



Social Housing Review

ISSUES & OPTIONS REPORT

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Executive Summary

The objective of the Social Housing Review is to ensure that the tenants of social housing in our District are receiving the best possible service to meet their needs, now and in the future. This report considers the Council's role with regards to social housing in the Whakatāne District. The Council currently provides 79 Pensioner Housing units. The report outlines the current situation, including:

- identifying the needs of our community with regards to social housing;
- how those needs are currently being met and where the gaps are;
- issues around the level of affordability of housing in certain areas of the District; and
- a predicted significant increase in our population who are over 65 years old.

The report considers these situations alongside changes that central government is currently making to social housing funding and the providers of that service.

The report establishes that there is a need for social housing in our District and that this need is likely to increase. However, while this is a concern, it is important for the Council to consider its role in responding to this issue. In particular, the report considers the provision of affordable housing for the elderly, which is set to be a rapidly growing market, with fairly specific needs. The Council must consider whether its role is to meet these needs through delivering the service, or working to ensure there are other providers that are able to deliver a high quality service for our community. This report concludes that while the importance of providing affordable housing for the elderly is clear, the Council is not necessarily in the best position to deliver that service.

June 2014

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Introduction

The objective of the Social Housing Review is to ensure that the tenants of social housing in our District are receiving the best service to meet their needs, now and in the future. As the Council provides social housing, it is important for us as landlords to consider whether we are best meeting the needs of our tenants. It is also essential for the Council to consider how it is meeting the needs of the wider community.

Central government is currently undertaking a significant Social Housing Reform Programme. With this review underway, it is timely to consider the Whakatāne District Council's social housing role. Ultimately, the provision of pensioner housing by the Whakatāne District Council is a discretionary activity. In considering its role within the wider social housing market, the Council must determine: the need for social housing in the District; the Council's role in providing that social housing; and how best to fulfil this role. As the Council is starting to develop its Long Term Plan (LTP) for 2015-25, it is important that we define a clear objective and direction for the provision of social housing in our District.

This report highlights a number of issues that the Council is currently working to address. For example, the Council is currently working with developers to investigate the opportunities of establishing a high-end retirement village within close proximity to Whakatāne Township. This development hopes to respond to an increasing retiree population in Whakatāne. Changes introduced through the Council's current District Plan review are also looking to help address issues of housing affordability in the District. This report has been prepared in the context of other work currently underway.

What is Social Housing

Social Housing is rental housing provided either by central or local government, or non-government not-for-profit organisations (NGOs), usually with the aim of providing affordable housing. Social housing is targeted at people with a set of risks or vulnerabilities that predispose them to social and economic disadvantage. In New Zealand, social housing was introduced by the Government in 1937 for people unable to afford private rents. Following World War II, most local authorities also started providing social housing, mainly in the form of pensioner housing for elderly people with low incomes. While initially intended to provide for people who could not afford private market rents, social housing has diversified in some areas to meet the needs of a wider community with factors that limit them from entering the private market, for example physical or mental disabilities. However, housing affordability remains the key driver for the provision of social housing.

Government agencies, including Housing New Zealand and the Social Housing Unit (a semi-autonomous unit within the Department of Building and Housing), collaborate with NGOs and Community Groups to provide more housing for New Zealanders on low incomes or with special housing needs.

Council's current Social Housing

Currently the Council's social housing portfolio is made up of 79 pensioner housing units over 6 complexes. 72 units are provided in the Whakatāne Township, with the remaining 7 units located in Murupara. The Council has a Pensioner Housing Policy that defines the Council's practice in regard to the provision, management and tenancy of pensioner housing.

The units are currently rented at about 97% capacity, with new tenants ready to move into units as they become available. Depending on the condition of the units, the opportunity is often taken to carry out maintenance when they are empty. This maintenance period would generally account for the 3% vacancy rate. Currently, there is not a waiting list of eligible prospective tenants, but as units become available, they are filled reasonably quickly.

The units are managed in accordance with the Council's property management guidelines, with ongoing maintenance, renewals and allowance made for depreciation. The management and operation of the units are contributed to by a number of Council activities, primarily including; Community Facilities, Operations Business Unit, Finance and Customer Services. As a result of the wide range of Council activities that contribute towards the operation of pensioner housing, the activity pays overheads to cover the provision of these services. The Council's LTP 2012-22 projected annual overheads of approximately \$65,000 per year to cover the costs involved in the Council's other activities serving the Pensioner Housing Activity. In accordance with the Council's Pensioner Housing Policy, the Council's Pensioner Housing Activity is self-funding, without rates input.

Issues with the current situation

An analysis of the Council's current provision of pensioner housing has highlighted six issues. In considering the Council's future role in the provision of social housing, these issues must be explored to help determine the appropriate decision for the Council moving forward.

Issue 1 – The demand for affordable housing is set to increase

Housing in Whakatāne is unaffordable

Housing affordability is a key concern for central government as New Zealand is faced with an unaffordable housing market. Home ownership contributes to social and economic outcomes, and provides New Zealanders with a tangible stake in the communities in which they live. Unaffordable homes translate into pressures on families, on the social housing system and on government support.

Affordability is determined as a ratio of housing costs (capital value) and ability to pay (household income) by the Demographia International Housing Affordability Survey. The ratio results in a 'median multiple' that is then attributed to a rating of affordability as shown in figure 1 below. Housing in the Whakatāne Urban and Ōhope area is deemed to be either seriously unaffordable or severely unaffordable.

Figure 1 - Housing Affordability Data for Whakatāne Urban, Ōhope and Murupara Census Area Units¹ – 2013

Census Area Unit	Median Household Income (2013)	% property owner occupied	Median weekly rent paid	Average Rateable capital value (2013)	Median Multiple*
Whakatāne North	\$47,200	57%	\$250	\$405,859	8.6
Coastlands	\$88,900	80%	\$350	\$440,517	5.0
Whakatāne West	\$52,000	61%	\$240	\$258,149	5.0
Trident	\$39,100	53%	\$220	\$348,981	8.9
Allandale - Mokorua	\$55,400	66%	\$250	\$378,521	6.8
Ōhope	\$68,700	67%	\$280	\$511,855	7.5
Murupara	\$33,600	49%	\$130	\$68,270	2.0

*Demographia International Housing Affordability: Rating Categories

Median Multiple	Rating
5.1 & Over	Severely Unaffordable
4.1 to 5.0	Seriously Unaffordable
3.1 to 4.0	Moderately Unaffordable
3.0 & Under	Affordable

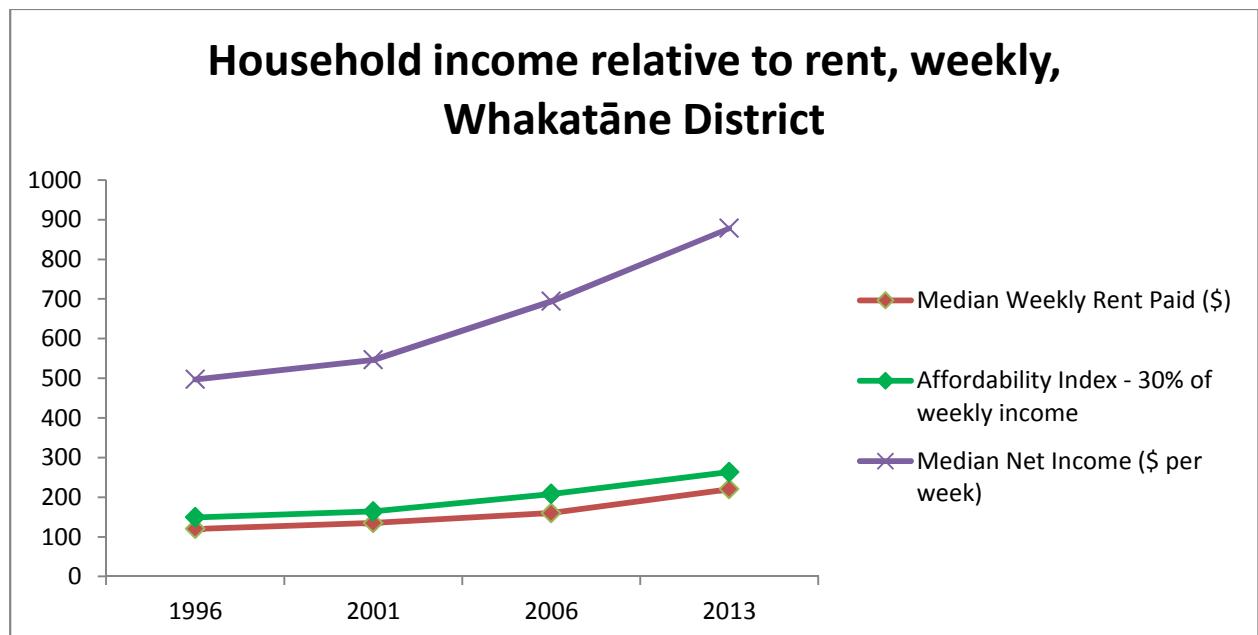
House prices in Whakatāne, and particularly the areas of Ōhope and Coastlands, are high. However, the District is also affected by low household income, resulting in a housing affordability problem in the area. 12 out of the 19 census area units in Whakatāne are ranked as deprivation level 9 or 10, the highest level of deprivation. However, as the table shows, while Murupara has low household income levels, property prices are also very low, resulting in more affordable housing.

