private
Debt Impact	• nil	• Council $2 million	• CHP	• CHP	• Nil – positive position	• n/a
Sale Proceeds	• Nil	• Nil	• $4 million	• $4 million	• $7 - 11 million depending on configuration. Note significant costs would occur through subdivision and sale management to achieve high end value.	• $7 - 11 million depending on configuration. Note significant costs would occur through subdivision and sale management to achieve high end value.

AS= Accommodation Supplement
IRRS = Income Related Rent Subsidy

6.1. Option 1 - Status Quo – Retain ownership and Management

The analysis of this option focussed on Council retaining the management and operation of the activity, with the two following sub options:

(i) Increase rents and bring up existing units to current standards
(ii) Increase rents, bring existing units up to current standards and invest in new units starting medium term

To achieve the analysis of the second sub-option to this paper, ensuring that the existing portfolio was financially viable was essential. The following points relating to each option and financial analysis is provided.

6.1.1. Option 1a - Retain ownership and bring units up to standard

This option sees Council retaining the management and ownership of the portfolio and completing mandatory upgrades to the units.

Discussion

As we have identified earlier in this paper, on current expenditure and revenue levels, the activity is unviable within the first year of the 2021 Long Term Plan. Significant increases, based on the very low levels of increases that have been made historically are required in the immediate term.

Council is faced with mandatory legislative upgrades that have been assessed as a cost of $108,000 to provide heating and ventilation upgrades across the existing units.

There has been no detailed Asset Management Plan of the portfolio since 1999. While the units have been maintained to a sound standard and are overall in good condition, the full extent of work required particularly to scope out major upgrades into the future and a full renewal profile of the assets will take time and attention. There is a need for Council to fully understand the liabilities associated with the existing portfolio and to ensure that these liabilities are fully modelled as a priority.

Assumptions for renewal and modernisation have been made based on the current expenditure being incurred, however detailed analysis relating to the significant renewal and upgrade of the units have not been fully completed. This could mean that greater renewals and upgrades than those forecast are required.

Minimising the impact on existing tenants has been a key consideration through the review, while achieving the financial viability and sustainability of the assets. At least a quarter of the portfolios current tenants, have been assessed as having assets and/or income that does not make them eligible for Ministry of Social Developments (MSD) Accommodation Supplement. This means, that Councils subsidisation of tenants through reduced fees and charges are not necessarily targeting those in the community most in need. We are continuing to connect tenants with MSD to confirm a more accurate percentage of tenants that can access the Accommodation Supplement.

A key assumption in the revenue profiling of the activity, recognising the potential number of tenants who may rely on the accommodation supplement, is that Council does not wish to exceed the Accommodation Supplement available to those tenants able to access it. This is a social policy approach that Council will need to confirm in its ongoing management of the activity. Based on detailed information provided by the Ministry of Social Development, we have assumed as many tenants seeking to access the accommodation supplement as possible.

Tenants can currently access 70% of rental costs above $106 per week, up to a maximum rent that subsidy applies to in 2020/21 of $206 a week in Waipukurau and $220 a week in Waipawa.

Financial Modelling

We have completed financial modelling on this scenario to understand the extent to which rental increases are required for the portfolio to be financial viable.

An increase of up to $80 within a minimum of four years is required – ideally within two years to achieve a moderate surplus over the ten year period and to fund assumed upgrades and renewals. At this time, no inclusion of the small, but existing reserve has been factored into workings.

Overall expenditure of the activity including payments to staff and suppliers totals a projected $4.493 million over ten years. This includes a total of $1.183 million of the funded renewals and upgrades, including the mandatory upgrades to meet compliance. We have made an assumption of $140,000 of overhead costs for the activity, noting that these costs may reduce or increase on the finalisation of the 2021 Long Term Plan.

The model is uninflated, and we have not made allowance for expenditure that is known to run historically higher than general LGCI increases due to external environmental factors such as legislation, demand and natural disasters. Overall there are limited options to decrease expenditure, without 'sweating' the asset or deferring planned renewals or maintenance.

The model provides five revenue scenarios for the activity. The modelling shows that an increase of $80 a week increased over four years, will achieve a smaller surplus in the first ten years however a strong surplus over the 30 year period.

