
HEALTHY URBAN HOUSING INITIATIVE

1. Purpose of Report

This paper:

- discusses a Healthy Urban Housing Initiative, which will result in the development of new social housing in central Wellington, associated health and housing research knowledge and building performance research knowledge
- outlines options for Council's role in the initiative.

2. Executive Summary

The Healthy Urban Housing Initiative (HUHI), led by the Wellington School of Medicine and Health Sciences, University of Otago and also involving the universities of Victoria, Massey and Auckland, offers an opportunity to research innovative ways to meet modern social housing needs, both in terms of health (as it relates to the housing environment) and in terms of building design and performance.

The project would see the establishment of a new social housing development in central Wellington, on land donated by private property owners on lower Vivian Street, which will provide for up to 50 new tenants (120 people) who could rent, rent-to-buy, or purchase an apartment from the Healthy Urban Housing Trust (the likely governance structure for the project).

Under the proposal, the Tertiary Education Commission, through its Partnerships for Excellence (PFX) fund, will provide half the estimated \$20 million cost of the project, with the other half to come from third-party contributions.

While Council can readily provide in-kind support to the project in terms of tenancy management and needs assessment advice, through its existing expertise in this area, it is recommended that Council also makes a reasonably modest financial contribution of \$100,000 towards the project in 2005/06. Council's housing asset base is valued at about \$200 million, which equates to nearly \$50,000 per tenant, excluding the costs associated with maintaining and servicing that asset. From a value for money perspective, for a reasonably small contribution of \$100,000, Council would see 120 more people provided with low-cost housing in central Wellington (or \$833 per tenant). This would seem to represent considerable value for money, although Council would not maintain an ownership interest from its investment or contribution.

Such a contribution would signal Council's ongoing commitment to the provision of social housing and to an innovative building and research project, without sending the message that Council is cash-rich - an important balance for Council to strike in respect

of its ongoing negotiations with Housing New Zealand over the funding future of Council's housing stock.

From the HUI project's perspective, it is important to secure financial support from third parties as soon as possible in order to have the Tertiary Education Commission commit cornerstone financing for the project. An announcement from the Tertiary Education Commission may be made within the next week or two.

3. Recommendations

It is recommended that the Committee:

1. *Receive the information.*
2. *Note the following key components of the Healthy Urban Housing Initiative:*
 - a. *The project is a public/private partnership led by the Wellington School of Medicine and Health Sciences, University of Otago, and involves up to 20 project/funding partners. Central government would provide half the funding through its Partnerships for Excellence fund, administered through the Tertiary Education Commission*
 - b. *It would result in a significant new social housing development in central Wellington, housing up to 120 people (50 head tenants), who could rent, rent-to-buy, or purchase an apartment from the Healthy Urban Housing Trust*
 - c. *The development would be designed and built as a 'state of the science' demonstration project for healthy, sustainable housing. It will provide valuable research knowledge on health and housing, and building performance, which will be of value to Council and others in future.*
3. *Agree to include the following support for the Healthy Urban Housing Initiative in the 2005/06 Annual Plan deliberations in mid-June 2005:*
 - a. *Tenancy management and needs assessment advice and support*
 - b. *A financial contribution towards the costs of the project of \$100,000 in 2005/06.*

4. Background

The University of Otago, through the Wellington School of Medicine and Health Sciences, has put forward an action-research proposal to the government's Partnerships for Excellence (PfX) fund, for the development of healthy urban housing in central Wellington.

The proposal involves several public and private sector partners. Wellington City Council has been involved in the development of the proposal, suggesting ways that Council might contribute to the project. No commitments have been made at this stage.

5. Discussion

The following sections discuss the nature of the proposal, the partners involved in the project, Council's housing portfolios and its challenges, and possible roles for Council in the Healthy Urban Housing Initiative.