Housing is a basic human need, but it can take many forms and tenures. Home ownership accounts for the majority of housing in New Zealand and Whakatāne, where people live in the homes that they own. For those who don't own a home, there are various options for rental accommodation. Landlords for rental accommodation range from central government (through Housing New Zealand (HNZC)), local government, other not for profit social housing providers and the majority (80%) which is private rental. Of the private rental market in New Zealand, approximately 30% is managed by an agency other than the owner, for example through a rental agency. In Whakatāne, 82% of rentals are rented from a private person, trust or business, with 13% rented from HNZC and 2.4% rented from the Council.

However, while housing affordability is worked out based on house price, the situation is a bit different in Whakatāne when considering rental costs. The average house price in New Zealand more than doubled between 1996 and 2013. However, as you can see from figure 2, the cost of rent has not increased to the same extent. Relative to income, rental prices did not increase at the same rate, and therefore rental housing became more affordable between 1996 and 2013 in Whakatāne, relative to income. Figure 2 shows that, when considering the affordability of rentals in Whakatāne, with affordability defined as rent being less than 30% of household income, on average rental housing in Whakatāne is affordable.

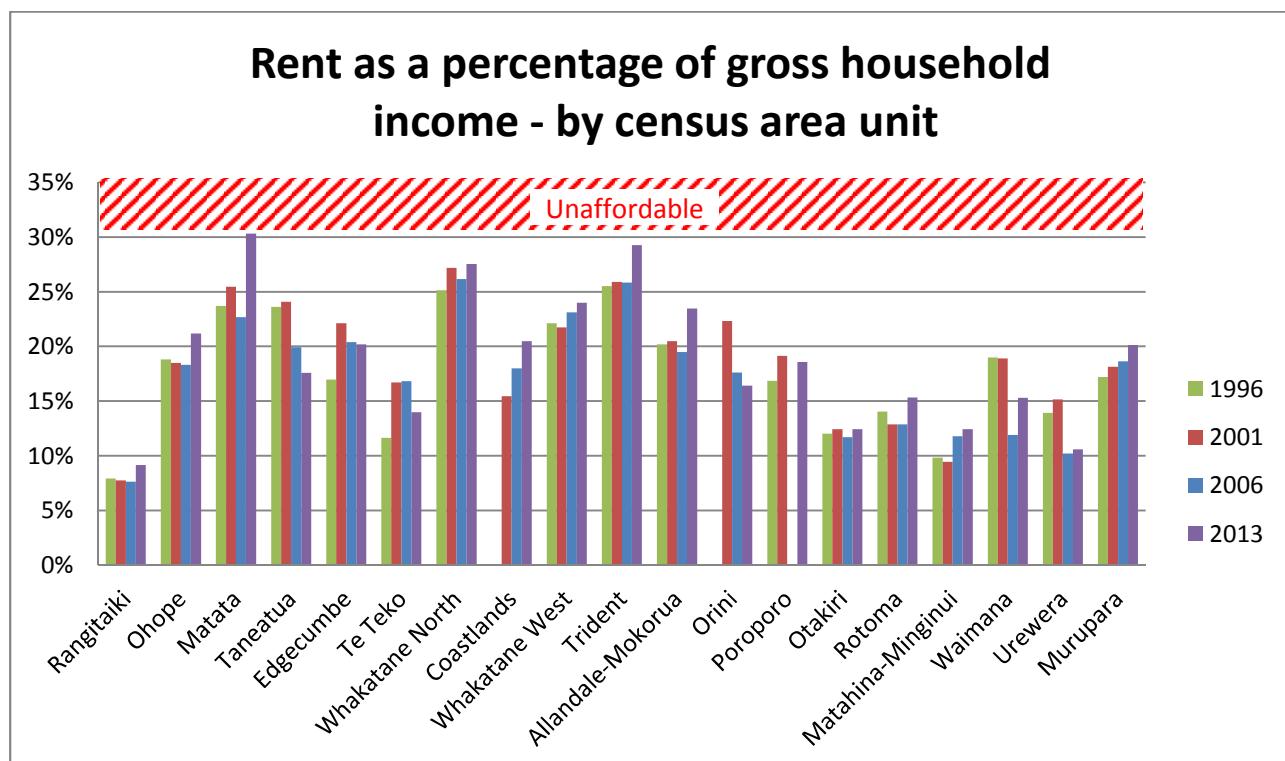
¹ See Appendix 1 for a map of Census Area Units.

Figure 2 – Housing Affordability in the Whakatāne District – 1996-2013²



When this information is broken down by Census Area Unit, we see that affordability issues vary throughout the District. Figure 3 outlines the average rent paid as a percentage of gross household income in each census area unit. We can see from this information that Matatā is the only area in the District to breach the 30% affordability threshold for rent as a portion of household income.

Figure 3 – Housing Affordability in the Whakatāne District by census area unit – 1996-2006



² Note that trend information from Census Data has an irregular gap between 2006 and 2013 due to the Christchurch earthquake delaying the 2011 Census.

It should be noted that the income measure used for figure 2 and 3 is for all households. However, because census and Household Economic Survey data show that household income is lower for households not owning their dwelling, the indicator is likely to under-report affordability issues.

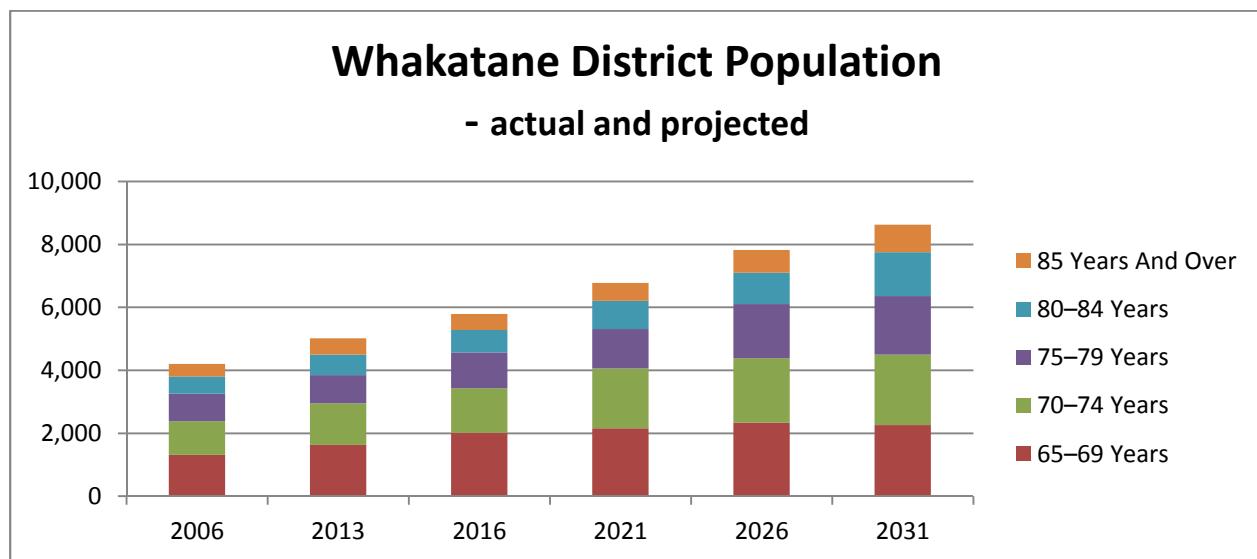
Issue 2 – The Whakatāne population is ageing but there is a lack of appropriate affordable housing

An ageing population

Nationally the population is ageing, with a greater portion of the population being over 65 years. In Whakatāne, the percentage of the population over 65 years is steadily increasing and is slightly higher than the national average. The Whakatāne North, Trident and Ōhope Census Area Units have the highest proportion of over 65 year olds in the District. Whakatāne North and Trident are also the areas of the District with the largest proportion of rentals, just under 50% of housing, and are ranked as two of the least affordable rental areas in the District.

Despite some areas of the District being predicted to show a slight decline in total population over the next 20 years, the proportion of over-65s is expected to increase for all areas, according to Statistics NZ projections. Between 2013 and 2031, the total population of the Whakatāne District is projected to remain stable. However, over this same time period, the number of people over 65 is projected to increase by 60%, with the number of people over 75 doubling from 2,064 to 4,130 (as seen in figure 3 below).

Figure 3 – Statistics NZ Population projections for the over-65s in Whakatāne through to 2031



Census figures from 2006³ suggested that 45% of the over-65s population in Whakatāne had an annual income of less than \$20,000, compared to 16% nationally. 40% of the income of over-65s in Whakatāne was derived from wages and salaries, compared with only 6% nationally. This suggests that more people are continuing to work beyond 65 years old in Whakatāne, compared to the national average.

³ Updated income information from the 2013 Census will not be available until October 2014

Lack of private, affordable, rental housing targeted at the elderly

Housing specifically targeted at the older population has quite specific needs that may not reflect the average housing stock. Issues such as accessibility, proximity to amenities, and security are of greater importance, while the need for greater space, extra bedrooms and large section sizes is reduced. In order to provide housing that is affordable, in a good state of repair and in a safe and convenient neighbourhood, the size of the dwellings is likely to have to decrease and the density of properties increase. This means that purpose-built housing targeted at the low income, ageing population will be in high demand as the population ages. However, while there has been a push from central government to encourage this kind of development, it takes many years for a change in housing standards to filter through to and make a significant change to the housing stock overall.