A summary of the required increases and the subsequent forecast surpluses/deficits are presented in the table below:

Scenario	Surplus/Deficit at Y30	Surplus at Y10
Scenario A - $20 increases in rent each year over four years to an $80 dollar increase	**-$1,332,090**	**-$169,100**
Scenario B - $40 increase in rent in Year 1 and then a further $40 increase in Y2($80 increase over two years)	**-$1,531,130**	**-$368,140**
Scenario C - Rents are increased by $40 only in Year 1 only	**$1,224,710**	**$496,820**
Scenario D - Rents are increased by $60 only in Year 1	**-$202,970**	**$14,580**
Scenario E - Rents are increased by $80 only in Year 1	**-$1,630,650**	**-$467,660**

The table shows that increases of at least $80 within the first two years, is the only way to achieve a modest reserve fund for the future of the activity over the ten years.

Further breakdown of the revenue and expenditure is provided in the following tables:

Expenses

Expenses over the ten-year period, including payments to staff and suppliers, improvements and renewals are forecast to total **$4,493,000** million uninflated. Improvements include the mandatory upgrades required under legislation. The following table outlines the total annual expenses forecast for the retirement housing activity for the 2021 – 2031 period.

Retirement Housing Activity	LTP Input 2021/22	LTP Input 2022/23	LTP Input 2023/24	LTP Input 2024/25	LTP Input 2025/26	LTP Input 2026/27	LTP Input 2027/28	LTP Input 2028/29	LTP Input 2029/30	LTP Input 2031/32	TOTAL 30 YR PERIOD	TOTAL 10 YR PERIOD	NOTES
Payments to staff and suppliers	**331,000**	**331,000**	**331,000**	**331,000**	**331,000**	**331,000**	**331,000**	**331,000**	**331,000**	**331,000**	**$9,599,000**	**$3,310,000**	
6021122. Retirement Housing Insurance	31,000	31,000	31,000	31,000	31,000	31,000	31,000	31,000	31,000	31,000			Makes no allowance for increases greater than LGCI
6021129. Retirement Housing Operational	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000			
6021131. Retirement Housing Rates	90,000	90,000	90,000	90,000	90,000	90,000	90,000	90,000	90,000	90,000			Makes no allowance for increases greater than LGCI
6021132. Retirement Housing FM Contract	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000			
XXXXXXX Overheads allocation	140,000	140,000	140,000	140,000	140,000	140,000	140,000	140,000	140,000	140,000			Estimate of $140k based on 2021 LTP Projection.
to improve the level of service	**108,000**	**25,000**	**25,000**	**25,000**	**25,000**	**25,000**	**25,000**	**25,000**	**25,000**	**25,000**	**$808,000**	**$333,000**	
6021C001. Retirement Housing improve to mandatory standards	108,000	0	0	0	0	0	0	0	0	0			
6021C002. Retirement Housing modernisation improvements	0	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000			
to replace existing assets	**85,000**	**85,000**	**85,000**	**85,000**	**85,000**	**85,000**	**85,000**	**85,000**	**85,000**	**85,000**	**$2,465,000**	**$850,000**	
6021C500. Retirement Housing General renewals	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000			
6021C501. Retirement Housing modernisation renewals	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000			
TOTAL ANNUAL EXPENSES	**524,000**	**441,000**	**441,000**	**441,000**	**441,000**	**441,000**	**441,000**	**441,000**	**441,000**	**441,000**	**$12,872,000**	**$4,493,000**	

Revenue

An assumption that increases are no greater than the accommodation supplement has been made. No inflation to revenue, like expenditure has been made or assumed either. All of the scenarios confirm that an increase of at least $80 a week is required to see the activity in a stronger financial position, both in terms of funding renewals and providing funds to reserves.

