

## **REVIEW OF HOUSING RENTAL POLICY**

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### **1. Purpose of Report**

This report presents a review of the Council's rent policy for its social housing portfolio.

### **2. Executive Summary**

The current Council policy for establishing rent levels for its social housing portfolio has been in place since 1999. Since the last rent increase in September 2004 a number of issues have arisen that prompted calls for a review of the rent policy. These include issues of affordability for tenants and financial sustainability for the Council.

The Council's current policy is to set rents at 70% of the value of the rental housing market. A representative group of properties is valued (10% of the total stock) annually. A range of rental values, typically between \$10-\$20 per week, is given for each property. For example, market rents for bedsits in Kilbirnie (Kotuku Flats) range from \$130 to \$140 per week and 4 bedroom flats at Booth Street range from \$405 to \$425 per week. The 70% value is pitched against the low end of the range. As the Council's upgrade programme progresses (carpet and showers have been installed in around half the portfolio) the valuers have provided a second valuation range to reflect the upgraded value of the properties. In this paper this valuation range is referred to as the "upgraded" range. This second range is around \$5 and \$15 a week more than the "as is" range.

Households paying rent (after Accommodation Supplement) of more than 40% of household income after tax qualify for Council's hardship allowance. This is a temporary measure that reduces the rent charged to 40% of the household's weekly income.<sup>1</sup> Tenants on hardship need to reapply every 90 days to show that their household income has not increased. During consultation it was recommended that the hardship allowance be renamed to reduce the perceived stigma of the current name and made more widely known to tenants.

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<sup>1</sup> "Rent" is calculated after Accommodation Supplement. The "household income" calculation does not include any disability allowance, special needs grants or supplementary benefits as they are given for a particular purpose. Family support is included in the income calculation as it is considered a grant of a more general nature.

The March 2005 valuation of market rentals suggests that total market rents at the low end of the range, *as is* condition, for the portfolio have risen from \$20.5m in September 2003 to \$21.6m. This \$1.1m increase represents an average market rental increase across the portfolio of 5.4% over 17 months.

A number of rent setting options have been assessed by Officers. These have included using different market rental valuations and charging different percentage of the market rent.

A two-stage approach is recommended.

### **Stage One**

- Maintain the current rent policy at 70% of market with rent increases on 5 September 2005 based on March 2005 valuation updates.
- Move the hardship allowance from 40% down to 35% of income after tax, a level closer to international and other New Zealand standards and re-name the provision "*affordable rental limit*".
- Move to the mid point of the "as is" valuation range to reflect a more accurate picture of the rent value of a given property.
- Continue to base rents on "as is" valuations (reflecting no carpet or other upgrades) and charging for those tenants with existing carpet recovery costs for another year and then proceed as per stage 2 below.
- Inflation adjust the eligibility criteria. Income eligibility is currently set on the Lazear scale. This scale sets eligibility for entry to the Council's housing at 60% of Wellington households' median income. It is recommended that the scale be shifted to reflect the inflation changes. This will have the principal effect of reducing the number of tenants who fall outside the eligibility criteria at the annual check on household income. It may also increase demand as more households will qualify for Council housing. The current waiting list sits at around 201 under the existing criteria.

### **Stage Two**

- Remove separate carpet charges. By April 2006 all units should be carpeted therefore a carpeted property will become standard. One rental charge is administratively simpler and more understandable for tenants. Private sector landlords do not indicate the components of the rental charge, simply the rent.
- Move to the use of the "upgraded" valuation range from September 2006. This change should have minimal effect on Council income because the "upgraded" market valuations that assume carpets are roughly equivalent to the carpet charge. By 2006 further inflation adjustments to rentals may need to be implemented in line with the 70% of market rent policy.

### **Other options**

Other options discussed in the paper are:

- charging market rentals and lowering the affordable rent limit to 30% of household income; and

- charging tenants 25% of household income to match the Government's social housing policy.

### 3. Recommendations

It is recommended that the Committee:

1. *Receive the information.*
2. *Agree to maintain Council's current rent policy at 70% of market with rent increases on 5 September 2005 based on March 2005 valuation updates.*
3. *Agree to use the mid point of the "as is" valuation range to benchmark 70% rentals.*
4. *Agree to change the name of the current hardship allowance to "affordable rent limit".*
5. *Agree to move affordable rent limits from 40% of income after tax down to 35% - a level closer to international and other New Zealand standards.*
6. *Agree to maintain other relief measures, specifically:*
  - a. *No rent increases for those aged over 80 years*
  - b. *No annual increase to exceed \$30 per week.*
7. *Agree to maintain current carpet charges and use of "as is" valuations for rent setting purposes for another year.*
8. *Agree to remove separate carpet charges and use "upgraded" valuations for rent setting purposes from September 2006.*
9. *Agree to inflation-adjust the current tenant income eligibility limit from \$445 per week for a couple to \$565 per week with changes to the limits for other household sizes on a pro-rata basis (attached as Appendix 4).*
10. *Agree to maintain asset eligibility thresholds at current levels of \$35,000 maximum for those people less than 50 years of age and \$50,000 for persons over 50 years of age.*
11. *Note that City Housing staff will work with WINZ staff to maximise tenant entitlements to the Accommodation Supplement and Working for Families policies.*
12. *Note the increased revenue to Council unbudgeted in the Draft Annual Plan is approximately \$800,000 for the ten month period September 2005 to June 2006.*
13. *Agree that any increased revenue will be offset against the organisational savings target for 2005/06 Annual Plan purposes*

14. Note that City Housing staff will implement a comprehensive communications strategy to ensure tenants and their advocates are fully informed about the 2005 rent changes.