Within Whakatāne Township there are a number of developments targeting or appropriate for the elderly, including developments such as Totara Park and rest homes such as Golden Ponds. However, these developments are not targeting the lower income market, and may not be affordable to some of the older population. An analysis of the current rental market in Whakatane suggests that in the lower value rental market, the units are either small, in an undesirable location, or in a poor state of repair. In Whakatāne, there are not many developments that offer small (1 bedroom) units. There are some subdivisions that provide small units. However, these flats are not specifically targeted at elderly tenants and are often unsuitable as pensioner housing. For example some have shared facilities, such as laundry facilities while others are targeted at tenants with mental health or substance dependence issues, which would not be ideally suited to pensioners.

In Whakatāne Township, rents for 1 bedroom bedsit-type units start from about \$165 per week, while a basic 2 bedroom unit will start at about \$190 per week and a 2 bedroom house will start from around \$245 per week. For a single pensioner living alone on NZ Superannuation, the net weekly income is \$357.42. Housing is considered to become unaffordable once weekly rent exceeds 30% of household income. This would mean that for an average pensioner reliant on NZ Superannuation, the weekly affordable rent would be \$107. For our least-expensive pensioner units in Whakatāne, the weekly rent of \$132 is 37% of a superannuitant's weekly income. However, there is further assistance through Work and Income that may be available to individuals, depending on their personal circumstances - for example accommodation supplements or temporary additional support.

Tenant Example

Bill Gates receives NZ Superannuation of \$357/week (standard amount for a single person). This is his only source of income. He rents one of the Council's units at Veronica Flats, paying a weekly rent of \$132. He is eligible for Accommodation Supplement of \$31/week. His weekly rent is now 34% of his income and he has \$256 in disposable income.

If Bill had to pay market rent for his unit of \$165/week, his Accommodation Supplement would increase to \$54/week. His weekly rent would now be 40% of his income and he would have a disposable income of \$246. The \$33 increase in rent would cost Bill \$10/week of his disposable income⁴.

⁴ NZ Superannuation figures from WINZ website. Accommodation Supplement figures provided by telephone from WINZ on 04/02/14

The Council is in the process of helping to contribute to the supply of affordable housing suitable for the elderly through District Plan changes to allow for greater infill and higher density housing in specific areas that are closely located to amenities. For example, the District Plan Review proposes rezoning an area around Kopeopeo to an urban living zone, to allow for greater density of housing that would be appropriate for older residents. In addition to looking at the quantity of residential land, the District Plan Review has looked at creating diversity in housing options, from coastal residential to infill and higher density housing.

The Council is also in the process of selling Council-owned land for the purpose of residential development. The Council has been working with developers to consider the opportunity for a retirement village within the new residential development. This development is likely to target the high-end retirement village market, with on-site care facilities. While this will contribute to fulfilling the housing needs of an ageing population, it will not meet the affordability needs of low-income, elderly residents.



Lovelock Court

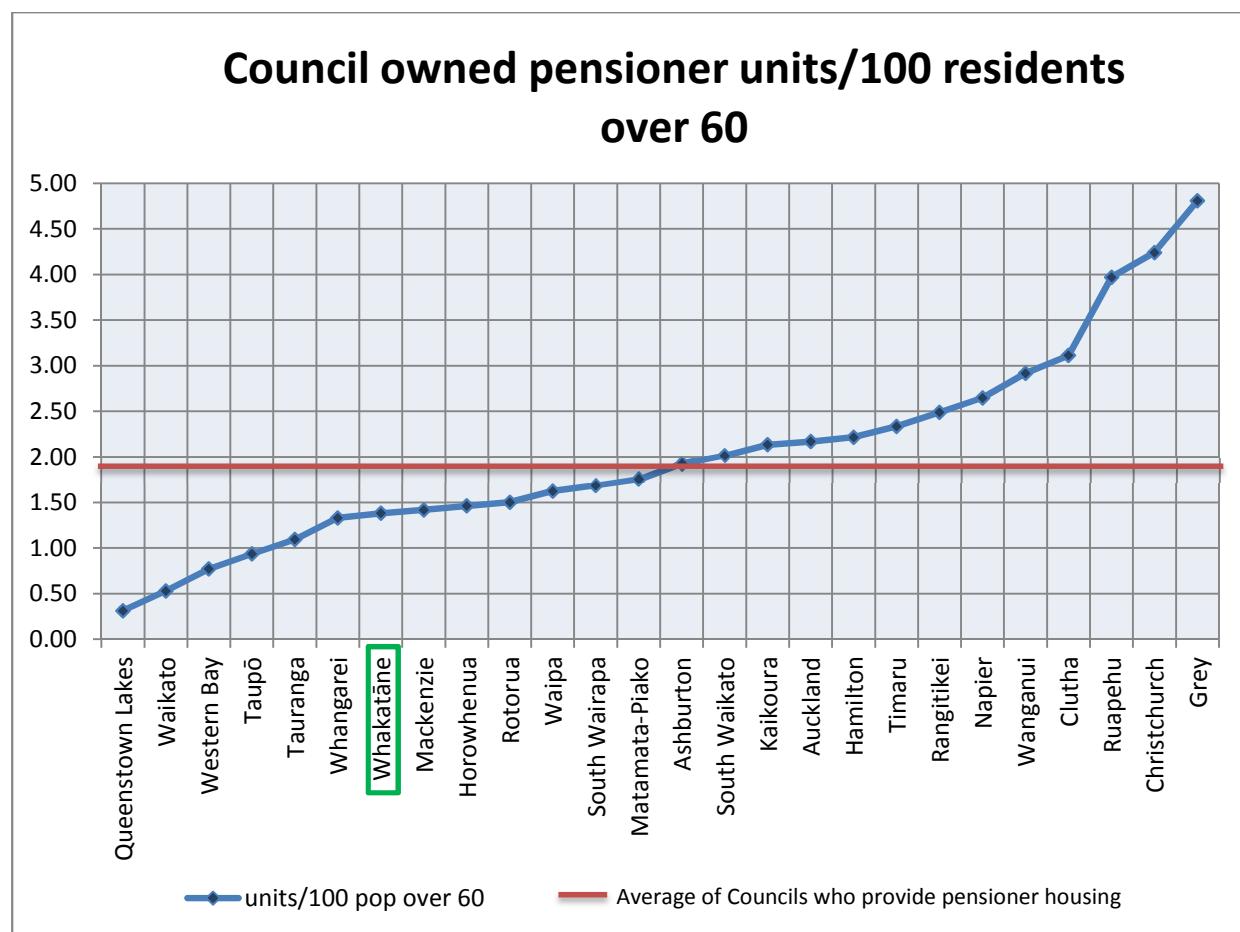
Issue 3 – Central government reform excludes Councils accessing social housing funding

Social housing is currently provided by Housing New Zealand, local government and other government/state owned departments

The provision of Social Housing in New Zealand is primarily provided by central government through HNZC and local authorities. Local authorities have a discretionary role in the provision of social housing, and currently, for over 90% of local authorities, this role includes the provision of affordable housing for pensioners.

Social housing in Whakatane is primarily provided by HNZC, providing 14% of the rental market, compared to a national average of only 3%. Conversely, the percentage of rentals provided by the Whakatāne District Council is only 2.5% (81 units⁵) compared with other local authorities who average 13.5% of the rental market nationally. The provision of pensioner houses provided by Whakatāne District Council relative to other Councils is slightly lower (1.38/100 residents over 60), than the average of Councils who provide pensioner housing (1.90/100 residents over 60) as shown in figure 4.

Figure 4 - Sample of Councils who provide pensioner housing:



⁵ Note the Council owns two residential dwellings that do not form part of the pensioner housing portfolio.

It should be noted that while the number of pensioner houses provided per resident over 60 by Whakatāne District Council is not hugely different from other Councils, some Councils also provide broader social housing. In some instances, for example Dunedin where the local Council provides more than 950 community houses, the proportion of Council-owned rentals is much higher and probably accounts for the relatively high proportion of the rental market nationally administered by local authorities.

There are also a number of other state-owned properties in Whakatāne (84) provided by other government departments or state owned corporations. However, the vast majority of rentals (over 80%) in Whakatāne and nationally are provided by private landlords (either individuals, businesses or trusts).

As well as providing housing through HNZC, central government also contributes to housing affordability through the Ministry of Social Development (MSD). Over the last year, MSD distributed \$1.2 million in Accommodation Assistance, in addition to the \$10 million distributed to the elderly in Superannuation to help in meeting their living costs⁶. This funding helps the older population and the general low-income community with their housing costs where the need is deemed to be greatest.

Impact of Central Government's Social Housing Reform Programme

The government is currently undertaking a significant Social Housing Reform Programme (SHRP). The objective of the Reform Programme is to improve the performance of central government investment in social housing and reduce the reliance on central government as the owner of social housing, with government instead being the purchaser of the service. The intention of new legislation and the ongoing review is to provide greater choice and increase the percentage of social housing delivered by non-government providers. While this reform does not determine the role of local authorities in the social housing market, the regulations introduced by central government specifically preclude local authorities (including Council Controlled Organisations), from accessing central government social housing funding. This could be considered to give a clear steer towards local government of the intentions of central government at this time.

