



Proposal to QLDC regarding Council's Senior Housing portfolio

10 August 2023

Julie Scott, Chief Executive

Queenstown Lakes Community Housing Trust (QLCHT)

Purpose

This proposal seeks approval from Council for the transfer of QLDC's Senior Housing Wānaka and Arrowtown cottages to QLCHT at nil consideration, for the purpose of continuing to provide retained affordable housing to Seniors in the district.

Guidance for this proposal is in accordance with the Relationship Framework Agreement between Council and the Trust, executed Mar19 and updated Aug22; the Housing Affordability Taskforce (HAT) recommendations adopted by Council in Oct18; and QLDC's Annual Plan 2020/2021.

All units will remain in QLCHT ownership and management in perpetuity and only be used for the QLCHT's Senior Housing rental programme, unless agreed otherwise by both QLDC and QLCHT. This is an important aspect of the proposal that will be safeguarded by a registered covenant in favour of Council restricting the use of the land.

Background

QLDC owns a total of nine Senior Housing cottages, five in Wānaka and four in Arrowtown. For several years, QLCHT has been in high-level discussions with Council with a view to having these cottages transferred across to the Trust who would manage them. In 2019, QLDC agreed to go out for public consultation on a proposal to transfer the nine units over to QLCHT, however this was never actioned.

QLCHT is well established as the principal provider of affordable and community housing in the Queenstown Lakes District, with both the experience and resources to deliver social housing. Commencing in 2007 with a Shared Ownership programme, the Trust then created its own rent-to-buy programme (Rent Saver), before moving on to Affordable Rentals, Public Housing, Senior Housing, and in 2019, the Secure Home programme (superseding the Shared Ownership programme).

This asset transfer request is not without precedent:

- In 2013 Councillors agreed to the transfer of QLDC-owned land at Suffolk St, Arrowtown to QLCHT for the purposes of affordable housing. Two units were specifically designed and prioritised for Senior Housing.
- In March 2022, QLDC transferred the 3.7Ha site at Jopp St, Arrowtown across to QLCHT as a fee simple title. At least six of the sixty-eight properties being built will be designated as Senior Housing. A restricted covenant will ensure that the land can only ever be used for the purposes of affordable housing and QLDC retains first right of refusal if the property is ever sold.

It is proposed the same, or similar, covenant is registered over the two Wānaka and Arrowtown sites when they are transferred to QLCHT.

QLCHT Senior Housing Programme

The Trust's [Senior Housing model](#) is designed to provide affordable, long-term, secure tenure in decent quality homes to older people in our community. A qualifying household has the opportunity to rent a QLCHT property indefinitely. The rent is set at a fair market rate and an income-based subsidy applied, where eligible, discounting the rent by up to 20%.

As QLCHT is a registered Public Housing provider under contract with the Ministry of Housing and Urban Development, many tenants are also able to access an Income Related Rent through the Ministry of Social Development, and only required to pay 25% of their total income in rent. MSD then tops QLCHT up to full market rent, so central Government provides the subsidy, rather than QLCHT.

To be eligible for the Senior Housing Programme applicants must meet the following basic criteria:

- Applicants must be aged 65 years or older.
- The property must be used exclusively as the household's primary residence and must not be vacated by the household for any more than four weeks over a 12-month period.
- Household income and asset tests apply (which are in line with QLDC's Senior Housing policy).
- At least one person from the household must be a New Zealand resident or citizen.
- Applicants must already be established in the district.

The Demand

The demand for Senior Housing has continued to grow as more of this demographic reaches retirement age. As at 09/08/23 QLCHT had 45 Senior households on its waiting list, detailed as follows:

Households	Queenstown	Wānaka
Singles	29	8
Couples	8	0

QLDC's Senior Housing Portfolio

Land Status

The Wānaka Cottages are on freehold land, and a straight transfer of the title is proposed. The Arrowtown cottages are on a single title that includes the memorial site which is slightly problematic for a transfer. As such it is proposed the Arrowtown cottages are transferred to QLCHT and the underlying land leased at a peppercorn until such time as a permanent solution (such as subdividing the land) is confirmed.

Current management

Currently the units are managed inhouse by QLDC, however QLDCs Property team is working with QLCHT on a proposal for the Trust to take over the property allocation management of this portfolio. As an experienced and [registered](#) Community Housing Provider, QLCHT is considered better qualified to manage this process, and can incorporate it into its day-to-day operations without difficulty.

Stock condition

QLCHT understands Council's Property Team is currently undertaking work to bring all the units up to the Healthy Homes Standards where possible, and as such anticipates no issues with the condition of the units when ready for transfer.

Financial costs and returns

The accompanying spreadsheet summarises details on the properties including current rents received, rates and assumed outgoings. QLDCs inhouse management costs have not been factored into this, but should also be taken into consideration. Rents are extremely low which indicates tenants would likely be eligible for Public Housing (facilitated by QLCHT). As local government entities are unable to access the Income Related Rent Subsidy (IRRS), this means QLDC currently operates these units at a loss.