## 4. Background

The Council's rent policy, last reviewed in 1999, established rents at 70% of the market rate. The current review is driven by concerns around affordability for low-income earners in light of a dynamic housing market. The project brief, approved by the Community Health and Recreation Committee on 15 April 2004, requires the review to take account of:

- The affordability of Council housing for tenants.
- The cost to Council in foregone rental income.
- Any other relevant matters, such as asset management, business viability, partnership arrangements etc.
- Impacts on other providers (including both the private and public sector).

The Council's \$200m social housing portfolio<sup>[1]</sup> covers approximately 2,350 units, with an average age of 32 years. Of these units:

- 86% are high density (blocks, two or more storeys);
- 72% are bedsit or one bedroom;
- 35% are high-rise (five or more stories).

Units are located

- 39% in the Southern Suburbs;
- 30% in near city areas (Mt Cook, Te Aro, Mt Victoria);
- 21% in the Eastern Suburbs
- 5% each in the Western and Northern Suburbs.

The *Housing Asset Reconfiguration Strategy* (December 2002) established further principles with respect to the reconfiguration challenge facing the portfolio, but also having relevance to the current review. These included:

- Affordability – (Wellington City Council housing should be affordable to those groups targeted by its housing policy)
- Value retention – (the Council's investment in housing should retain ratepayer value over time).
- Return on assets (ROA) not less than 3.4% excluding depreciation for new projects.

The Council has recently completed an update of its tenant income data to enable modelling of the impacts of options identified in this paper. The tenant data is assessed to have a medium-high degree of potential error due to the difficulties of auditing personal income information.

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## 5. Discussion

### 5.1 Current policy framework for housing provision (policy)

The Council adopted the *Framework for the Provision of Housing (policy)* in March 2000. The policy contained the following key objectives which, in summary, aim to position the Council as landlord of last resort.

- To target low-income households with particular needs.
- To focus its services on those most in need of assistance.
- To provide for housing needs not met by other providers.
- To enable and empower people, where possible, to make positive changes in their lives.
- To work in partnership with agencies already involved in providing services to tenants and to avoid duplicating services currently being delivered.
- To operate as a successful business while recognising the social needs of tenants.

### 5.2 Current housing eligibility policy (entry gateways including target groups)

Eligibility for housing is defined by a number of gateways for a set of target groups. These are:

- Income and asset test;
- Housing need test;
- Inclusion in one or more of the target groups, as follows:

**Table 1: Target groups**

Priority	Group	Description
1	The Fit Elderly	Those able to maintain an independent lifestyle at time of application
2	Refugees	Either arriving through the quota or asylum seekers accepted by the Immigration Service as refugees
3	Low level psychiatric	Those people able to maintain an independent lifestyle with minimum supervision and support
4	Multiple disadvantaged	Households with a number of problems that make them vulnerable in the housing market
5	All households with 50% rent to income	After all entitlements have been received and including single person and family type households
6	Migrants	People entering the country under the humanitarian or family reunification categories
7	People with physical disabilities	People requiring modified accommodation

### 5.3 Current tenant mix

Wellington City Council has maintained a targeted allocation policy for many years and therefore is home to a consistently poor but diverse population:

- 44% Pakeha/European, 13% Maori, 13% Pacific Island, 30% refugees and migrants
- 80% receive income support of some kind from Government
- 34% are over 55 years of age
- 17% of tenants identify as having a physical disability and 43% with a social or health disability

The waiting list currently includes 201 people with waiting times typically ranging from 3 to 13 months with bedsits and one-bedroom units at the lower end of this range.

#### **5.4 Income and asset tests**

The current tenant eligibility limits for income and assets were set by the Council in May 1999. The base income limit was set for a couple at 60% of the Wellington City median household income. This level was chosen as the New Zealand Poverty Measurement Project estimated that 60% of the median income is sufficient to maintain an “adequate” standard of living.

Adjustments are made to this base income limit using the Lazear scale to calculate income limits for varying family size and composition. As the Lazear scale only contemplates nuclear families, the Manager of the Housing Business Unit was given discretion to set income limits for other household types. The Lazear scale is one of a number of scales that attempt to assess the income required by varying households to maintain a minimum standard of living. The base for the scale is a couple, and Table 2 below sets out the relativities of other household types.

The median household income figure to which the Lazear scale was applied was set at \$445 after tax in 1999, and has not been reviewed since.<sup>2</sup> Applying inflation adjustments to the 2001 census figure gives an implied new base income limit of \$565 per week net of tax, an increase over the current limit of 27%. Table 2 also includes the current and implied income limits under the Lazear scale.

Liberalising the income criteria would have two principal effects:

- **At entry-** it will increase the number of people fitting the Council’s criteria and therefore increase demand and potentially extend the waiting list.
- **At exit-** the Council’s current policy is to end tenancies and to exit households who are found to be outside the income and asset limits. This change will have the effect of retaining more existing tenants within Council housing.