The legislation changing the way social housing is provided in New Zealand was passed in Parliament in November 2013. The reform specifically changed how the government funds social housing, including the introduction of two key streams, as shown in figure 5.

Firstly the legislation has opened up the provision of Income Related Rent Subsidies (IRRS) to Community Housing Providers⁷ (CHP). This means that a larger number of approved, non-government housing providers can access government subsidies to enable them to provide affordable housing for the community. Community housing providers will also be subject to housing warrants of fitness to ensure the suitability of housing.

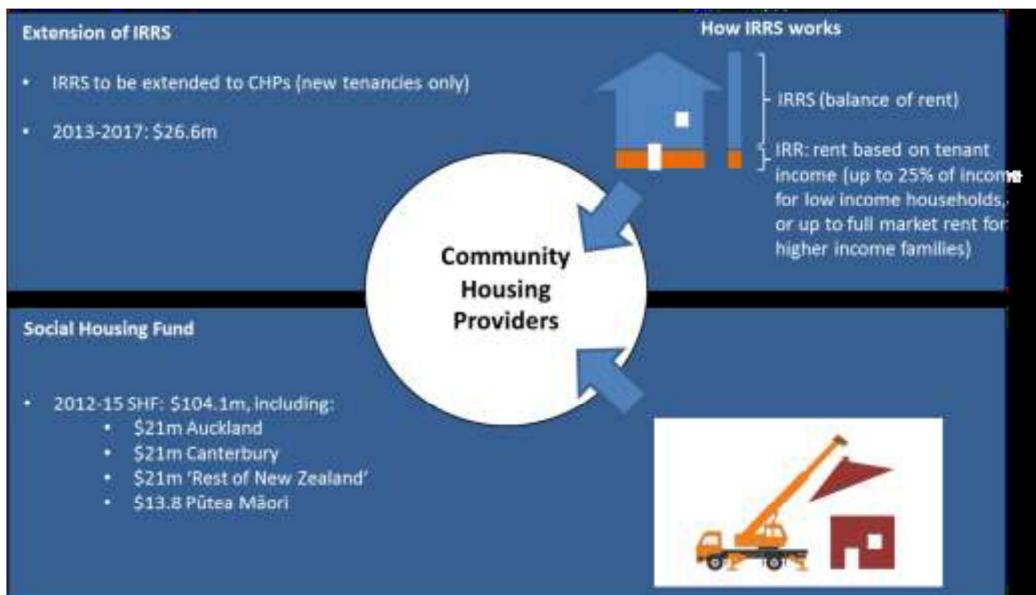
Secondly the government has budgeted substantial funding (\$140 million) for the development of new social housing to increase the supply, through a Social Housing Fund (SHF). Money distributed through the SHF must be retained for the purposes of social housing indefinitely, so even if housing built with these funds is subsequently sold, that money must be reinvested into social housing.

⁶ [Ministry of Social Development Annual Report for year ending 30 June 2013](#) – p125

⁷ Community Housing Provider is defined on p16 under “Who is eligible to be a Community Housing Provider”.

These two funding streams will provide a level playing field between HNZC and CHPs and reduce the dominance of HNZC by facilitating new providers entering the market and enabling existing providers to extend their operations.

Figure 5: Government funding and investment in CHPs through the SHRP



With the increase in availability of rent subsidies and construction funding for a third sector of social housing providers, the market opportunities for CHPs has increased significantly. This means that a wider range of providers are now able to provide affordable housing for the community at reduced rents, specifically linked to the tenants' income levels. The level of subsidy varies according to household income and means that the rents payable by tenants will vary from up to 25% of income for low income households, or up to full market rent for higher income families.

Tenant Example 2

Bill Gates receives NZ Superannuation of \$357/week (standard net amount for a single person). This is his only source of income. He has moved into a rental unit provided by a Community Housing Provider with a market value of \$190/week. Under the IRRS scheme, Bill only has to pay rent of \$94, based on his gross income. Bill has a disposable income of \$263/week. When Bill rented a flat from the Council he had \$256/week in disposable income.

However, thanks to Government grants, the unit Bill has moved into is modern, custom-built for today's pensioner and provides him with amenities like mobility scooter parking, full insulation, a heat pump and improved access to his unit. Thanks to these improvements, Bill is able to significantly reduce his heating costs and he is able to live more independently.

With the introduction of this new funding stream in April 2014, the Government is hoping that the number of CHPs will increase, promoting an increase in the quantity and quality of community housing available to meet an increasing market. This moves the focus for the provision of social housing away from both central and local government.

Who is eligible to be a Community Housing Provider?

CHPs are a third sector of housing provider who are being targeted by central government as the key to the future provision of social housing in New Zealand, to respond to an increase in demand for social housing. The advantages of CHPs that have been highlighted by central government are:

- The community housing sector brings a range of expertise to the provision of social housing and can assist tenants to access appropriate support services.
- Community Housing Providers will have to be approved by a regulatory agency in order to access the Income-Related Rent Subsidy for new tenants.
- A regulatory framework will protect taxpayers' investment in social housing, as well as ensure social housing tenants are appropriately housed and have security of tenure.



A community housing provider is:

A sustainable non-government business (not including local authorities or Council Controlled Organisations) whose core activity is to provide and/or own social or affordable rental housing, or a combination of rental with some assisted home ownership, targeted at specific client groups and areas of housing need. Core functions include tenancy, property and asset management. In addition, a community housing provider ensures its tenants have access to additional support to ensure they can sustain their tenancies or progress to more economic independence. It is these extra housing-related services that distinguish a social and affordable community housing provider from that of other landlord agencies. A community housing provider invests surpluses back into affordable or social housing, is a 'not-for-profit' business and may be or is likely to be, a registered charitable entity.



CHPs provide: housing for low/moderate income households (primarily on income support) that also face multiple barriers to accessing and sustaining housing, including:

- tenants with high economic or support needs and other people requiring subsidised or supported housing (including HNZC A and B applicants and those C and D applicants with additional support needs);
- those in need of tenure stability and better housing and who face constrained access to the private rental market.

Eligible CHP applications will be assessed against the following four key business disciplines:

Governance and Management

A housing provider must be governed and managed effectively to achieve the outcomes of its business plan in a timely manner and within a continuous improvement framework.

Financial Viability

A housing provider must remain financially viable and solvent at all times to the satisfaction of the Social Housing Unit (SHU).

Tenancy Management

The housing provider must provide effective tenancy management.

Asset Management

The housing provider must maintain its housing stock to a high standard. This discipline includes the requirement for houses to undergo a Housing Warrant of Fitness.

The following are not CHPs and therefore are not eligible for social housing funding:

- Local Authorities and Council Controlled Organisations (CCOs)
- Private developers
- Private individuals
- Organisations seeking funding for emergency housing
- Service providers (i.e. organisations whose core business is the provision of services to clients)

These organisations are actively encouraged to partner with pre-qualified community housing providers, recognising that this might enable or facilitate mutual outcomes.

As Councils and their CCOs are specifically excluded from accessing social housing funding, local authorities may investigate alternative options for accessing the funding, while retaining some control over the social housing market in their communities. A Trust could be established within a community, on which the Council has a Board representative. This may allow the Council continued input into the social housing market, while enabling access to central government funding. However, given the criteria developed for CHPs, specifically around sustainability and financial viability and the standards that CHPs must adhere to, it may be difficult for a newly-established trust to set up and access funding when in competition with larger, more established and proven providers who already have a relationship with central government. The Council's current number of pensioner units in itself would probably not be economically viable to operate as a standalone trust due to administrative costs.

Alternatively, a Council may approach an established provider about options for formalising a relationship between the local authority and housing provider. This may take the form of a Council representative being appointed to the Board, whether an elected member, staff member, or a Council-appointed member of the community. Alternatively the arrangement may represent a partnership or agreement between the local authority and housing provider. Such an arrangement would be part of a private agreement between the CHP and the Local Authority. The advantage of this approach would enable the Council to retain some input into the provision of social housing in the District, while accessing the expertise, knowledge and reputation of an established and successful provider. However, this approach is very much dependent on the individual CHP and their willingness to enter such an arrangement.

Can Māori access Social Housing Funding?

Māori Trusts or providers are eligible to apply to be an approved CHP, and would need to meet the same criteria as other housing providers. However, central government has also established further funding availability, to try and encourage the provision of social housing on Māori-owned land, allowing whanau, hapu and iwi to unlock the value of their land for social and affordable housing. This funding acknowledges the special relationship between Māori and their land, but also reflects the barriers that exist currently for Māori to develop social housing on ancestral Māori Land. The central government funding streams take a number of forms.

Kāinga Whenua Infrastructure Grant: provides \$12 million over 3 years to help Maori individuals, land trusts and other collectives to cover costs like accessing power and water, particularly in rural areas, where these costs often limit the use of Māori land for social and affordable housing. The Kāinga Whenua Infrastructure Grant will mean that Maori communities will be able to return to their

ancestral lands to live, which in the past has been extremely difficult given the costs of infrastructure.

Kāinga Whenua Project Capability or Proposal Development Grant: is available to assist housing providers with initial up-front proposal development costs and for building their capability to manage future housing projects and portfolios.