5.1 The Proposal

The Healthy Urban Housing Initiative has two core aims:

- To build an innovative, medium-density social housing development in central Wellington. As well as providing housing for around 120 Wellingtonians, who could rent, rent-to-buy, or purchase an apartment from the Healthy Urban Housing Trust, the development would be designed and built as a 'state of the science' demonstration project for healthy, sustainable housing.
- To provide a site for housing and health research on:
 - ⇒ The impact of specific building fabric-related housing environment conditions and design features, as evident in temperature, humidity, and air quality on occupants' general health. The building will need to comply with current regulatory standards, such as the Building Act
 - ⇒ The effect of housing conditions and occupant behaviours on respiratory health
 - ⇒ The effectiveness of various behavioural interventions on occupant general health – (for example the provision of information/education. on good ventilation, physical exercise etc) and regular screening of occupants' health through an on-site primary health care clinic
 - ⇒ Product design research – providing a site for testing innovative products and services. This component will be aided by design competitions and collaborations with relevant teaching organisations and industry associations. The building space will include an exhibition area
 - ⇒ Comparative research – matching this apartment development with one of the new neighbourhood housing estates devolved from the Glasgow Housing Association.

The proposal is a collaboration between the public (largely tertiary) and private sectors to design, construct and operate a multi-storey inner-city social housing development. The building is intended to be of eight levels:

- A ground floor that would include a primary health clinic, a community space/gallery, retail space such as a cafe, and a showroom for healthy housing technologies
- Another level providing research and teaching rooms (which university clients would rent) and a building/housing performance laboratory
- Six levels of housing, providing for around 50 head tenants.

The development aims to provide an opportunity to train researchers and students (from the universities of Otago, Victoria, Massey and Auckland) in the public health field directly alongside researchers and students in the design, architecture and building performance fields in an action research environment, as well as opportunities for ‘step-up’ education for local people, particularly Maori and Pacific peoples.

The project will allow the tertiary institutions to deliver cutting-edge, internationally relevant research and teaching focussed on four key strands:

- Indoor environment and respiratory health
- Safe and healthy design
- Healthy and sustainable lifestyles
- Housing tenure and well-being.

5.1.2 Building Site

The proposed housing development is to be built on a piece of land, currently a private carpark, on Vivian Street (beside the ‘Cotton Shop’). The land is being donated by Maurice and Kaye Clark, who are the land’s private owners.

5.1.3 Costs and financial support

The housing development is estimated to cost up to \$20 million to complete. The framework for funding investment is that the Tertiary Education Commission (TEC) would provide dollar for dollar contributions to match those made by third parties (i.e. all other non-TEC parties). The target for third party funding at this stage is around \$9 million.

While clearly a significant amount of ‘cash’ funding is required, ‘in-kind’ funding is also recognised by TEC in its dollar for dollar policy, providing that the in-kind support is necessary for the project.

5.1.4 Timeframe

The aim for the project is to complete the housing development by mid-2007. In order for that to occur, the following key milestones need to be in place:

- TEC/Government to confirm its support for the project. The decision by TEC will be influenced by the degree to which the project has been successful in

attracting concrete financial and in-kind support from third parties such as WCC (announcement possibly mid to late June 2005)

- Once TEC funding has been approved/ secured, an international design competition would be used to select the winning design for the development (October to December 2005)
- Governance and management arrangements would be firmed up and put in place (in place by December 2005)
- Construction begins (March 2006)
- The building is completed (June 2007).

5.2 Potential Partners

There are a significant number of partners associated with this project. The following table lists the potential partners, and some comment on their likely roles. Councillors should note that, although most parties have signed a heads of agreement indicating their provisional level of support, a few (as with Council) were not in a position to finally commit (for example HNZA funding is 'gap' funding). Note that it is not always possible for officers to disclose the financial contributions that partners may make:

| Partner | Role |
|--|--|
| Tertiary Education Commission | Core primary funder |
| University of Otago, through its Wellington School of Medicine and Health Sciences | Project lead and primary research interest Significant funder |
| Maurice and Kaye Clark | Significant sponsor. Donating the site in central Wellington. Will have a governance role on the Trust |
| Housing New Zealand Corporation | Significant funder, housing management expertise |
| Wellington City Council | Council's role is the subject of this paper |
| ACC | Funder |
| Carter Holt Harvey | Payment in kind |
| Arc Innovation | Payment in kind |
| Schools of Architecture and Design, VUW | Research and design and funder |
| School of Maori Studies and Development, Massey University; School of Architecture, University of Auckland | Research and design interests |
| Building Research Association of New | Minor funder, research interest |

| Partner | Role |
|----------------------|-----------------------------------|
| Zealand | |
| SPARC | Funder, research interest |
| Tenths Trust | Tangata whenua, Research interest |
| Whisper Tech Limited | Payment in kind |