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<sup>2</sup> The latest published median household income for Wellington City is from the 2001 census, and was \$518 per week net of tax. It was intended that, as median household income statistics are only produced every five years as part of the census, the base eligibility figure would be adjusted annually by the movement in the average male earnings. These rose by 2.5% in 2002, and 6.4% in 2003, the last year for which figures have been published

On the other hand, the waiting list under the current limits is around 200. This excludes people who have enquired about the availability of housing, and declined to put in an application when told of the length of the waiting list.

The Wellington Housing Association of Tenants (WHAT) advise that the current income limit is particularly difficult for families who currently move in and out of eligibility depending on issues such as the availability of overtime, the employment status of teenage children etc. These variables affect the security of the family's housing and often change frequently. It is therefore recommended that the threshold should be inflation adjusted to \$565 per week for a couple with other household sizes being adjusted accordingly.

**Table 2: Lazear scale**

	<i>Single</i>	<i>Single 1 Child</i>	<i>Single 2 Children</i>	<i>Single 3 Children</i>	<i>Couple</i>	<i>Couple 1 Child</i>	<i>Couple 2 Children</i>	<i>Couple 3 Children</i>
	94%	115%	133%	153%	<b>100%</b>	121%	139%	159%
Current per week	418	512	592	681	<b>445</b>	538	619	708
Inflation adjusted per week	531	650	751	864	<b>565</b>	684	785	898

The scale calculates, for example, the household costs for a couple with one child are 21% higher to maintain an adequate standard of living than the costs for a couple. The costs of a single person household are assessed at 94% of the costs for a couple.

The Lazear scale was preferred over the other scale assessed in 1999 (the Jensen scale) because it more realistically represents accommodation cost relativities. Accommodation costs are usually the most significant aspect of a household's outgoings, and the cost of housing a single person is close to or the same as the cost of housing a couple. The Jensen scale, by comparison, set the single income required at 60% of the base couple. The Lazear scale continues to represent a reasonable basis for establishing income relativities.

Officers have established the current limit for three adults at \$708, the same as one adult and three children (3 bedrooms required). Current policy assumes all two adult households occupy a single room. It is proposed that officers change the limit for two adults requiring a 2-bedroom property, to the same as the limit for one adult and one child.

Current asset limits for tenant eligibility are \$35,000 for tenants less than 50 years of age and \$50,000 for tenants over 50 years of age. Although these limits are substantially greater than those used by HNZN at \$8,100 per adult no change to Council's asset limits is recommended. Very few new applicants for Council housing disclose assets even approaching the current limits although a few existing, elderly, tenants are known to have substantial investments. Aligning Council's policy with HNZN's could penalise applicants who use Council housing as a stepping stone to

independence, such as during and immediately after a relationship break-up and while family assets are being sold.

### **5.5 Current rent setting process**

The 1999 Annual Plan stated the Council's policy was to set rentals at 70 % of market rent. This is aimed at improving housing affordability. Registered valuers assess property market rentals for the City Housing portfolio on an annual basis. The valuers use a schedule of around 250 "reference units" which are representative of the entire portfolio, and assign to each reference unit a rental range. The size of this range is typically \$10 per week for smaller units and up to \$20 per week for three bedrooms plus. The valuer's intention is that all properties should carry a market rental at some point within the assessed range depending on their physical condition and location factors (for example sun, views) as compared to the reference unit.

The Council assigns the same rental value to all units represented by a specific reference unit, and that value is at the low end of the range set by the valuer. As a result, some units are assigned a rental value that is below the market average. The Council rentals are then set at 70% of the low end of the range.

The valuers provide a rental estimate for both an "as is" and an "upgraded" condition. "Upgraded" assumes installation of carpet, redecoration and showers where possible. Current rentals are all set on the basis of the "as is" valuation and a \$5 per week per bedroom charge is applied to all units that have Council supplied carpet.

This charge is administratively complex to administer and speed of recovery is slowed given that the charge is treated as an increase in rent requiring 60 days notice, and is not able to be implemented within 180 days of the previous rent increase (requirements of the Residential Tenancies Act).

### **5.6 Current rent relief provisions**

The Council has adopted several measures to provide financial relief to tenants in addition to setting rents at 70% of market. These measures were set by resolution in March 1995, and are:

- \$30 maximum rent increase.
- Consideration of a rent reduction for any tenant whose rent exceeds 40% of net income after tax and after Accommodation Supplement entitlement has been received – hardship allowance. International and other New Zealand standards suggest that accommodation costs should not exceed a third of net household income. During consultation on the Council's rental policy it was suggested that the hardship allowance be renamed "affordable rent limit".
- No rent increases for tenants over 80 years of age. This is in consideration of these tenants having been on a fixed income for a very long period of time and often having greater expenses for health care and transport than younger tenants.

### **5.7 Recent Council rental and market rental history**

Current rentals are based on market valuations completed in September 2003 with rent increases effective from February 2004 for all tenants except the "September" group of around 240 tenants who were charged increases in September 2004. These

tenants have rental agreements dating back to the early 1980s requiring that any adjustments to their rental levels must be made in September.

