File ref: IRC-4656

2 June 2023

Chris McCashin
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Kia ora Chris,

Te Kāinga

Thank you for your request made under the Local Government Official Information and Meetings Act 1987 (the Act), received on 29 March 2023. You requested the following information:

1. The referendum, survey, sample size, options, alternatives, any and all information that confirms Wellingtonians want more housing options and how Wellington City Council determine that the majority of Wellingtonians want more housing and the options Wellington City Council have to deliver more housing and the proposed costs

2. Provide the lead time of these buildings - when were the long-term leases signed, WCC started paying rent versus when these could be delivered and a rental return

3. Please provide current occupancy of these units as well

4. The feasibility, analysis, reporting associated with the three Te Kainga rental buildings that determine these projects to be "cost neutral" including but not limited to long term lease (including lease document), CAPEX / cost share, forecast rents, vacancy, management costs, administration costs, additional staff at WCC, maintenance costs, OPEX, responsibility of rates.

5. Any and all reporting, recommendations that show these projects to be "cost neutral", completed internally and externally.

Wellington City Council has partly granted your request for information.

Below is the document that falls in scope of your request and my decision to release the document.

Item	Document name/description	Decision
Appendix 1	Housing and Business Land Capacity Assessment (HBA)	Released

Background Information
In 2016 the Mayor of Wellington City Council (Justin Lester) established a Housing Taskforce to tackle the escalating issue of housing affordability in the Capital. This taskforce resulted in the Wellington Housing Strategy. The strategy is based on the vision that 'All Wellingtonians are well-housed'. A component of achieving this vision is ensuring that more homes in Wellington are affordable.

The Te Kāinga programme originated from the Report of the Mayor's Housing Taskforce. One of those actions was to "Actively work with Community Housing Providers, developers, and builders to unlock a pipeline of affordable housing (new/conversions) development. This may include Refurbish and retrofit existing inner-city buildings to provide additional affordable housing units for key worker groups, certain income brackets and those who are entering the housing market for the first time." (Page 6).
On 7 December 2017, the Council unanimously voted in favour of a draft 10-year Housing Strategy during a City Strategy Committee meeting which agreed to develop a housing strategy, with a key priority being central business district building to apartment conversions.

In June 2018 the City Strategy Committee approved the Wellington City Council Housing Strategy (the Strategy). The Strategy had been developed based on extensive engagement and consultation on housing issues in Wellington. The Strategy sets a long-term vision of "All Wellingtonians well-housed". Supporting the Housing Strategy is the Wellington Housing Affordability Model (WHAM).

Question 1
Under the National Policy Statement on Urban Development the Council is required to prepare a Housing and Business Land Capacity Assessment (HBA) to determine if there is sufficient development capacity to meet the housing demand in the region. The HBA assesses the demand for housing and business space, and then compares that to what is enabled in the District Plan, 'Appendix 1' captures this HBA.

Further to this, a copy of the 'Consultation Document' against the Councils 2018-28 Long Term Plan can be found here, from page 21 provides information around how we consulted regarding housing with detailed two options Page 9 of volume 1 of the Wellington City Council's Long-term Plan 2018–28 confirming 81 percent of submitters supported the housing preferred option 1. More information can be found here.

Question 2
For each development, an Agreement to Lease (ATL) was signed prior to any building work being completed. Leases commenced once building works were complete and the buildings able to be occupied.

- Aroha (197 Willis St) – ATL signed on 22 July 2019, lease commenced 5 March 2021
- Te Pu (180 Willis St) – ATL signed 8 December 2021, lease commenced 16 March 2023.
- Te Aka (203 Willis St) – ATL signed 16 September 2021, lease commenced 1 June 2022
- Te Aka (203 Willis St) – Variation to the ATL to include 6 accessible ground level apartments, signed 21 December 2022 and the lease commenced 15 March 2023.