REVENUE SCENARIOS	LTP Input 2021/22	LTP Input 2022/23	LTP Input 2023/24	LTP Input 2024/25	LTP Input 2025/26	LTP Input 2026/27	LTP Input 2027/28	LTP Input 2028/29	LTP Input 2029/30	LTP Input 2031/32	TOTAL 30 YR PERIOD	TOTAL 10 YR PERIOD	NOTES
Scenario A - $20 increases in rent each year over four years to an $80 dollar increase													
Revenue - Fees and Charges	-337,570	-387,330	-437,090	-486,850	-502,210	-502,210	-502,210	-502,210	-502,210	-502,210	**-$14,204,090**	**-$4,662,100**	
Net Annual Balance	**186,430**	**53,670**	**3,910**	**-45,850**	**-61,210**	**-61,210**	**-61,210**	**-61,210**	**-61,210**	**-61,210**	**-$1,332,090**	**-$169,100**	This scenario provides for $1.183m of funded renewals over the ten years.
Scenario B - $40 increase in rent in Year 1 and then a further $40 increase in Y2($80 increase over two years)													
Revenue - Fees and Charges	-371,970	-471,490	-502,210	-502,210	-502,210	-502,210	-502,210	-502,210	-502,210	-502,210	**-$14,403,130**	**-$4,861,140**	
Net Annual Balance	**152,030**	**-30,490**	**-61,210**	**-61,210**	**-61,210**	**-61,210**	**-61,210**	**-61,210**	**-61,210**	**-61,210**	**-$1,531,130**	**-$368,140**	This scenario provides for $1.183m of funded renewals over the ten years.
Scenario C - Rents are increased by $40 only in Year 1													
Revenue - Fees and Charges	-371,970	-402,690	-402,690	-402,690	-402,690	-402,690	-402,690	-402,690	-402,690	-402,690	**-$11,647,290**	**-$3,996,180**	
Net Annual Balance	**152,030**	**38,310**	**38,310**	**38,310**	**38,310**	**38,310**	**38,310**	**38,310**	**38,310**	**38,310**	**$1,224,710**	**$496,820**	This scenario provides for $1.183m of funded renewals over the ten years, however significant losses making it unviable, without nearly $500k of ratepayer subsidy.
Scenario D - Rents are increased by $60 only in Year 1													
Revenue - Fees and Charges	-406,370	-452,450	-452,450	-452,450	-452,450	-452,450	-452,450	-452,450	-452,450	-452,450	**-$13,074,970**	**-$4,478,420**	
Net Annual Balance	**117,630**	**-11,450**	**-11,450**	**-11,450**	**-11,450**	**-11,450**	**-11,450**	**-11,450**	**-11,450**	**-11,450**	**-$202,970**	**$14,580**	This scenario provides for $1.183m of funded renewals over the ten years. The activity will not return a surplus until Y12 of the LTP, having addressed the mandatory works required in Y1 of the LTP.
Scenario E - Rents are increased by $80 only in Year 1													
Revenue - Fees and Charges	-440,770	-502,210	-502,210	-502,210	-502,210	-502,210	-502,210	-502,210	-502,210	-502,210	**-$14,502,650**	**-$4,960,660**	
Net Annual Balance	**83,230**	**-61,210**	**-61,210**	**-61,210**	**-61,210**	**-61,210**	**-61,210**	**-61,210**	**-61,210**	**-61,210**	**-$1,630,650**	**-$467,660**	This scenario provides for $1.183m of funded renewals over the ten years. This scenario provides the greatest return to Council in the ten and thirty year period.

Summary

In summary, the status quo in relation to fees and charges and delaying increases is not a viable option to Council short-term, unless expenditure mainly in the form of renewals and upgrades can be deferred.

Increases of $80 a week in rentals should occur ideally within the first two years of the Long Term Plan.

Over the 30 year projected term, increasing rents – even if staggered over 4 years, within 30 years is projected to achieve a reserve of $1.3million. Over this time, Council will have also completed a further $3.19 million of upgrades and renewals on the existing units budgeted over the 30-year period, providing for the units themselves to be substantially viable and effective as a portfolio of 48 units.

An inhibitor to Council maximising its return further on the activity is capping rentals at the accommodation supplement entitlement, which has been the assumption made in this model. Further detailed modelling and specific valuation work would need to be completed to assess any increase greater than the accommodation supplement and the overall impact on tenants at this time. Increasing the rental yield to market value could provide Council with a further revenue stream of approximately a further $3.74 million over 30 years or $124,000 per year at a market rental of $275 per unit.

The extent of social subsidy that Council is comfortable to provide to its tenants is an area for further consideration by the elected Council.

6.1.2. Option 1b - Retain ownership and bring units up to standard, invest in further units

This option sees Council retaining the management and ownership of the portfolio, completing mandatory upgrades to the units and investing in new units in the medium term.

Discussion

The basis of the analysis of Option 1a – has ruled out any potential for increases up to the accommodation supplement entitlement, to provide a reserve for the construction of new units within the first ten years of the Long Term Plan to fund the construction of new units. Debt funding is the only option available to Council through retained ownership and management for the construction of new assets with this approach.

As we have outlined earlier in this paper, Council is also dealing with a range of significant issues that will be a focus in the 2021 - 31 Long Term Plan. These issues across 3 Waters, Growth, Community Facilities, roading and other activities all rely on debt funding, where to fund increased levels of service, or even where funded through development contributions, to fund the development until such a time as the development contributions are realised. While Council could debt fund the development of new units, this may be at the expense of Councils overall debt funding capacity, already under pressure to fund other services of Council. To this end, any decision to prioritise the funding of new units over other priorities, will ultimately be a decision of Council and how its strategically uses its debt capacity.