A comparison has been made of market rentals as assessed for the Council's housing portfolio with market rental data (based on tenancy bond receipts) from the Tenancy Service of the Department of Building and Housing. This comparison shows that, in general, assessed market rents for Council properties are below average rentals, and at or around the lower quartile. In general, bedsits and one-bedroom units are around the lower quartile, and larger units below.

### **5.8 Current costs to Wellington City Council**

The Council's housing portfolio has an assessed total market rental value in March 2005 (at the low end of the range) of \$21.6 million (as is). This compares with the market rental valuation "as is" of \$20.5m on September 2003. This \$1.1m increase represents an average market rental increase across the portfolio of 5.4% over 17 months.

Table 3 below provides low and midpoint 2005 market rental values, the implied rentals at 70% of market, and the rental foregone. This shows the cost to Council of using the low end of the rental value range rather than the mid point at 70% of market is approximately \$300,000 per annum.

**Table 3: Wellington City Council's opportunity cost using various methods of applying market rentals and assessment of unit condition (March 2005 valuation).**

<b>Rental Level</b>	<b>Full Market</b>	<b>70% of Market (1)</b>	<b>Rental Foregone</b>
Low end of range <i>as is</i>	\$21.6 million	\$15.2 million	\$6.4 million
Midpoint of range <i>as is</i>	\$22.3 million	\$15.6 million	\$6.7 million
Low end of range <i>upgraded</i>	\$22.7 million	\$15.9 million	\$6.8 million
Midpoint of range <i>upgraded</i>	\$23.4 million	\$16.4 million	\$7.0 million

(1) Excludes carpet charge

### **5.9 Current rent relief policies**

At present there are 88 tenants aged over 80 who are paying a frozen rent, 9 tenants receiving relief under the 40% of income affordable rent limit policy, and 180 who had their last rent rise capped at \$30. The estimated current cost to the Council through rental foregone pursuant to the various relief measures is set out below:

**Table 4: Existing actual uptake of rent relief provisions under existing rentals (2003 values).**

<b>Rental Level</b>	<b>Over 80</b>	<b>Affordable rent limit</b>	<b>Capped Rent Rise</b>
Cost to WCC	\$102,000	\$19,000	\$77,000
Tenant numbers	88	9	180

The maximum theoretical Council cost of affordable rent limit relief for existing rentals is estimated to be \$8,000 for 26 tenants, based on the number of tenants who appear from the latest tenant update survey to be eligible. Current affordable rent limit cases will need to be reassessed in light of new data from the recent tenant update, and increased benefit entitlements as of 1 April 2005. This difference from the actual uptake by 9 tenants arises from a mix of lack of tenant knowledge of the provisions, reluctance to apply or inaccuracies in the tenant information returns.

### **5.10 Current affordability**

As noted above, 9 tenants are currently receiving relief under the affordable rent limit provision because their rent (less any Accommodation Supplement to which they are entitled) is greater than 40% of their income. The raw data from the recent tenant update survey suggested that the number of tenants eligible for relief could be as high as 345. Further investigation of the survey returns however revealed information deficiencies in a large number of those cases.

One of the apparent anomalies is the percentage of tenants who are shown as receiving Accommodation Supplement. Only 59% of tenants listed Accommodation Supplement as an income source, whereas the income data suggests that nearly all tenants should qualify to receive it. It is not possible to quantify how much of this apparent low take up is due to failure by tenants to disclose Accommodation Supplement on their update forms, and how much is due to lack of awareness of the availability of Accommodation Supplement or reluctance to claim it. As a means of addressing this issue, City Housing and WINZ are planning pilot programmes at Newtown Park and Arlington aimed at increasing awareness and improving access to benefit entitlement.

On April 1 2005, changes were made to the level of Family Support, and to the level of benefits for sole parents. Maximum entitlements to Accommodation Supplement were also lifted for households of three or more people. Beneficiaries who also work, and who previously received an abated Accommodation Supplement now receive the full amount. These changes are part of the Working for Families package, the purpose of which is to provide extra money to families for living costs, housing and childcare. Tenancies with children make up 21% of the portfolio.

Family Support has increased by \$25 per week for the first child, and \$15 per week for each subsequent child (with different rates for older children). Base benefits (for example Unemployment Benefit, Sickness Benefit, and Domestic Purposes Benefit) for sole parents have changed in that there is now a single base benefit level for sole parents, as has historically been the case for married couples with children. This change has been made to standardise base benefit categories for sole parents and married couples with children.

Prior to April 1 sole parents with 2 or more children received a higher rate of base benefit than sole parents with one child. The effect of the changes is that sole parents with 2 or more children have had their base benefits lowered. Married couples with children have also had their base benefits lowered to the same level as married couples without children. The reason for the lowering of base benefits is that part of the base benefit has been transferred to Family Support. Table 5 below shows the combined effect of the changes to Family Support and base benefit entitlements.