Pūtea Māori Grant: is a capital grant fund of \$13.8 million over three years, available to Māori providers to increase social and affordable rental housing and to support sustainable communities for Māori, with a preference for housing on multiple-owned Māori land. Pūtea Māori is also part of the wider Social Housing Fund capital grants programme focusing on Māori housing provision. Pūtea Māori does not require pre-qualification and has a continuous funding round with four assessments each year.

Kāinga Whenua Loan: is a partnership between HNZC and Kiwibank. It was set up to support people who want to build, purchase or relocate a house on multiple-owned Māori land, and is the only home loan available for this purpose. Kiwibank provides the loans and HNZC insures the loan. A Kāinga Whenua loan is secured against the house, but not the land as with most home loans.

It should be noted that these extra funding streams all apply to developments principally (but not necessarily exclusively) on Māori customary and Māori freehold land. Where the land proposed for the housing development was received by iwi or hāpu as part of a Treaty settlement, even though it may be classed as general land, a grant may be approved to the extent that it supports the development of social housing.

The changing political environment of pensioner housing

As national legislation changes over time, Councils must be wary of the long-term effects of their decisions in a potentially changing legislative environment. As the population is ageing, more people are reaching retirement age and becoming eligible for superannuation. This leaves a reducing portion of the population left in the workforce paying for superannuation. While the government is putting emphasis on schemes such as KiwiSaver, and encouraging the population to save for their retirement, more and more people are reaching retirement age without having properly planned and budgeted for their retirement. This will place increased pressure on the superannuation fund that is being contributed to by a reducing portion of the population.

Central government is positioning itself so as to reduce reliance on central government for social housing. However, with demand increasing, the need for social housing in the future could be even greater for our community. If the Council were to sell its pensioner housing units, then that decision could be reversed at a later date by the Council purchasing or building new units. However, it must be noted that providing self-funding social housing is achievable when there is no debt associated with the units. If the Council were to decide to upgrade the current units to modern standards, or if it sold the current units and decided to re-purchase or build new units at some stage in the future, utilising loan funding, the service would become more expensive to deliver. This may affect the Council's ability to provide pensioner housing that is self-funding in the future. Councils must also consider that changes made to reflect legislative or political aspirations must be analysed in the context of a democratic system where priorities and regulations may change.

Issue 4 – The Council does not have a clearly defined objective for owning pensioner housing against which to measure performance

The Council's current Pensioner Housing Policy is not very prescriptive and has little restriction on the tenants that we rent our units to. This enables us to maximise the occupancy rate of our units and ensures a steady income stream. However, there is a possibility of a discrepancy between the objectives of Council when providing pensioner housing, and the actual outcome of the activity. In order to determine whether this is true, we must first determine the Council's objective for providing pensioner housing. The objectives in the current policy do not include a definition of the Council's objective for owning pensioner housing and the criteria contained in the policy are not clearly linked to objectives. The Council's LTP 2012-22 does loosely define Council objectives.

We provide Pensioner Housing – “in response to public demand and to ensure the safety and protection of the elderly tenants” – LTP 2012-22.

However, this does not provide a clear direction about the Council's objective for providing pensioner housing. Council's Pensioner Housing Policy provides a place for Council to further define its objectives and create criteria to ensure that the objectives are being met. Examples from other Councils' policies include restrictions on things like, minimum age of tenants, means-testing, lived in/association with the District. These restrictions limit the eligibility of tenants, target the units at a predefined demographic and could reduce the demand for units.

A snapshot of the Council's current pensioner housing tenants shows that the average age of tenants is 72, with the oldest tenant being 92 and the youngest 52. There are more females than males in the units, with 54% of the tenants being female. The average length of stay for tenants is 5 years, however we currently have a tenant who has been in our units for 26 years. The cultural split is fairly even, with a slightly lower proportion of Māori tenants (45%), which is consistent with the ethnic make-up of our District (43.5% Māori).

Whakatāne District's current population aged over 65 is 5,016 (based on 2013 census). In 2031, the projected Whakatāne population over 65 is estimated to be 8,600, a 70% increase. With our current provision of 79 units, catering for a maximum of 93 tenants, we have on average a 97% occupancy rate, under our current policy. We currently house an average of 90.21 tenants which equates with 1.8% of our population over 65. If our elderly population increases by 70% in the next 17 years, and demand remains at 1.8% of our residents requiring pensioner housing, this would suggest that we could potentially have a demand for 155 units.

The Council passed a resolution in April 2010 to retain the current number of units, and not increase them as the demand increases. This could lead to a much larger demand for pensioner housing relative to the Council's supply of units. There is potential to manage this demand in the future, by reducing the eligibility of tenants through the Council's Pensioner Housing Policy, if demand management is required.

Issue 5 – Greatest gap in social housing market is for providers that meet more than just tenants' housing needs

When considering the role of Council in the provision of social housing, it is important to consider the needs of the community, now and in the future, and what services are being provided by others. The strongest demographic trend predicted in Whakatāne and nationally is an ageing population and so it is important to consider what impact this will have on the need for social housing. As the population ages we will have a greater number of people over 65 years old in our District. However, with increased life expectancy, it is expected that there will be more people entering their eighties and nineties, which will probably result in a larger number of people who require physical or medical assistance. Similarly, with advances in medicine, people are living longer with greater physical disabilities or deteriorating medical conditions. Latest information from the Disability Survey 2013 suggests an increase in the proportion of the population identified as disabled, up from 20% in 2001 to 24% in 2013, which is partly explained by the ageing population; 59% of people aged 65 or over were identified as disabled. The Bay of Plenty regional disability rate is higher than the national rate at 27%, representing above-average disability rates in our region.

The objective of delivering social housing is to meet the social needs of the community. To ensure the Council is delivering this service, in the most efficient and effective way, consideration must be given to the needs of the community. The private rental market is able to provide rentals at varied values to meet a range of market needs. Government subsidies may be able to make these private rentals affordable. However, there is a lack of supply in the market to meet the needs of tenants who require more than just basic physical housing needs. For example, providing support networks to link to other community groups, health providers, etc.

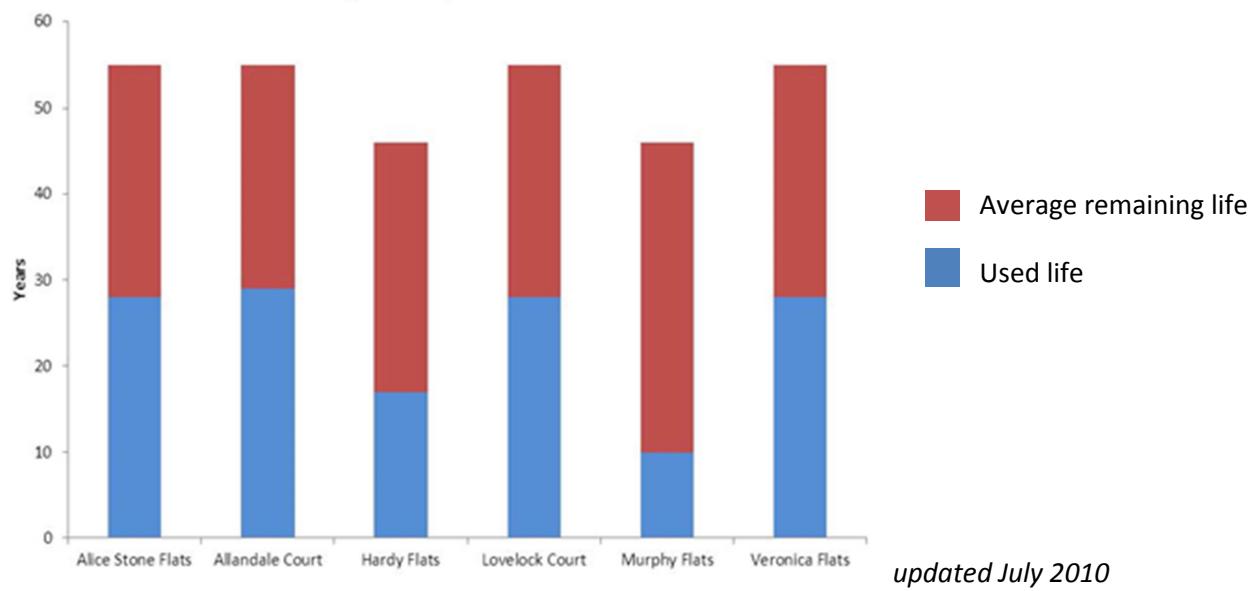
A gap in the market has been identified for people requiring support, or with specific physical requirements that limit them from entering the private rental market. Those with physical disabilities may be able to live self-sufficiently, if certain home design attributes exist to facilitate this. However, there is little supply in Whakatāne of properties purposely built or fitted to cater for the physically disabled. This is particularly the case in the private rental market, where a greater supply of appropriate dwellings may enable a greater number of disabled residents to live independently.

The Council currently provides pensioner housing beyond just the provision of housing. The service currently provided to our tenants includes the coordination of support agencies and networks to enable members of the community, who may not be able to live in a private rental arrangement, to live alone. This support can take many forms, including budgetary support, education on subsidies, grants and entitlements and providing links to other social and/or health agencies. These services enable a number of our tenants to remain in self-sufficient accommodation for a longer period, delaying or eliminating the need for high dependency housing or care home housing. This has a benefit for the tenant, as well as the wider community good, and reduces the pressure on and cost of high dependency living. However our units do not currently cater for tenants with physical disabilities, and due to their size, it would be difficult to retrofit the units to cater for physical limitations.

