

Subject: Results of Consultation on Community Housing Rent Increases

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Meeting Date: 25 March 2010

Report to COUNCIL for decision

SUMMARY

This report outlines the results of targeted consultation with affected parties on the proposed increase to community housing rents.

The increase is required to bring the rents to 90% of market rent as required by Council's investment policy.

Tenants have been consulted with the majority supporting a gradual increase over time to 90% of market rental rate.

RECOMMENDATIONS

That the Council

1. receives the report.
2. agrees to notify tenants by 6 April 2010 of a rental increase of \$10 per week applied from 5 June 2010, if applicable. This will apply for the 2011 financial year.
3. agrees to implement annual rent increases from 2011 through the 2014 financial year of \$10 per week plus the market increase as at 31 March of each year, if applicable.
4. agrees to reassess rents in the 2015 annual plan to confirm the level is at 90% of market rate.

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Commercial Property Manager

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Engineering and Works Manager

1. BACKGROUND

Following on from previous reports and in line with the consultation plan presented to Council, the consultation period has closed for options on increasing the rents across Council's community housing activity.

Consultation consisted of a presentation to a general meeting open to all tenants and affected parties including a question and answer session, a mail out of the consultation notes and meeting minutes and an open line to Council for any extended queries.

Affected parties were asked to choose between three options in regards to a preferred method of increasing rents to 90% of market rate to cover the shortfall in Council expenditure across the activity.

2. DISCUSSION AND OPTIONS

The general consensus at the meeting was one of reasonable understanding and the realisation that tenants had had a "good deal" for some time. There were questions around long-term maintenance issues and explanations on how these were to be rectified or how they are currently being addressed. Most tenants agreed they got good value from Council in regards to service of maintenance issues.

The three options to raise rents to 90% market level given to tenants were:

- Option 1 - A one time increase from current rents to 90% market rent
- Option 2 - Apply 90% market rent to only new tenants
- Option 3 - A gradual increase in rents over several years until every tenant is at 90% market rent

Note: All options have been addressed in previous Report 09/647.

3. SIGNIFICANCE

This raising of rents has a higher rather than a lower level of significance and has been treated as such through the consultation period. Special care has been taken to fully explain the options to interested parties and to explain Council's current position.

4. CONSULTATION

Under s.78(1) the Council must seek the *"views and preferences of persons likely to be affected by, or to have an interest in, the matter"*. This must occur at all four stages of the decision making process. In this case the policy change was consulted on in the LTCCP. Implementation of the increase is the last stage of the process and consultation over how that is to occur is necessary.

Affected parties have been given a feedback form and asked to submit in writing any concerns and feedback they may have.

Of the 120 tenants, 54 written submissions were received and approximately 10 phone calls asking for clarification as to why the increase is necessary.

Though there was not a full reply of submissions from tenants, the resulting submissions give a very good indication of support for Option 3, rather than Options 1 or 2.

The table below gives the number of submissions received on each option:

Option	Number
1	4
2	6
3	29
Other/No preferred option stated	15
Total received	54

The other/no preferred option submissions consisted of general comments in regards to tenancy satisfaction. The majority being of a positive nature.

Tenants will be notified individually following on from Council's decision.

5. COMMUNITY OUTCOMES

The increased rents will be returned to the Community Housing activity to bring the activity back to self-funding. This will aid in Council's outcome of a vibrant and prosperous Tairāwhiti by negating the prospect of a rates input.

6. LEVELS OF SERVICE

The current level of service supplied to tenants will not be affected.

7. FINANCIAL

The financial impact on tenants is a concern. As such, a step by step approach is recommended for any rent increase.

It is proposed to do this over a four year period, with the first year a flat rate of \$10. The three subsequent years will be at a rate of \$10 plus the market increase for that year.

All new tenants start on 90% of market rent.

The market rental rate will be assessed against the Department of Building and Housing rental summary as at 31 March each financial year.

8. LEGAL

The legal implications of implementing rent increases for community housing have been assessed by Council's Legal Officer. These were discussed in the body of the previous report 09/647.

The recommendations from this report follow on from the consultation process.

9. POLICY

The proposal is consistent with the Council's Long Term Community Plan, Annual Plan and Council Investment Policy.

10. OTHER CONSIDERATIONS

Not applicable.