Financial Modelling

We have modelled a scenario for the development of ten new one-bedroom housing units in Waipawa, based on existing Council land next to the existing Kingston Flats. We have taken a scenario where the units will be able to be constructed for $150,000 per unit, based on values recently tendered in Tararua, excluding consents and development contributions. A further $500,000 has been factored in for surrounding site development, development contributions and project management, providing a total development cost of $2 million for the ten units.

Debt funding of the units would be over 30 years at an assumption of 3% interest. As with scenario 1a, with have made no allowance for inflation, and in this instance no capital gain, recognising that fundamentally there is no land being purchased, only construction costs. A market rental of $300 per week has been assessed for the ten new units, with no subsidy being provided.

Overall the modelling shows that Council breaks even when rents for existing units are increased to $80, with a very small overall reserve being established. Any significant build in reserve funds is not able to be achieved until 2056 when the units are fully paid off. To that end however, Council will be faced with having a portfolio of 48 units that are nearly 80 years old. By 2056, the ten new units will also be 25 years old, and while some provision has been made for their renewal and upgrade through the life of the Long Term Plan, considerable renewal and upgrade may also be required at that time.

A summary of the required results in Scenario 1a and the subsequent forecast surpluses/deficits that will result from the construction of ten new units outlined in option 1b are presented in the table below. Overall this table indicates that the development of the ten units – while achievable, will be at the substantial cost to the development of a reserve fund.

Overall , the summary table of option 1a and 1b and the analysis of the pure costs of development and operation of the ten new units, indicates that the development of new units will be at the cost to the renewal and upgrade of Councils existing core of the 48 units.

Table Demonstrating the Deficits/Surpluses across the five scenarios

Scenario	Option 1a – Increase rents, bring up to standard		Option 1b - Increase rents, bring up to standard, construct 10 new units	
	Surplus/Deficit at Y10	Surplus/Deficit at Y30	Surplus/Deficit at Y10	Surplus/Deficit at Y30
Scenario A - $20 increases in rent each year over four years to an $80-dollar increase. Ten units revenue of $300 per week are introduced in Y7.	**-$169,100**	**-$1,332,090**	**$20,130**	**-$51,150**
Scenario B - $40 increase in rent in Year 1 and then a further $40 increase in Y2($80 increase over two years). Ten units revenue of $300 per week are introduced in Y7	**-$368,140**	**-$1,531,130**	**-$178,910**	**-$250,190**
Scenario C - Rents are increased by $40 only in Year 1. Ten units revenue of $300 per week are introduced in Y7	**$496,820**	**$1,224,710**	**$686,050**	**$2,605,170**
Scenario D - Rents are increased by $60 only in Year 1. Ten units revenue of $300 per week are introduced in Y7	**$14,580**	**-$202,970**	**$203,810**	**$1,127,730**
Scenario E - Rents are increased by $80 only in Year 1	**-$467,660**	**-$1,630,650**	**-$278,430**	**-$349,710**

Expenditure

Retirement Housing Activity	LTP Input 2021/22	LTP Input 2022/23	LTP Input 2023/24	LTP Input 2024/25	LTP Input 2025/26	LTP Input 2026/27	LTP Input 2027/28	LTP Input 2028/29	LTP Input 2029/30	LTP Input 2030/31	TOTAL 30 YR PERIOD	TOTAL 10 YR PERIOD	NOTES
Payments to staff and suppliers	**331,000**	**331,000**	**331,000**	**331,000**	**331,000**	**477,646**	**497,646**	**497,646**	**497,646**	**497,646**	**$14,076,150**	**$4,123,230**	
6021122. Retirement Housing Insurance	31,000	31,000	31,000	31,000	31,000	37,700	37,700	37,700	37,700	37,700			Makes no allowance of increases greater than LGCI
6021129. Retirement Housing Operational	40,000	40,000	40,000	40,000	40,000	40,000	50,000	50,000	50,000	50,000			
6021131. Retirement Housing Rates	90,000	90,000	90,000	90,000	90,000	108,750	108,750	108,750	108,750	108,750			Makes no allowance of increases greater than LGCI
6021132. Retirement Housing FM Contract	30,000	30,000	30,000	30,000	30,000	30,000	40,000	40,000	40,000	40,000			
XXXXXXX Overheads allocation	140,000	140,000	140,000	140,000	140,000	160,000	160,000	160,000	160,000	160,000			Estimate of $80k assuming minor increases resulting from 2021 Long Term Plan.
XXXXXXX Principal and Interest Repayment						101,196	101,196	101,196	101,196	101,196			Assumption of $2m over 30 years at 3% for 10 new dwellings, not including land.
to improve the level of service	**108,000**	**25,000**	**25,000**	**25,000**	**25,000**	**25,000**	**25,000**	**25,000**	**25,000**	**25,000**	**$833,000**	**$333,000**	
6021C001. Retirement Housing improve to mandatory standards	108,000	0	0	0	0	0	0	0	0	0			
6021C002. Retirement Housing modernisation improvements	0	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000			
to replace existing assets	**85,000**	**85,000**	**85,000**	**85,000**	**85,000**	**85,000**	**85,000**	**85,000**	**85,000**	**85,000**	**$3,490,000**	**$850,000**	
6021C500. Retirement Housing General renewals	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000			
6021C501. Retirement Housing modernisation renewals	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000			
TOTAL ANNUAL EXPENSES	**524,000**	**441,000**	**441,000**	**441,000**	**441,000**	**587,646**	**607,646**	**607,646**	**607,646**	**607,646**	**$18,399,150**	**$5,306,230**	