**Table 5: Summary of net gains from Family Support and Base Benefit changes**

Estimated weekly gains for families receiving a benefit		
Number of children	Couple	Sole parent
1	\$15.24	\$31.35
2	\$30.24	\$24.95
3	\$45.24	\$39.95
4	\$60.24	\$54.95

In addition to the changes to family support, consumer price index adjustments to all benefits also took effect on 1 April. Tenancies without children make up 79% of the portfolio. The new levels of family support, Accommodation Supplement and other benefits have been applied to the income data collected in the tenant update survey on the basis of assumed entitlement. That is, if the tenant's income data as returned indicates that the tenant ought to be eligible for assistance then that theoretical level of assistance is added on to the tenant income as returned. The effect of this is to reduce the number of tenants apparently eligible for relief under the provisions from 345 in survey returns to 38. Appendix Two contains case studies for a sample range of single beneficiaries (representing approximately 52% of tenants) and family households.

#### **5.11 Criteria for evaluation of options**

The Council's key criteria in establishing a rent policy relate to the balancing of tenant affordability and the sustainability of maintaining a social housing portfolio.

Tenant affordability issues include the level of rent increase tenants can afford that will enable them to maintain a reasonable standard of living.

WCC financial sustainability issues include the current housing business unit cost to operate now and projected for the next 10 years.

Other considerations in setting a policy come from the incentives provided by different approaches. Setting rents at a percentage of market provides an incentive for households which have reduced in size to move to a smaller property with a lower rent. Conversely it provides a perverse incentive to expanding households to remain in the same property rather than move to a larger, higher rent property.

#### **5.12 Rent setting options**

The number of variables has meant a significant number of options have been developed. For the purpose of simplicity five options have been modelled and presented in this paper. They are summarised in Table 6 below for the following rent setting variables:

- Status quo
- Rental at 70%, 80% and 100% of 2005 mid point rental market values
- Rental at 25% of income (as per HNZC) assuming government would be asked to bulk fund to Council the market rental foregone as per HNZC.

Existing rent relief measures have been assumed at the status quo for all options. Variables that have been modelled within these 4 options are:

- Using either the low point or the mid point of the valuation range
- Setting the affordable rent limit at 25%, 30%, 35% or 40% of household income

The mid- point of the valuation range has been assumed for all options (excepting the status quo). Using the low point would benefit individual households around \$1.00 per week. Appendix 2 represents the aggregated detail for options using the low point of the valuation range.

In comparison, Housing New Zealand Corporation has a 25% of net income rental policy. Christchurch City sets rentals at a level to achieve long term sustainability of the portfolio costs as indicated by their asset management plans. This level is advised to be approximately 70% of market.

***Option 1. Status quo with rents set at 70% of the low end of the “as is” (assumes no carpet or showers) 2005 valuation range.*** If the affordable rent limit is maintained at 40% of income this option involves no change to rentals last set in January 2004 on the basis of September 2003 market rental valuations. If the Council were to reduce the affordable rent limit to 25% of income 1,483 tenants would have their rent limited at a cost to the Council of \$3.4m. As the affordable rent limit decreases, the amount of Accommodation Supplement paid by the Government also decreases.

***Option 2. Rents set at 70% of the mid point of the “as is” (assumes no carpet or showers) 2005 valuation range.*** This option increases rents overall from the status quo by the 5.4% increase in market values since September 2003 and by a further 4.6% as a result of moving to the valuation mid point. Maintaining Council’s current 40% affordable rent limit would result in a net income gain of \$1.4m, and 106 tenants becoming eligible for limited rents.

The recommended option is to lower the affordable rent limit to 35% giving Council additional income of \$1.1m after rent relief measures to 409 tenants. The move from the current valuation low point to mid point largely offsets the reduction in income to the Council from lowering the affordable rent limit.

Rent increases improve the Council’s housing portfolio operating position, which currently forecasts deficits by 2011-12. This approach assumes tenants can be successfully assisted to secure both their Accommodation Supplement and Council rental relief entitlements. It also assumes a movement to the mid point of the rental range.

***Option 3. Rents set at 80% of the mid point of the “as is” (assumes no carpet or showers) 2005 valuation range.*** This option is the same as option 2 above except 80% of market rentals is applied.

***Option 4. Rents set at 100% of the mid point of the “as is” (assumes no carpet or showers) 2005 valuation range.*** This option is the same as options 2 and 3 above except 100% of market rentals is applied. In addition, the \$30 limit on rent increases has been removed, as virtually all rents would increase by \$30 before application of other relief measures. At the status quo affordable rent limit of 40% of income, Council would gain \$7.2m and Government Accommodation Supplement payments would climb to \$9.7m. Council could still achieve significantly more income of

\$2.8m under this option and partially address affordability concerns by reducing the affordable rent limit to 30% of income, which would provide a limited rent to 1,572 tenants. Reducing the affordable rent limit further to 25% results in a net \$900,000 loss to Council.

Summarising the progression from option 2 to option 4, when moving from 70% to 100% of market rentals, Councils income, number of tenants becoming eligible for a limited rent, and government's Accommodation Supplement payments all climb.

**Option 5. 25% of income, no Accommodation Supplement.** This option assumes a similar rent policy to that used by HNZN and no Accommodation Supplement paid to tenants. It assumes Government would be approached to bulk fund at least the \$3.5m rental foregone by Council, if not a greater sum to provide a sustainable return on capital, as is the case for HNZN.