Question 3
The table below provides a breakdown of each Te Kāinga property confirming location, the number of apartments in each building and current occupancy percentage as of May 2023:

Building	Max number of Apartments	Occupancy %
Aroha 197 Willis Street	52	92% Occupied
Te Aka 203 Wills Street	48	94% Occupied
Te Aka – Accessible units 203 Willis St	6	0% Occupied
Te Pu 180 Willis Street	74	60% Occupied

Please note:

- Te Pu became available on 16 March 2023 and given its recent availability and the larger number of tenants this location can house in comparison to Aroha and Te Aka, these apartments are not yet filled. 10 application offers have been accepted; however, these tenants have not yet moved in and therefore are not included in the occupancy statistics above.

Questions 4 and 5

The feasibility, analysis, reporting associated with the three Te Kainga rental buildings that determine these projects to be "cost neutral" including but not limited to long term lease (including lease document), CAPEX / cost share, forecast rents, vacancy, management costs, administration costs, additional staff at WCC, maintenance costs, OPEX, responsibility of rates.

Any and all reporting, recommendations that show these projects to be "cost neutral", completed internally and externally.

We have assessed these questions that relate to commercial documentation requested, which details the rent paid to the building owner and responsibility for particular costs, and are refusing this part of your request under section 7(2)(b)(ii) of the Act as the release of information in scope of this request would likely unreasonably prejudice the position of Te Kāinga's commercial landlord.
However, consideration has been made when balancing public interest and below is a summarised methodology of how each project is assessed;

Income Received	**Comment**
Rent Received	Rent received from individual tenancy agreements
Management Fee	Usually percentage of rent

Tenant Liability	Allowance made
Less Expenses	
Headlease Cost	Reviewed periodically based on lease document
Less Operating Expenses	
Set up costs	To account for initial set up costs in Y1
Tenancy management	Cost of providing tenancy management
Utilities (electricity, water etc)	Where applicable, based on lease documentation
Maintenance	Where applicable, based on lease documentation
Legal	As required, budgeted
Marketing	As required, budgeted
Contingency/Other	Contingency and other ancillary budgeted costs
Profit/Deficit	Targeted to be net zero, I.e., money in equals money out

- Council rents entire floors of buildings (headlease) and sublets those apartments to the Te Kāinga tenants (rent received). In addition to headlease rent, the Council's outgoings may include tenancy management, some operating costs, debts/damages that are not recovered and other initially costs such as marketing, legal costs and contingency.

- As it is a long-term programme, there will be months/years where outgoings exceed income, and vice versa, however the objective is that over the life of the lease, the programme is net neutral. The rental settings are regularly reviewed and can be adjusted as required to respond to the market and performance of the buildings.

- The details of the feasibility, analysis and reporting cannot be released without breaching the commercial confidentiality of the building owners and affecting Council's negotiations on other buildings.

- To date, the programme has not been subsidised rates or debt.

Request	**Response**
Long term lease (including lease document)	Refused under section 7(2)(b)(ii) of the Act.
CAPEX / cost share	There is no capital expenditure budget. Capital expenses are paid for by the landlord.
Forecast rents	Forecast rents will be dependent on factors that influence the headlease amount to be paid, occupancy rates, and affordability. Rents are assessed annually.
Vacancy	Occupancy rates are provided above. The models and forecasts assume an average level of vacancy, including higher vacancies at the beginning of the lease whilst the properties are filled, and when refurbishments of the apartments are undertaken in the future.
Management costs and administration costs	A management fee is paid by the landlord as part of the lease agreement that covers the Council's management and administration costs.

Additional staff at WCC	There are no additional staff for the Te Kāinga programme that are not covered by the management fee received.
Opex and responsibility of rates	There is not any operational expenditure budgeted for the operation of the programme outside of the income received.
Any and all reporting, recommendations that show these projects to be "cost neutral", completed internally and externally.	Refused section 7(2)(b)(ii) of the Act. No reporting or recommendations can be released without including the details of the arrangements. For example, we cannot show any profit/loss detail without showing the headlease amounts and other aspects of the agreement.

Right of review
If you are not satisfied with the Council's response, you may request the Office of the Ombudsman to investigate the Council's decision. Further information is available on the Ombudsman website, www.ombudsman.parliament.nz.

Please note, we may proactively release our response to your request with your personal information removed.

Thank you again for your request, if you have any questions, please feel free to contact me.

Kind regards

Ollie Marchant
Official Information