Revenue

REVENUE SCENARIOS	LTP Input 2021/22	LTP Input 2022/23	LTP Input 2023/24	LTP Input 2024/25	LTP Input 2025/26	LTP Input 2026/27	LTP Input 2027/28	LTP Input 2028/29	LTP Input 2029/30	LTP Input 2031/32	TOTAL 30 YR PERIOD	TOTAL 10 YR PERIOD	NOTES
Scenario A - $20 increases in rent each year over four years to an $80 dollar increase													
Revenue - Fees and Charges	-337,570	-387,330	-437,090	-486,850	-502,210	-502,210	-502,210	-502,210	-502,210	-502,210	**-$14,204,090**	**-$4,662,100**	
Net Annual Balance	**186,430**	**53,670**	**3,910**	**-45,850**	**-61,210**	**-61,210**	**-61,210**	**-61,210**	**-61,210**	**-61,210**	**-$1,332,090**	**-$169,100**	This scenario provides for $1.183m of funded renewals over the ten years.
Scenario B - $40 increase in rent in Year 1 and then a further $40 increase in Y2($80 increase over two years)													
Revenue - Fees and Charges	-371,970	-471,490	-502,210	-502,210	-502,210	-502,210	-502,210	-502,210	-502,210	-502,210	**-$14,403,130**	**-$4,861,140**	
Net Annual Balance	**152,030**	**-30,490**	**-61,210**	**-61,210**	**-61,210**	**-61,210**	**-61,210**	**-61,210**	**-61,210**	**-61,210**	**-$1,531,130**	**-$368,140**	This scenario provides for $1.183m of funded renewals over the ten years.
Scenario C - Rents are increased by $40 only in Year 1													
Revenue - Fees and Charges	-371,970	-402,690	-402,690	-402,690	-402,690	-402,690	-402,690	-402,690	-402,690	-402,690	**-$11,647,290**	**-$3,996,180**	
Net Annual Balance	**152,030**	**38,310**	**38,310**	**38,310**	**38,310**	**38,310**	**38,310**	**38,310**	**38,310**	**38,310**	**$1,224,710**	**$496,820**	This scenario provides for $1.183m of funded renewals over the ten years, however significant losses making it unviable, without nearly $500k of ratepayer subsidy.
Scenario D - Rents are increased by $60 only in Year 1													
Revenue - Fees and Charges	-406,370	-452,450	-452,450	-452,450	-452,450	-452,450	-452,450	-452,450	-452,450	-452,450	**-$13,074,970**	**-$4,478,420**	
Net Annual Balance	**117,630**	**-11,450**	**-11,450**	**-11,450**	**-11,450**	**-11,450**	**-11,450**	**-11,450**	**-11,450**	**-11,450**	**-$202,970**	**$14,580**	This scenario provides for $1.183m of funded renewals over the ten years. The activity will not return a surplus until Y12 of the LTP, having addressed the mandatory works required in Y1 of the LTP.
Scenario E - Rents are increased by $80 only in Year 1													
Revenue - Fees and Charges	-440,770	-502,210	-502,210	-502,210	-502,210	-502,210	-502,210	-502,210	-502,210	-502,210	**-$14,502,650**	**-$4,960,660**	
Net Annual Balance	**83,230**	**-61,210**	**-61,210**	**-61,210**	**-61,210**	**-61,210**	**-61,210**	**-61,210**	**-61,210**	**-61,210**	**-$1,630,650**	**-$467,660**	This scenario provides for $1.183m of funded renewals over the ten years. This scenario provides the greatest return to Council in the ten and thirty year period.