**Table 6: Rent setting options and Council, Tenant and Government impacts. (Further details in Appendix One)**

Option		Affordable Rent Limit				
		40% of income	35% of income	30% of income	25% of income	
1	<b>As is / Status Quo</b>	Net Council Income (\$million)	14.3	14.1	13.2	10.9
		Gain / (Loss) in Council Income (\$m)	0.0	(0.2)	(1.1)	(3.4)
		Tenants eligible for limited rents	26	232	900	1,483
		Accommodation Supplement (\$million)	4.9	4.7	4.1	2.5
2	<b>2005 Valuation "as is", 70% of mid point</b>	Net Council Income (\$million)	15.7	15.4	14.2	11.5
		Gain / (Loss) in Council Income (\$m)	1.4	1.1	(0.1)	(2.8)
		Tenants eligible for limited rents	106	409	1,038	1,572
		Accommodation Supplement (\$million)	5.8	5.6	4.7	2.9
3	<b>2005 Valuation "as is", 80% of mid point</b>	Net Council Income (\$million)	17.3	16.7	15.0	12.1
		Gain / (Loss) in Council Income (\$m)	3.0	2.4	0.7	(2.3)
		Tenants eligible for limited rents	167	591	1,290	1,629
		Accommodation Supplement (\$million)	6.9	6.5	5.3	3.2
4	<b>2005 Valuation "as is", 100% of mid point</b>	Net Council Income (\$million)	21.5	19.9	17.1	13.4
		Gain / (Loss) in Council Income (\$m)	7.2	5.6	2.8	(0.9)
		Tenants eligible for limited rents	566	1,115	1,572	1,853
		Accommodation Supplement (\$million)	9.7	8.6	6.7	4.1
5	<b>25% of Income, no Accommodation Supplement</b>	Net Council Income (\$million)				10.8
		Gain / (Loss) in Council Income (\$m)				(3.5)
		Tenants eligible for limited rents				2,209
		Accommodation Supplement (\$million)				

**Table notes**

1 The recommended option (shaded box) is to lower the affordable rent limit to 35% giving Council additional income of \$1.1m after rent relief

measures to 409 tenants. The move from the current valuation low point to mid point better reflects the actual standard of Council properties.

2 Summarising the progression from option 2 to 4, when moving from 70% to 100% of market rentals, Council's income, number of tenants capping out and Government's Accommodation Supplement payments all climb.

3 If Council wishes to secure increased net income and address affordability concerns, it could move to 100% of market rentals and shift the affordable rent limit down to say 30% of income.

### **5.13. Affordability impacts for a range of theoretical tenant types**

The three largest tenant groups are single superannuitants, single unemployment or sickness beneficiaries and single invalid benefit recipients. Impacts of the modelled rent setting options are provided for the following with details in Appendix Three.

1. Adult 25 or over on unemployment or sickness benefit – no other income sources.
2. Single superannuitant on benefit alone – no other income sources.
3. Single adult on invalid benefit – no other income sources.
4. Couple on unemployment benefit with four children.
5. Couple in work with two children.
6. Sole parent on invalid benefit with two children.

### **Single person impacts**

A single unemployed person in a bedsit under the recommended option is better off by \$1.97 per week than before the inflation adjustments to benefits on 1 April. This same person is significantly further better off even under a 100% of market rental as a result of the a reduction in the affordable rent limit from 40% to 35% of income.

### **Family impacts**

Families received significant income increases under the Working for Families package. The recommended option would consume approximately 10% of this increase in rent.

The main thrust of Government's 2005 benefit adjustments were to improve the lives of ordinary New Zealand families with children. The recommended changes to the Council's rent setting policy will result in modest gains to single people and couples and greater improvements for households with children.

### **5.14 Preferred alternative**

A two-stage approach is recommended.

#### **Stage One**

- Maintain the current rent policy at 70% of market with rent increases on 5 September 2005 based on March 2005 valuation updates.
- Move the hardship allowance from 40% down to 35% of income after tax, a level closer to international and other New Zealand standards and re-name the provision "*affordable rental limit*"

- Move to the mid point of the “as is” valuation range to reflect a more accurate picture of the rent value of a given property.
- Continue “as is” valuations (reflecting no carpet or other upgrades) and charging for carpet recovery costs for another year and then proceed as per stage 2 below.
- Inflation adjust eligibility criteria. Income eligibility is currently set on the Lazear scale. This scale sets eligibility for entry to the Council’s housing at 60% of Wellington households’ median income. It is recommended that the scale be shifted to reflect the inflation changes. This will have the principal effect of reducing the number of tenants who fall outside the eligibility criteria at the annual check on household income. It may also increase demand as more households will qualify for Council housing. The current waiting list sits at around 201 under the existing criteria.

Net additional Council income from this option would be \$1.1m per annum after total cost relief measures of \$575,000 per year (including 409 tenants reaching the affordable rent limit). The rent increase helps alleviate the Council’s housing portfolio declining operating position with deficits currently forecast by 2011-12.

Government would pay \$700,000 more in Accommodation Supplement. Tenants would pay an additional \$400,000 overall with 85% paying more than at present and 15% paying less or the same. The poorest tenants would receive some relief through the lowering of the affordable rent limit. The 1 April benefit inflation adjustments and the Working for Families package also assist tenants.