Issue 6 – The Council’s current pensioner housing stock is ageing

The Council’s current housing stock is generally between 30 and 45 years old, as shown in figure 6. On average, the assets are just over halfway through their useful life, with between 10 and 30 years of remaining life left.

Figure 6 – Average Remaining Life of the Council’s Pensioner Housing Units



The Council funds depreciation against the units, to help cover the cost of replacing the assets once they come to the end of their useful life. For some of the units, Murphy Flats in particular, the average remaining life is only a few years for the roof and internal fixtures, while the structure of the units have about 20 years of expected remaining life. However, the structures of other units still have 60+ years of remaining life.

A major rebuild may be required in the next 10 to 20 years for some of the units and the Council needs to consider how this would be funded and whether it is able to carry out such major works and retain its policy of units being self-funding and affordable. Over the period of the LTP 2012-22, the Council budgeted to increase the Pensioner Housing Depreciation Reserve from \$283,000 in 2012 to \$536,000 in 2022. This includes an allowance for expenditure to maintain the current level of service over this period.

Overall, the units are considered in good condition, and have been maintained by the Council utilising income from rentals. At the current rate of maintenance and renewals, the units are self-funding, with rental income covering the level of maintenance and renewals. However, over time, the industry standard for housing and in particular pensioner units has changed. Amenities that are not included in the Council’s units would now be considered standard for new units. Modern conveniences such as mobility scooter storage and charging, heating and ventilation are now standard for modern pensioner units. As the population ages and we have a greater number of people in their 80s and 90s, the need to provide easy access in and around units and to local amenities will increase.

While the units are tidy and functional for their age, and there is no legal obligation to upgrade them, the design, materials, quality and standards are not in line with modern facilities. The Council may consider upgrading the current units to provide the comfort, quality and finish that would be expected in a modern unit, to improve the level of service being delivered to tenants. Initial investigations suggest an upgrade cost of \$77,000 +GST per unit, to bring the units up to a modern equivalent. This compares with an approximate cost of \$123,400 +GST per unit to construct a new unit of a similar size. A saving of between 10-20% could be made if multiple units were to be built or upgraded at the same time, reflecting economies of scale.



Murphy's Flats

Council's options for social housing

Six options have been identified for consideration by the Council in response to the issues outlined in this report. The following matrix outlines how each option responds to the issues identified. The matrix is colour coded to signal, at a high level, whether the option; responds to the issue (green); the impact on the issue is unclear (amber) or fails to respond to the issue (red). A score system has been used to help rank the options (points allocation: red = 0, amber = 1, green = 2). This information must be considered alongside the advantages and disadvantages of each option and that analysis follows this matrix.

Issues and Options analysis	Option 1 – Status quo – retain current units	Option 2 – Improve/increase what we provide	Option 3 – Own the units but outsource management	Option 4 - Establish a local Community Trust and sell or transfer ownership of the units to the Trust	Option 5 – Seek improved and more affordable social housing through ownership by an approved CHP – Council's preferred option	Option 6 – Exit social housing, and sell the existing units on the open market
Issue 1 – The demand for affordable housing is set to increase	No capacity for increasing supply of affordable housing in line with an increase in demand.	The capacity of the supply could be enhanced to match an increase in demand. The demand could be modified through a Policy review.	The capacity of supply would not increase in line with demand.	If successfully set up and managed, the Trust may be able to establish itself as a CHP and attract central government funding to expand the provision of affordable housing.	The supply of affordable housing would likely increase by bringing a CHP to Whakatāne and the extension of the IRRS to other providers.	The effect of this option would be outside of Council's control. The retention of the units as relatively cheap housing would probably continue, and a developer may expand the number of units on some sites to maximise returns.
Issue 2 – The Whakatāne population is ageing but there is a lack of appropriate affordable housing	No capacity to expand the supply of appropriate affordable housing for the elderly.	Scope for an increase in the number of units provided by the Council, and upgrades to current units to ensure they are appropriate for the needs of elderly tenants.	No capacity to expand the supply of appropriate affordable housing for the elderly.	If the trust could become a CHP, then access to central government funding may mean the units could be renovated to an appropriate level for tenants. The extension of the IRRS to other providers would make the housing more affordable.	Access to central government funding may mean the units could be renovated to an appropriate level for tenants. The extension of the IRRS to other providers would make the housing more affordable.	Buyer may look at expanding its supply of appropriate and affordable housing. However the buyer may upgrade the units to target a different clientele that does not align with this issue.
Issue 3 – Central government reform excludes Council's accessing social housing funding	Does not conform to central government direction, but does not increase the Council's involvement.	Does not conform to central government direction. Does not access central government funding.	Does not conform to central government direction and does not increase the Council's involvement.	There is a risk as to whether a new Trust would be able to successfully establish a CHP that is able to compete for funding with other established CHPs.	Conforms to the direction set by central government through the SHRP.	Partially conforms to central government direction. However does not utilise the third sector of CHPs.

Issues and Options analysis	Option 1 – Status quo – retain current units	Option 2 – Improve/increase what we provide	Option 3 – Own the units but outsource management	Option 4 - Establish a local Community Trust and sell or transfer ownership of the units to the Trust	Option 5 – Seek improved and more affordable social housing through ownership by an approved CHP – Council's preferred option	Option 6 – Exit social housing, and sell the existing units on the open market
Issue 4 – The Council does not have a clearly defined objective for owning pensioner housing against which to measure performance	Some work may be undertaken to define the Council's objectives as a result of this project. A policy review would enable the Council to assess whether it is meeting the objectives.	Council's social housing objectives (whether pensioner housing or wider social housing) would be clearly defined and a Policy put in place that ensures these objectives are met.	Some work may be undertaken to define the Council's objective as a result of this project. However, outsourcing the management of the units means the Council relinquishes control, reducing the ability to ensure the objectives are being met. Control would be limited to contract provisions.	Some work would be undertaken to define the Council's objective as a result of this project. This would lead into the development of a Trust, ensuring the Trust would deliver on these objectives.	The Council would no longer deliver pensioner housing. However, before this decision was made, consideration would need to be given to what the Council's objectives were. It is likely that a CHP would deliver on those objectives more efficiently. The Council may also discuss with the CHP how it could retain an involvement (for example having a representative on the Board).	The Council would no longer deliver pensioner housing and therefore any objectives for owning pensioner housing would be lost.
Issue 5 – Greatest gap in social housing market is for providers that meet more than just tenants' housing needs	The Council currently provides a greater level of service than the private sector, but does not provide the specialist care of an established care provider.	Scope to investigate holes in the market and whether Council can fulfil these needs. Potentially working with other providers and groups to maximise the outcome for as many Whakatāne residents as possible.	A targeted management group may be able to provide a better support network for tenants to more efficiently meet their needs.	The Trust could be established so as to ensure it is fulfilling the greatest needs of the community. However this may take specialist expertise.	CHPs have particular areas of expertise and would be able to provide the support required by some tenants more effectively than the Council.	Outcome depends on the buyer. The buyer may be in a better position than the Council to meet the needs of tenants.
Issue 6 - Council's current pensioner housing stock is ageing	The Council's units will continue to age, but be maintained at the current level.	Upgrades and increased renewals will mean the units keep pace with latest standards.	The Council's units will continue to age but be maintained at the current level.	If the Trust were able to access CHP funding, modernisation and expansion could occur, but this would no longer be an issue for Council.	The provider would be able to access CHP funding, allowing modernisation and expansion to occur. This would no longer be an issue for Council.	This would no longer be an issue for Council.
Indicative scoring	3/12	10/12	2/12	8/12	11/12	6/12

Option 1 – Status quo – retain current units

The Council may continue offering the same level of service to the community. This would include the provision of 79 units, targeted at pensioners, which are operated in accordance with the Council's Pensioner Housing Policy. This policy would be periodically reviewed in accordance with the Council's policy review schedule. The units would continue to be managed in accordance with the Council's Community Property Asset Management Plan.

Advantages of this approach

- ✓ At the current level of management of the units, this activity is self-funding and contributes (\$65,000 per year) towards the Council's overhead costs.
- ✓ There will continue to be no debt associated with the delivery of this Activity.
- ✓ The units that the Council currently owns would be retained as a community asset for future generations.
- ✓ Council continues to provide a service to the community and current and future tenants.
- ✓ Public support for Council to continue providing this service, as demonstrated through LTP 2009-19 submissions.
- ✓ Council has the organisational infrastructure available to provide this service, e.g. property management, customer services, maintenance etc.
- ✓ The rent payable at the current rate is affordable for current tenants (no major rent arrears).
- ✓ Council provides a greater value than private rentals in terms of tenant support, enabling some tenants to remain self-sufficient for longer.
- ✓ Tenants have greater security of tenancy compared to a private rental.
- ✓ The welfare of current tenants would be maintained.