5.3 Council Housing

Wellington City Council is one of New Zealand's largest social housing providers with a current stock of 2,354 units valued at around \$200 million. Housing New Zealand is by far the largest public provider of housing, with a portfolio of 64,000 units. Christchurch City Council, with 2,608 units, is the only other New Zealand provider with more housing units than Wellington City Council.

Demand for Council housing remains strong – occupancy rates are steady at 98%, or around 4,200 people, and the waiting list stands at around 260. The waiting list represents applicants that meet Council housing criteria.

There are significant challenges facing Council's housing portfolio. While it is not the purpose of this paper to go into these in depth, the Committee may wish to note the following key issues:

- **Asset/funding.** The capital funding challenge presented by an aging portfolio (average age of 32 years), high density stock (86% in blocks of two or more stories), a high proportion of bed-sits or one bedroom units (72% of the portfolio), central location (creating high opportunity costs), high turnover (between 25-30% per annum) and increasing tenant expectations around design and amenity values.

The Council's asset management and strategy work reveal significant challenges over the next 10 years to deliver a quality service including major capital maintenance (estimated and budgeted at \$40 million over the next 10 years), modernisation of kitchens and bathrooms and reconfiguration of bed-sits and one bedroom units to provide a more diversified portfolio to meet demand. The Council is working with Housing New Zealand Corporation to develop a funding solution to meet this significant asset and financial challenge estimated at around \$80 - \$90 million.

- **Tenancy mix and demand.** Wellington City has maintained a targeted allocation policy for many years based on income/asset criteria, housing need and prioritised target populations. As a result the current tenant mix is consistently low income but diverse in make up:
 - 44% Pakeha/European, 13% Maori, 13% Pacific Island, 30% refugees and migrants

- 80% receive income support of some kind from central government
- 34% are over 55 years of age
- 17% of new tenant placements over the last year have a physical disability and 43% a social or health disability.

Currently the service is generalised, offering standard tenancy arrangements, but also provides psychiatric supported housing for 32 consumers through a District Health Board contract. Future developments are likely to focus on more tailored solutions (e.g. supported aged care, transition housing for the homeless, supported housing for those with mental health needs, targeted housing for Maori, migrants etc).

- **Tenant Affordability.** The Council's housing is currently rented at 70% of market rents. A review of this policy has been undertaken (to be discussed at the same Strategy and policy meeting as this paper), which recommends a continuation of the status quo. While recognising that the uptake of central government's Accommodation Supplement (a subsidy on rent paid by qualifying low income tenants in the private or local government housing sector) is an issue, it is considered that the Working for Families package will provide an acceptable income to ratio rent for Council's tenants.

The recently announced 2005/06 Government Budget included an allocation of \$440,000 in 2005/06 for Housing New Zealand to work with Wellington City Council on its housing asset issues. Officers have not yet formally discussed what the funding will be used for, but indications are that it will be put towards costs associated with working up options for a Housing New Zealand/ Wellington City Council partnership - exploratory and feasibility studies.

5.4 Roles for Council

There are two areas where Council support could be offered in respect of the current HUH initiative – the provision of information/project advice, and a financial contribution. A governance role for the Council could be discussed with the project owners, although it is officers' understanding that governance roles in the initiative (i.e. on the Housing Trust) will be for the major funding partners (although HNZC has indicated it does not wish to be a Trustee).