Case studies show the proposed rent increase would consume between 43% and 79% of the 1 April inflation adjustments for single beneficiaries without children, and between 7% and 17% of the increased assistance through the Working for Families package. The recommended option assumes tenants can be successfully assisted to secure both their Accommodation Supplement and Council rental relief entitlements. To minimise tenant affordability problems, current pilot programmes to inform tenants of affordable rent limit and Accommodation Supplement entitlement will be extended.

### **Stage Two**

- Remove separate carpet charges. By April 2006 all units should be carpeted therefore a carpeted property will become standard. One rental charge is administratively simpler and more understandable for tenants. Private sector landlords do not indicate the components of the rental charge, simply the rent.
- Move to the use of the “upgraded” valuation range from September 2006. This change should have minimal effect on Council income because the “upgraded” market valuations that assume carpets are roughly equivalent to the carpet charge. By 2006 further inflation adjustments to rentals may need to be implemented in line with the 70% of market rent policy.

### **5.15 Financial implications**

The Council has not budgeted for a rent increase in the draft 2005/06 Annual Plan. The proposed option 2 of increasing rents in line with existing policy and moving implementation practice more closely into line with the policy, along with a move to a 35% affordable rent limit would net approximately \$800,000 in the balance of the

2005/06 financial year from 1 September 2005. The actual amount will depend on the level of uptake of the affordable rent provision.

The proposed increase would assist to maintain Council's objective of a positive return on assets and support the financial sustainability of the portfolio currently showing forecast deficits forecast by 2011/1 as shown in table 7 below. These deficit levels are under a scenario of maintaining the portfolio only, and do not include any of the financial challenges posed by potential modernisation initiatives.

**Table 7. Council's operating surplus / (deficit) under current LTCCP and other rent setting options**

Year	Current Draft Annual Plan	70% mid point 35% income limit (Recommended)	80% mid point 35% income limit	100% mid point 30% income limit
2005 - 06	2,248	3,119	4,148	4,465
2006 - 07	1,513	2,558	3,913	4,313
2007 - 08	1,200	2,245	3,600	4,000
2008 - 09	1,050	2,095	3,450	3,850
2009 - 10	802	1,847	3,202	3,602
2010 - 11	290	1,335	2,690	3,090
2011 - 12	(196)	849	2,204	2,604
2012 - 13	(609)	436	1,791	2,191

#### **5.16 Legal implications**

City Housing's standard approach to increasing rentals would be followed in the case of the proposed rental increase for all tenants. The rent increase is proposed for 5 September 2005 to align with the group of around 240 "September" tenants whose tenancy agreements require any rent increases on or near the first Monday in September. The Residential Tenancies Act requires 60-day notice of rent increase ie: in the first week of July. Given the need for rent notice preparation, Council approval must be received in May to proceed this year with an all tenants increase in September.

#### **5.17 Impact on other parties**

The Council's 2,354 social housing units is a significant proportion of Wellington's low cost housing market. The 70% of market rental policy is likely to exert some downwards pressure on rentals and over time may discourage private investment in this market segment. However, Council's presence in this market has been very long term and no significant change to current policy settings is recommended. No significant change to Council's impact on the private market is therefore expected.

Housing New Zealand Corporation (HNZC) has approximately 1,400 units in Wellington City rented at 25% of income. For many tenants, HNZC therefore offers lower cost housing although applicants tend to present on both waiting lists. The proposed increases are not expected to have a material impact on HNZC waiting lists.

### **5.18 Consultation**

Consultation has been undertaken with a range of social agencies, Wellington Housing Association of Tenants (WHAT) and both the Wellington and Capital Property Investors Associations. Social agencies identified single tenants as the group most likely to be impacted by rental increases and those receiving the least benefit from increases to Accommodation Supplement.

Social agencies agreed that the current lack of awareness of the availability of rental relief provisions would need to be addressed to ensure those entitled accessed this support. In the past rental increases were not seen to have been communicated effectively and this had impacted negatively on the tenants' perception of the Council. Agencies recommended that City Housing review its communication strategy for the rental review process and increasing awareness of rental relief provisions available to tenants. It was suggested that the *hardship allowance* had overly negative connotations and that the provision should be renamed the *affordable rental limit*. The proposed WINZ pilot programmes, aimed at increasing awareness and uptake of benefit entitlements also received wide support.

The necessity of an inflation-based adjustment was acknowledged by social agencies. Other options involving further tenant affordability impacts are likely to be rejected. Property investor interests are likely to prefer rents closer to market, lessening competition with private stock although there is likely to be some acceptance of the role of social housing.

WHAT provided detailed submissions on the income and asset limits for tenants. An increase of 20% in both limits was sought, as no increase has been made since 1999. WHAT also pointed out some apparent inconsistencies in income limit relativities between different household sizes. The basis of the income limits was clarified for the WHAT Executive.

### **5.19 Communications strategy**

Tenants and community agencies will be informed of the outcome of this review as well as of any rent changes.