Community Benefit

The Trust sees the following significant benefits flowing from a land transfer decision:

- The properties remain in community ownership permanently.
- It will enable a better return on the community-owned assets through QLCHT being able to access the Government's IRRS.
- It transfers the management to a suitably qualified Community Housing Provider (registered with the Community Housing Regulatory Authority) which specialises in managing social and affordable housing.
- It requires no risk or new investment on the part of Council (aside from the transfer and potential unit upgrades to meet the Healthy Homes Standards).
- It is a contribution towards the 1000 homes goal adopted by Council on behalf of the community as part of the 2017 Mayoral Taskforce.

Redevelopment opportunities

An identified opportunity is the ability to better utilise the Wānaka site by redeveloping the current units. In Nov22, QLCHT acquired the land at 45 McDougall St which sits adjacent to Council's own cottages at 43 McDougall St. A high-level assessment undertaken by an independent planner identified QLCHT could build a total of twelve 1-bed units across the two sites, thereby more than doubling the current Wānaka portfolio. It is QLCHT's intention to increase Senior Housing stock through such a redevelopment. Further work will be done in this space once the transfer has been confirmed.

Time frames

Whilst acknowledging there is a community consultation process to undertake before Councillors can make a final decision, QLCHT is ready to take over the assets and management of this portfolio effective immediately and welcomes the opportunity to engage with Council on this matter.

QLCHT request to Council

Property Transfer and Peppercorn Lease

Following the adoption of recommendations from the Mayoral HAT report, QLCHT and QLDC have both set the goal of building 1000 more affordable homes in the District by 2038. QLDC has identified QLCHT as its preferred vehicle for delivering on the homes, however, it is widely acknowledged the Trust cannot achieve this on its own, and is reliant on Council support to accomplish this bold goal.

As noted in the background component to this paper, QLCHT has been engaged with QLDC in discussions over a transfer and the management of the Senior Housing units for many years. After the transfer of the Suffolk St land to QLCHT in 2013, and subsequently successful development built on this site, QLCHT has proven it has excellent capability to deliver quality, affordable housing to the community in partnership with Council. Although there was some public resistance to the Suffolk St land transfer at the time, members of the community are now very supportive of the development and the Trust as a whole.

In 2018, Councillors adopted Recommendation Four of the HAT report, which was to *“Invest in scaling up the Queenstown Lakes Community Housing Trust so that it is able to contribute strongly to the goal of delivering 1000 affordable homes with secure tenure by 2028.”*

To this end Council transferred the 3.7Ha site at Jopp St, Arrowtown (*Tewa Banks* development) across to QLCHT for developing into affordable housing in Mar22. Earthworks are now well underway with completion of the 68 new homes scheduled for 2025.

The recently adopted Joint Housing Action Plan confirms one of nine key solutions to *“Continue to support and amplify the work of the Queenstown Lakes Community Housing Trust and other providers through various means.”*

The transfer of the Wānaka properties, and a transfer/peppercorn lease on the Arrowtown units, is another vehicle to enable QLCHT/QLDC to reach the goal of 1000 homes by 2038.

There are a number of options as to how to proceed with a property transfer and leasing arrangement. These include:

1. Sell Wānaka units to QLCHT at market value.
2. Sell Wānaka units to QLCHT at a discount to market value.
- 3. Transfer Wānaka units to QLCHT at nil consideration.**
4. Lease Arrowtown units to QLCHT at market value.
5. Lease Arrowtown units to QLCHT at \$1 pa (peppercorn).
- 6. Transfer Arrowtown units to QLCHT at nil consideration & lease land at \$1 pa (peppercorn).**

From QLCHT’s perspective, the proposal will only work if the units are transferred at nil consideration, and the Arrowtown land are leased at \$1 pa. The Trust does not have sufficient capital resources to purchase the units, even at a discounted value. QLCHT’s equity is currently tied up in its \$50m Tewa Banks project and a 28-home development under construction in Longview, Hāwea.

In addition, due to the low rents in place, deferred maintenance on the units and plans to redevelop, paying a market lease would not be financially feasible.

QLCHT proposes to continue to operate the units as Council does currently, i.e. providing regular maintenance and refurbishing them only when they become vacant. It is proposed to increase rents across the portfolio by 10% for those who do not qualify for Public Housing.

The transfer of the Wānaka properties to QLCHT at nil consideration, and peppercorn lease of the Arrowtown units, will be part of Council's contribution towards the 1000 homes target, and by doing so it will ensure that the land remains in community ownership in perpetuity.

Request to Council:

1. Council agrees in principle to transfer the five Wānaka Senior Housing cottages to QLCHT at nil consideration.
2. Council agrees in principle to transfer the Arrowtown units to QLCHT at nil consideration and lease the underlying land at \$1 pa (peppercorn)..

Appendices

Appendix 1	QLDC Senior Housing Portfolio Information, Aug23
Appendix 2	QLCHT Senior Housing Eligibility Criteria policy
Appendix 3	Wānaka Senior Housing units title
Appendix 4	Arrowtown Senior Housing units title

ⁱ In 2022 QLCHT agreed to amend the date from 2028 to 2038 to reflect a more realistic period for delivering on this goal.