5.4.1 Information/ Project Support

Wellington City Council's housing business unit has expertise that would be useful to the Healthy Urban Housing Initiative, in particular:

- Advice and support on tenancy management
- Needs assessment information. This information would be collected through Council's annual tenant survey to be undertaken in July/August

- Tenancy selection. Council currently has a waiting list of around 300 people, most of whom would meet the profile of the tenants that the HUI project is seeking to meet and research.

5.4.2 Funding Contribution

As discussed previously, the HUI project is reliant on securing third party funding to ensure its success. Outside of the main contributing parties (TEC, Otago University and the Clarks), each other prospective funding contributor could reasonably argue that its own contribution will not 'make or break' the proposal. Collectively, however, that approach could pose a considerable risk to the project.

Council's housing asset base is valued at about \$200 million, which equates to nearly \$50,000 per tenant, excluding the costs associated with maintaining and servicing that asset. From a value for money perspective, for a reasonably small contribution of \$100,000, Council would see 120 more people provided with low-cost housing in central Wellington (or \$833 per tenant). This would seem to represent considerable value for money, although Council would not maintain an ownership interest from its investment or contribution. There will also be considerable interest in the housing association/trust form of housing governance and management, and recognition of the Council's demonstration of leadership through its involvement with this would be valuable.

Additional benefits are the prospect of a world-class, innovative housing development that could attract national and international attention, and the research benefits that will accrue over the life of the project, many of which will be highly relevant to the Council in both its regulatory and ownership capacities across the city.

It could equally be argued that this proposal will not be materially affected by whether or not Council provides a funding contribution – funding of \$100,000 would constitute around 0.5% of the total cost of the project. A funding contribution could also be seen as sending mixed signals to central government: on one hand, the Council has clearly signalled a looming funding crisis with respect to the reconfiguration of its housing assets over the next decade; on the other hand, we have funds available to support the HUI project.

Officers consider however that the sums of money involved with are vastly different in scale, and that a reasonably modest funding contribution of \$100,000 would signal Council's ongoing commitment to the provision of social housing and to an innovative building and research project.

Officers should also look to be involved with the research design and/or findings, which would be of use to us with respect to, firstly, our own housing stock and secondly with respect to our regulatory and ownership roles in Wellington more generally.

6. Conclusion

The Wellington School of Medicine and Health Sciences, University of Otago, is leading the development of a Healthy Urban Housing Initiative, which will result in:

- the development of new social housing in central Wellington, providing low-cost accommodation for another 120 people in Wellington
- associated health and housing research knowledge
- building performance research knowledge.

As well as delivering additional social housing for tenants in central Wellington, the project will provide valuable information in respect of social housing design that will be of benefit to the Council in future. It is recommended that Council supports the project by leveraging off its existing capability in tenancy management and needs assessment expertise, and through a financial contribution in the 2005/06 Annual Plan.

Contact Officer: *Allan Prangnell, Senior Policy Advisor*

Supporting Information

1) Strategic Fit / Strategic Outcome

This initiative fits within outcome 2.6 (Access to Resources), specifically activity 2.6.1 (Community housing).

Support for the Healthy Urban Housing Initiative would fit with the Council's objective of promoting a creative, innovative city. The HUI development is an innovative social project that is likely to attract widespread interest. For example, the international design competition for the development could generate both domestic and international interest in Wellington as an innovative, diverse and socially aware city.

2) LTCCP/Annual Plan reference and long term financial impact

This paper proposes that a \$100,000 contribution to the HUI project be made by Council, to be debated through the 2005/06 Annual Plan deliberations in June 2005.

3) Treaty of Waitangi considerations

The Wellington Tenth Trust is involved in the HUI project and has an interest in it as an innovative means of assisting Maori into better quality and healthier housing.

4) Decision-Making

This is not a significant decision under Council's Significance Policy. It is recommended that a decision on a financial contribution be made by the Strategy and Policy Committee through the Annual plan deliberations.

5) Consultation

a) General Consultation

As outlined in the Consultation section of this paper.

b) Consultation with Maori

Mana whenua will be involved and consulted as part of the proposed development.

6) Legal Implications

N/A.

7) Consistency with existing policy

This paper is consistent with Council's policy in respect of Housing.