Disadvantages of this approach

- ✗ The demand for units appears to be currently static or declining; suggesting some change (for example upgrades) may be needed to retain optimum occupancy levels in the long-term.
- ✗ The Council's policy does not clearly articulate its objectives for providing pensioner housing, and therefore it is not clear whether those objectives are being met.
- ✗ Poor heating and ventilation in the units means that heating costs are high and health risks may arise.
- ✗ Opportunity cost to ratepayers of money invested in units which could otherwise be spent retiring debt or enhancing other activities of Council.
- ✗ The units have not been modernised to meet latest standards for pensioner units. This could be affecting the quality of life of our current tenants and discouraging future tenants.
- ✗ The level of current investment in the units means that their quality is slowly reducing, relative to a new build. At some point they may become uneconomical to upgrade.

Option 2 – Improve/increase what we provide

Through the LTP 2012-22, the Council made a commitment to review the management of the units to ensure they provide maximum benefit, both to the tenants and the wider community. The Council committed to ensure that the safety and protection of the residents would still remain a top priority. The Council could resolve to enhance the delivery of the pensioner housing activity. This would include reviewing the objectives for providing pensioner housing, reviewing the Council's Pensioner Housing Policy to ensure it is meeting these objectives and reviewing the level of funding and renewals put into the activity to ensure the units are upgraded and then kept up to modern standards. This option could also consider the expansion of the activity to provide more units. The level of upgrade/expansion and the specific changes of a Policy review would be considered in a separate report, if this was determined to be the preferred option.

Advantages of this approach

- ✓ The process would ensure that the units are more closely meeting the Council's objectives for this activity (although see second bullet point under disadvantages).
- ✓ The units provided would be healthier and safer for tenants.
- ✓ The level of demand for the units may increase if the units become more desirable. This would allow the Council to have a more restrictive policy that is more aligned to its objectives, without compromising occupancy rates.
- ✓ The Council will be delivering a better level of service to current and future tenants and potentially to more tenants, enabling us to better meet our social obligations as a landlord.
- ✓ Council has the organisational infrastructure available to provide this service (e.g. property management, customer services, maintenance etc).
- ✓ The welfare of current tenants would be maintained and/or enhanced.
- ✓ An increase in supply will keep up with the growing demand indicated by population projections, or a change in Policy will allow the Council to match demand to supply over time.
- ✓ Units would be kept up-to-date, meaning less future need for substantial upgrades and retaining the optimal value of the community's assets.
- ✓ Tenants have greater security of tenancy compared to a private rental.
- ✓ The units that the Council currently owns would be retained as a community asset for future generations.
- ✓ Public support for the continued provision of this service, as demonstrated through LTP 2009-19 submissions.

Disadvantage of this approach

- ✗ A probable increase in Council debt to pay for upgrades/expansion.
- ✗ The units may no longer be cost neutral, placing a burden on ratepayers. Alternatively, under the current Policy, higher market rents may increase rents for tenants, contrary to the objective of providing affordable housing for pensioners.
- ✗ Opportunity cost to ratepayers of having more money invested in units.

Option 3 – Retain ownership but outsource management of the units

This option involves the Council continuing to own the current pensioner housing units, but creating an arrangement with an external provider to manage the asset on the Council's behalf. Contracting out the management of the units to a specialised provider may enable a more specialised level of care and service to be provided for tenants.

Advantages of this approach

- ✓ A specialised provider may be in a position to better meet the needs of the tenants, thus providing a higher level of service to the community and current and future tenants.
- ✓ Tenants have greater security of tenancy, compared to a private rental.
- ✓ The welfare of current tenants would be maintained.
- ✓ A Council-owned community asset would be retained for future generations.
- ✓ There will continue to be no debt associated with the delivery of this Activity.
- ✓ Public support for the continued provision of this service, as demonstrated through LTP 2009-19 submissions.

Disadvantages of this approach

- ✗ Not utilising the organisational infrastructure available within Council to provide this service (e.g. property management, customer services, maintenance etc).
- ✗ The Council would lose some control over its assets and the service provided to tenants and the community.
- ✗ The quality of units will continue to slowly decrease, relative to a new build. At some point they may become uneconomical to upgrade.
- ✗ The units may no longer be cost neutral to ratepayers, depending on the structure of the management arrangement.
- ✗ Opportunity cost to ratepayers of money invested in units, which could otherwise be spent retiring debt or enhancing other Council activities.

Option 4 – Establish a local Community Trust and sell or transfer ownership of the units to the Trust

This option involves the Council establishing a Trust to own and manage the current pensioner housing units, but retaining some control over the social housing asset, for example by having Council representation on the Board. A Trust may be able to apply for approval as a Community Housing Provider; however, the Trust would be competing with other larger and more established providers for central government funding.

Advantages of this approach

- ✓ Council would retain some control over the provision of social housing in the District.
- ✓ A Trust established for this purpose would have specific objectives aligned with the Council's objectives for providing social housing.
- ✓ If the Trust could establish itself as a CHP and access funding, then units may be able to be upgraded and or expanded.
- ✓ Tenants have greater security of tenancy compared to a private rental arrangement.
- ✓ The welfare of current tenants would be maintained.
- ✓ There would be Public support for the continued provision of this service, as demonstrated through submissions to the 2009-19 Long Term Plan.

Disadvantages of this approach

- ✗ Does not utilise the organisational infrastructure available within the Council to provide this service, e.g. property management, customer services, maintenance etc.
- ✗ Economies of scale mean that the cost of administering and managing the units may reduce cost-effectiveness and the ability to deliver at an affordable rent, especially if the Trust is not eligible for Income Related Rental Subsidy funding from central government.
- ✗ The process of setting up a Trust would take time and resource to establish to a point where it could apply to be a CHP.
- ✗ Unlikely that the asset value would be realised for ratepayers if the units were sold to a Trust.
- ✗ Overheads paid by the units would need to be redistributed across other Council activities, resulting in additional costs for ratepayers.

Option 5 –Seek improved and more affordable social housing through ownership by an approved Community Housing Provider

The Council may decide that providing social housing is either not an appropriate role, or that others in the community are better placed to provide this service for our community. The Council may decide to sell the units to a specified, government approved Community Housing Provider (CHP). Such providers must adhere to stringent requirements around the quality of housing and maintenance, and be committed to the ongoing provision of social housing. The Council may investigate opportunities for retaining some involvement with local housing through a relationship with the CHP.

Advantages of this approach

- ✓ The CHP may be able to access central government funding not available to Council to expand the number of units or upgrade the units to provide a better quality of life for tenants.
- ✓ Access to income-related rent subsidies means a CHP would be able to provide rents below market value, ensuring that accommodation remains affordable. Note that current tenants' eligibility for income-related rent subsidies would be assessed on an individual basis.
- ✓ Central government restrictions applying to approved providers ensures that the service they deliver is good for the community and that social housing will remain in the future.
- ✓ As social providers, CHPs are in a better position than Council, or the private sector, to provide the support required by some elderly tenants. Some CHPs are specialist providers in this market.
- ✓ The CHP sector is an expanding sector nationally and has access to significant funding which is not available to local authorities or CCOs. If Council sells the units to a CHP this would open up the Whakatāne market and possibly lead to further investment in this area by that provider.
- ✓ The welfare of current tenants may be negotiated as part of any sale and purchase agreement; note that this may impact on the purchase price.
- ✓ Moves the focus of social housing away from central and local government towards a third sector, in line with central government reform.
- ✓ Complies with changes to the Local Government Act 2002, directing Councils to focus on core services.
- ✓ Some funds may be released to reduce Council debt or fund infrastructure works.
- ✓ The Council's objectives for pensioner housing would still be achieved, but by an alternative provider.

Disadvantages of this approach

- ✗ The community may be opposed to Council exiting the market.
- ✗ Council will no longer have direct control of the provision of social housing in the District, other than through any provisos included in a Sale and Purchase Agreement.
- ✗ Overheads paid by the units will need to be redistributed across other Council activities, resulting in additional costs for ratepayers.

Option 6 – Sell the existing housing units and exit the market

The Council may decide that providing pensioner housing is either not a role it should undertake in future, or that others in the community are better placed to provide this service for our community. This option would involve selling the pensioner housing units at market prices.

Advantages of this option

- ✓ Maximises financial benefit to the wider community.
- ✓ Somewhat in line with central government reform, moving the focus of social housing provision away from central and local government.
- ✓ In line with changes to the Local Government Act 2002, directing Councils to focus on core services.
- ✓ The welfare of current tenants may be negotiated into the sale and purchase agreement, although this would likely impact on the purchase price.
- ✓ Funds may be released to reduce Council debt or fund infrastructure works.

Disadvantages of this option

- ✗ The community may oppose the idea of Council exiting the market, as was the case when this option was last considered as part of the LTP 2009-19.
- ✗ The Council would lose control over the provision of social housing in the District.
- ✗ Overheads paid by the units would need to be redistributed across other Council activities, resulting in additional costs for ratepayers.
- ✗ A private provider would not be able to access central government funding for social housing.

Where to from here

This report provides a high-level summary of the current and future situation with regards to social housing in Whakatāne and New Zealand, examining the major issues involved to provide the basis for decision-making. The options provided are intended to help determine a direction for Council's social housing assets moving forward, whether as pensioner housing, wider social housing or an alternative solution. Whichever option is preferred, further work will need to be undertaken to define a specific course of action. For example, if the Council decided to retain pensioner housing and enhance the service provided, then it may consider investigating options for providing housing suitable for people with disabilities, or increase the level of support provided for the elderly.