Summary

While the construction of ten new units is financially viable for the activity overall, it is at the cost of reserve funds for the further upgrade of Councils core 48 units, that by 2051 will be reaching the age of 80 years old, and will be nearing the end of their economic life, despite some $3.19m of upgrades also forecast for that same period.

This analysis of the construction of new units and their inability to break even, with with no provision for the cost of land development, supports the trend in most other Councils where the construction of new units is rare, without some form of Government or Ratepayer subsidy or intervention. Similarly, most other CHP's or housing Trusts also find themselves in a similar position, whereby even when receiving market value from the government through the IRRS, struggle to make the developments viable.

Where most development has occurred historically, has been in relation to the provision of suspensory loans or development grants that ended in 2014 for new builds that many Councils saw developed in that period. Other new developments, such as Palmerston North City Councils significant development and expansion of social housing, has been offset by funds from ratepayers through their revenue and financing policy, as well as Crown Infrastructure Partners Funding through the COVID-19 relief packages. In the event that Council is able to access suspensory loans, grants or other initiatives again for housing, it should consider how it can prioritise accessing this funding, including that it has sufficient capacity on its balance sheet to support a suspensory loan for example.

We strongly recommend that further detailed analysis is completed and that a further detailed business case is completed by Council, including completion of the renewal and upgrade requirements of the existing core 48 units before significant investment and commitment is made to the construction of new units.

6.2. Option 2 – Sell to a Community Housing Provider

The analysis of this option focussed on Council selling its 48 units to a Community Housing Provider (CHP), with the two following sub options:

(i) Sell to a CHP and use funds to pay down debt
(ii) Sell to a CHP and reinvest in housing

We have not completed the same extent of analysis as we have with option 1 – noting that Council has received further background information on the opportunities and challenges of selling to a CHP in previous reports.

We provide the following summarised points and observations however relating to the sale directly to a CHP:

- Hawke's Bay is only serviced by a few CHP's. Councils current portfolio is unlikely to be notably attractive or viable to CHP's based on its size.
- The Sale of most Council assets to CHP's or community trusts have been either well below market value, given at no cost or provided with considerable negotiated incentives, including additional development land, rates subsidies or other cash incentives. Central Hawke's Bay District Council is not in a position to achieve this.
- Few CHP's have the financial capital to freely invest in new developments. Most CHP's, even those well established, are generally also near their debt ceilings or have major renewals and upgrades based on the age of their portfolios they are facing. To this end, the idea of a CHP making major investment in new housing is often not realised.
- There is often considerable expense in selling to a CHP – both financial and political in the sale of retirement housing. Council could expect to expend upwards of $125,000 in the sale of the property to a CHP, including specialist legal and property negotiation advice and support. The political cost and exposure has also been very high for many Councils that have divested of their portfolios.

We have estimated that a potential sale price to a CHP could be in the realm of $4 million, however this would be subject to considerable other negotiation levers a CHP may require.

In considering the option of selling to a CHP and reinvesting in new housing, based on our analysis of the construction of ten one bedroom units on existing available land in Option 1b of this review, it is likely that new land would be required to be purchased and developed, substantially increasing the expected cost of development to upwards of $3.4 million for the ten units – or roughly $340,000 a unit.

Also based on our existing analysis of Option 1b, it is unlikely that Council would substantially break even over the life of the units if rented, unless those same units were either sold for a market value and returned a net profit. This is however a level of exposure that Council have not clearly indicated they are willing to entertain and does not have a clear community mandate on, as expressed through the 2021 Long Term Plan Community Pre-Engagement on housing.

6.3. Option 3 – Sell to the open market

The analysis of this option focussed on Council selling its 48 units to the open market, with the two following sub options:

(i) Sell to the market and using proceeds to pay down debt
(ii) Sell to the open market and build new housing

Similar to Option 2, we have not completed the same extent of analysis as we have with Option 1, noting that we have not received clear guidance from Council to explore this option in detail.

While we have sought technical expertise on the potential valuation band of the 48 units on the open market in a variety of sale opportunities, we have not committed Council to a full valuation exercise, that was priced at over $12,000 for the portfolio for this exercise. We have however received a band of potential market guidance for the entire portfolio ranging from $7 to $11 million, relative to the sale structure and overall package – including the rental yield.

As with the sale of housing to a CHP, the few Councils that have proposed to and/or sold their housing portfolios to private owners have received considerable heat and backlash, both from tenants and the general public. Even with negotiated outcomes relating to rental impacts or other changes for tenants being negotiated as part of the sale, Council would be limited in its means to enforce any of these similar further terms and conditions of sale.

As also experienced with the sale of Housing New Zealand Properties in locations particularly of high density like the Waipawa and Waipukurau units, there have been considerable unanticipated impacts. These have resulted from mixed tenancies of ages, demographics and other factors that have created undesirable and unsafe community environments and pockets of further unintended community deprivation and need.

Like in option 2b, the further option of reinvesting in housing, would need careful consideration by Council. There could be a range of options for Council to consider outside of traditional retirement housing developments, however most notably this would need to be considered through detailed consultation with community, who again through the 2021 Long Term Plan Pre-Consultation did not identify investment in retirement housing as a clear priority for Council.

7. Findings and Recommendations

In completing this review, Council has exceeded the rigour and requirements set as best practice by the Society of Local Government Managers (SOLGM) in the review of this activity in accordance with Section 17a of the Local Government Act 2002.

The following conclusions and recommendations are made:

- The retirement housing activity is impacted by government policy and has conflicting requirements to meet rental standards, be self-sufficient and provide affordable housing for the target market. The review has confirmed that the status quo approach, without capital investment, rates offset or notable increases to rents is not sustainable. The underlying requirement for the activity to increase revenue has been recommended as the key approach for the sustainability of the portfolio in the short and longer term - regardless of the option adopted.

- Minimising the impact on existing tenants has been a key consideration through the review, while achieving the financial viability and sustainability of the assets. At least a quarter of the portfolios current tenants, have been assessed as having assets and/or income that does not make them eligible for Ministry of Social Developments Accommodation Supplement. This means, that Councils subsidisation of tenants through reduced fees and charges are not targeting those in the community most in need.

- It has been identified that there is significant headroom to increase fees and charges, with the impact on those who can access the accommodation supplement only being 30% of the increase up to $206 a week in Waipukurau and $220 a week in Waipawa. For those who cannot access the accommodation supplement, they will experience the full impact of rent increases – however these are tenants who may have a greater likelihood to financially absorb the increases. Revenue assumptions in this review have focussed on increases up to the accommodation supplement entitlement, however rents could be increased to market rental if that was the appetite of Council. It is recommended that major changes to policy and operational procedure are completed to address the prioritisation of tenants most at need of subsidised housing and the appetite that Council has for the subsidisation of rents for its tenants – either through self-imposed discount or other mechanisms.

- It is recommended that fees are increased by a minimum of $80 across the board as soon as possible. For those able to access the accommodation supplement this would see an increase of $12 a week. It is preferable for the financial viability of the portfolio in the short term, to make the increase in a single year as soon as possible to boost the Retirement Housing Reserve for future renewals and upgrades.

- Financial Modelling shows that increasing rents by $80 a week within the first two years of the Long Term Plan achieves $1.183 of upgrades renewals in the first ten years and an a further overall net increase in the reserve fund of up to $467K over the ten-year period. Over 30 years if no funds are released from the reserve funds, this will have provided for the development of a reserve fund totalling $1.63 million and some $3.19 million of renewals and upgrades to have been completed on the portfolio.

- Asset Management of the portfolio could have been better, and while the assets are in generally sound condition, the full extent of work required particularly to scope out major upgrade will take time and attention. As part of the ongoing sophistication of asset management practices, further detailed renewal profiling should be completed to help fully inform Councils understanding of future renewal and upgrades required of its portfolio. It is recommended that this work is completed before Council commits to the construction of any additional units.

- Council is also dealing with a range of significant issues that will be a focus in the 2021 - 31 LTP. The review has identified that Council could fund the construction of new units through increased rental fees, however this would require debt funding that would be at the expense of Councils overall debt funding capacity, already under pressure to fund core services of Council such as water, wastewater and community facilities. If Council chose to debt fund the construction of new retirement housing, this would need to be a strategic debt capacity decision for Council.

- Analysis on the construction of ten new units funded by debt is financially viable for the activity retirement housing activity overall, however is at the cost of reserve funds for the further upgrade of Councils core 48 units, that by 2051 will be reaching the age of 80 years old. Analysis at a pure development level makes debt funding their development unviable. This analysis of the construction of new units and their inability to break even (not including the cost of land development) supports the trend in most other Councils where construction of new units is rare, without some form of Government or Ratepayer subsidy. Similarly, most other CHP's or housing Trusts also find themselves in a similar position, whereby even when receiving market value from the government through the IRRS, struggle to make the developments viable. In the event that Central Government creates the opportunity for Council to secure a suspensory loan, grant or similar for housing, Council should make this a strategic priority to support the aim of delivering more retirement housing.