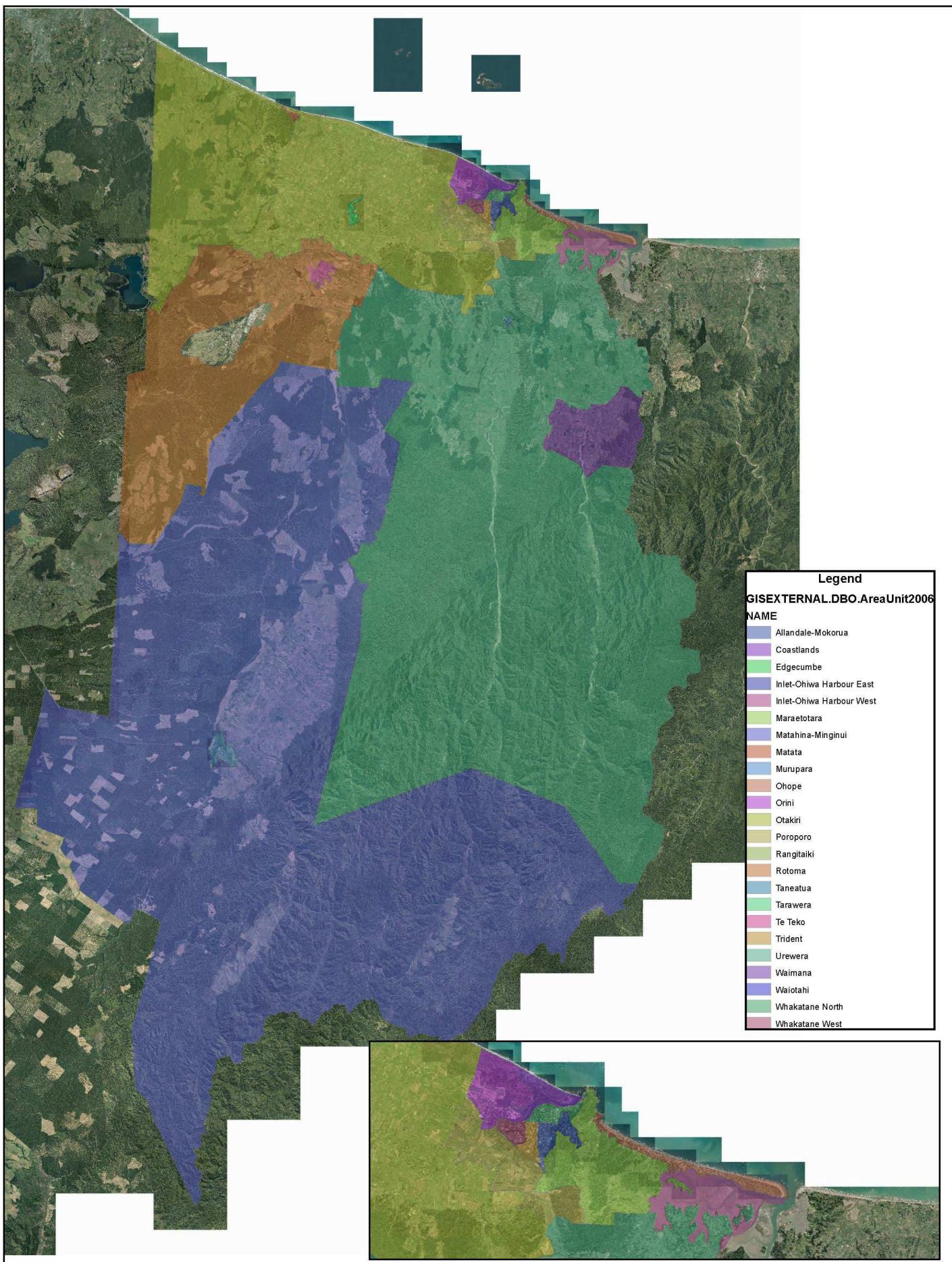
Additionally, the Council may determine to undertake a policy review that would help to clarify the Council's objective in relation to pensioner housing and enable the introduction of a policy that more accurately meets the Council's objectives.

After considering stakeholder and wider community feedback, further investigations can be carried out into the implementation of a preferred option. This could include a review of potential CHP providers, if Council opt for that approach. Consultation on this report will help to determine the option preferred by the community for the future provision of social housing services. There is an opportunity for the Council to involve members of the community within a project group formed to examine the preferred option and make recommendations as to how to proceed. The preferred option could then be incorporated into the development of Council's LTP 2015-25 and be the subject of a formal consultation and submissions process.



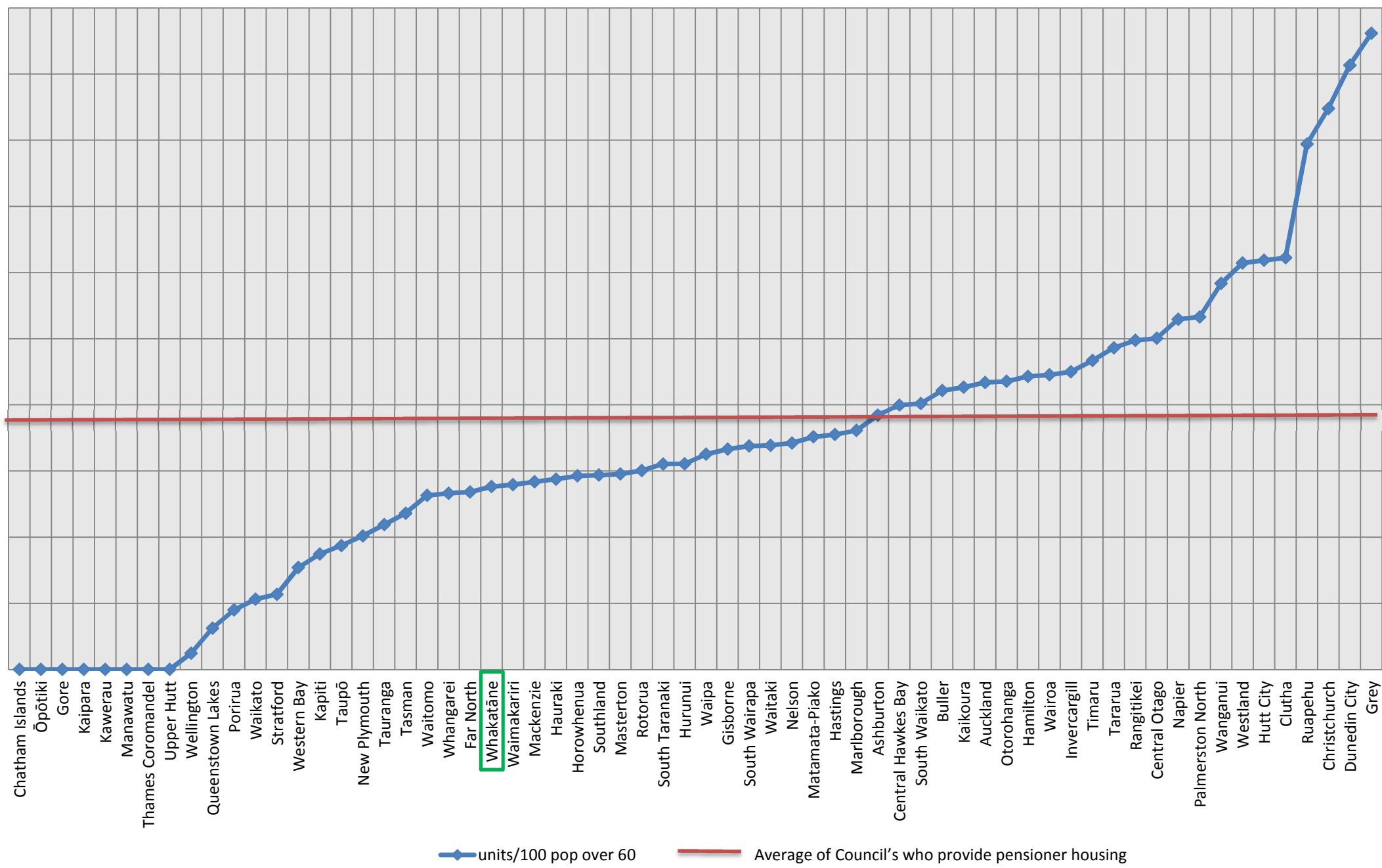
Veronica Flats

Appendix 1 – Census Area Units Map



 WHAKATANE District Council	Area Unit	
	Path: C:\Users\caseyb\Desktop\Address>Edit.mxd Date of Issue: 6/06/2014	
Scale: 1:323,933 Author: <Add initials>		<small> Aerial Photography flown between 2011 and 2013, depending on the area. Parcel boundaries are to be taken as approximate only, not to be substituted for site specific survey. May contain LINZ data. Crown Copyright Reserved Note: Placenames may not contain the latest LNZ guidelines 2008. All rights reserved. LINZ and the NZ Geospatial Authority have consented to the use of this information in this document. WDC accepts no liability in contract, tort or otherwise however, for any loss, damage, injury or expense (whether direct, indirect or consequential) arising out of the provision of this information or its use. Position of all assets & historical sites are approximate, actual positions are to be verified on site. </small>

Appendix 2 Council owned pensioner units/100 residents over 60



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