- If Councils aspiration and resolve to build more flats without a debt facility is strong enough and providing a social subsidy is not an imperative, it is recommended that Council should consider increasing rents to market value. Increasing rents to market value across the overall portfolio, would generate additional revenue of $1.24 million over ten years, above the forecast surplus of $467,000 in Y10 and allowing for the forecast renewals of $1.183 million over the same period for the activity, that could be invested in new housing. This would place a number of tenants however in financial difficulty.

- Central Hawke's Bay and the Hawke's Bay Region, has limited access to CHP's. Experiences of other Councils that have sold to CHP's, are that the realisation of new units upon the sale is limited. The price of sale to many CHP's has been at levels well below market value and in many circumstances, CHP's require an incentive to partner in certain locations, such as the provision of land at low or no cost, and other one-off or ongoing financial incentives from Council. Central Hawke's Bay's portfolio would be likely unviable in terms of a single portfolio to be managed by a CHP based on the current 48 units and Council is not in a position to offer land or financial incentives at this time.

- There is no doubt that the sale and/or significant reinvestment in retirement housing is a contentious issue. To this end, selling the assets on the open market or to a CHP is not a recommended approach at this time – particularly in light of the range of significant issues already being faced in the 2021 – 2031 Long Term Plan. Further the current period of political and economic uncertainty, particularly in relation to the contextual factors associated with the possible national three waters review, may mean that retaining retirement housing could position Council well for other like housing or community services in the future. It is recommended Council again consider how it can leverage its portfolio for the construction of new properties, upon there being greater clarity on the next stages of the three waters review, and any subsequent political environment changes.

- Council should consider making provision in its balance sheet, of at least $1 million for the development of housing in the event that Central Government enables or provides access to the 50% suspensory grant loans that came to an end in 2014 or other grant funding is enabled through Crown Infrastructure Partners or similar. For Council, this will be a major enabler of housing and make the overall proposition of the development of new housing as modelled in this review highly feasible.

- The sale of the portfolio on the open market is not recommended at this time. Potential market values of the portfolio have been indicated between $7 and $11 million.

- A full list of recommendations and actions identified from this review are appended to this report, and it is recommended that that are prioritised for implementation

8. Conclusion

This review of Central Hawke's Bay District Councils Retirement Housing Portfolio has been completed in accordance with S17a of the Local Government Act 2002 and based on guidance from SOLGM's best practice guides for Section 17a Review. This review has exceeded that best practice in terms of scope and options considered.

Central Hawke's Bay District Council has a great aspiration to support the housing of its people, clearly articulated through its Housing Strategic Framework 2019. Council also has a number of other strategic priorities, that will require the full availability of its debt funding capacity to address these priorities, unless it strategically prioritises housing over other activities.

There are many basic operational housekeeping requirements that need to address the portfolios financial and operational issues. At this time, it is recommended that that best approach to deliver on its housing aspirations for its people is to address the fundamental operational and funding challenges facing the portfolio and to prepare the portfolio to be leveraged for future opportunities in the near future.

It is further recommended to increasing rents as soon as possible. As a minimum rent should be increased by at least $40 in the first years of the Long Term Plan for basic renewals and to $80 in the second years of the Long Term Plan for major upgrades and possibly the construction of new units to maximise the return on the portfolio.

While not potentially as transformational as envisioned by Council, this review will provide a strong stable and solid platform for the retirement housing portfolio to positon itself well for the future. A swift move, particularly to increase rentals and supported by operational improvements, will place Council in a strong position to further leverage its current asset portfolio for housing in the wider sense for the near future.

9. Action Summary List:

	Action Description	Priority
1	Review the Retirement Housing Policy, including the criteria for entry to the flats, Councils social subsidy policy and approach for the portfolio, means testing and other operational practices including application forms and other processes.	High
2	Work to implement increase fees and charges to the accommodation threshold as soon as possible.	High
3	Prioritise and implement the installation of the mandatory standards for heating, extraction and insulation	High
4	Within three years, seek to achieve a ‘core’ level of Asset Management sophistication for the Retirement Housing Portfolio.	Medium
5	Plan to review the financial performance of the Retirement Housing Portfolio in 2023 in detail again, ahead of the 2024 Long Term Plan to confirm the financial viability and effectiveness of the portfolio.	Medium
6	Continue to support, no less than 12 monthly access to the accommodation supplement for tenants.	Medium
7	Model development opportunities for retirement housing and test the validity and values of these to have prepared in the event that Council is able to access suspensory loans or other grants for housing.	Low