The proposed timeline from here is:

19 May 2005	Strategy and Policy Committee consider Officers recommendations for the Council's rent policy
June 2005	Letter to all City Housing tenants and relevant community agencies detailing Councillors decisions and potential impacts
June – July 2005	City Housing and WINZ staff develop strategies to raise tenant's awareness of entitlements

1 July 2005	60 day notice of rent review – increase/decrease/no change – posted to City Housing tenants
5 September 2005	Rent review outcomes implemented

## **6. Conclusion**

The current Council policy for establishing rent levels for its social housing portfolio has been in place since 1999. Since the last rent increase in January 2004 a number of issues have arisen that prompted calls for a review of the rent policy. These include issues of affordability for tenants and financial sustainability for the Council. These issues need to be seen against a backdrop of changing central government policies supporting households with low incomes. The Accommodation Supplement only covers 70% of any increase, and also has a maximum limit. Tenant affordability impacts would therefore be extreme under any significant lift in the percentage of market rentals unless the rental affordable rent limit was significantly lowered. The recommended approach, maintaining 70% of market rents, at the mid point of the valuation range has lower tenant affordability and administration risks and increases the financial sustainability of the portfolio for Council.

Contact Officer: *Wendy Walker, Director, Community Services*

<b>Supporting Information</b>
<p><b>1) Strategic Fit / Strategic Outcome</b>  <i>The provision of targeted housing assistance supports outcome 2.6 Access to resources – All residents are able to access community resources and public services. In particular objective 2.6.1 is supported – to ensure that all residents have access to basic requirements of housing, health care and other services....</i></p>
<p><b>2) LTCCP/Annual Plan reference and long term financial impact</b>  <i>Housing operations relate to  C125 Housing operations and maintenance  CX 364 Housing reconfiguration  CX Housing upgrades  CX 371 Housing renewals</i></p> <p><i>The recommendations in this paper support an increase of \$800,000 to the Draft Annual Plan budget 2005/06 as a result of rent increases.</i></p>
<p><b>3) Treaty of Waitangi considerations</b>  <i>Maori are 13% of City Housing’s current tenancy mix. There are no increased impacts on Maori (cf other tenants) as a result of this policy</i></p>
<p><b>4) Decision-Making</b>  <i>This is not a significant decision. The report sets out a number of options and reflects the views and preferences of those with an interest in this matter who have been consulted.</i></p>
<p><b>5) Consultation</b>  <b>a) General Consultation</b>  <i>The Council is not required under legislation to consult on this matter. However the following stakeholder groups have been consulted:</i></p> <ul style="list-style-type: none"> <li>• <i>Wellington Housing Association of Tenants (WHAT)</i></li> <li>• <i>Wellington Property Investors Association</i></li> <li>• <i>Capital Property Investors Association</i></li> <li>• <i>Age Concern</i></li> <li>• <i>Wellington City Mission</i></li> <li>• <i>Downtown Community Ministry</i></li> <li>• <i>People’s Resource Centre</i></li> <li>• <i>Inner City Project</i></li> </ul> <p><b>b) Consultation with Maori</b>  <i>There has been no consultation with either mana whenua iwi or the wider Maori community.</i></p>
<p><b>6) Legal Implications</b>  <i>Legal issues are limited to implementation processes that will be handled as part of normal business.</i></p>
<p><b>7) Consistency with existing policy</b>  <i>The recommendation is to continue with the existing policy settings.</i></p>

**Appendix One: - Rent setting options detail**  
**- Mid point of valuation range (recommended)**

OPTION	Total Rent	Limited to \$30 increase		Rent Limited at 40% of income		Rent Limited at 35% of income		Rent Limited at 30% of income		Rent Limited at 25% of income		Frozen - Over 80	
	\$million	Number	Cost	Number	Cost	Number	Cost	Number	Cost	Number	Cost	Number	Cost
As is / Status Quo	14.5	180	77,000	26	8,000	232	204,000	900	1,091,000	1,483	3,399,000	88	102,000
2005 Valuation "as is", 70% of mid point	16.0	117	77,000	106	50,000	409	373,000	1,038	1,623,000	1,572	4,292,000	88	125,000
2005 Valuation "as is", 80% of mid point	18.3	1056	685,000	167	162,000	591	765,000	1,290	2,464,000	1,629	5,416,000	88	137,000
2005 Valuation "as is", 100% of mid point	22.8			566	901,000	1,115	2,503,000	1,572	5,357,000	1,853	9,051,000	88	353,000
25% of Income, no Accommodation Supplement	22.8									2,209	12,003,000		

OPTION	Total Cost of Relief Measures				Net Rent \$million				Increase on Current				Acc Supp \$million			
	40%	35%	30%	25%	40%	35%	30%	25%	40%	35%	30%	25%	40%	35%	30%	25%
As is / Status Quo	187,000	383,000	1,270,000	3,578,000	14.3	14.1	13.2	10.9	0.0	(0.2)	(1.1)	(3.4)	4.9	4.7	4.1	2.5
2005 Valuation "as is", 70% of mid point	252,000	575,000	1,825,000	4,494,000	15.7	15.4	14.2	11.5	1.4	1.1	(0.1)	(2.8)	5.8	5.6	4.7	2.9
2005 Valuation "as is", 80% of mid point	984,000	1,587,000	3,286,000	6,238,000	17.3	16.7	15.0	12.1	3.0	2.4	0.7	(2.3)	6.9	6.5	5.3	3.2
2005 Valuation "as is", 100% of mid point	1,254,000	2,856,000	5,710,000	9,404,000	21.5	19.9	17.1	13.4	7.2	5.6	2.8	(0.9)	9.7	8.6	6.7	4.1
25% of Income, no Accommodation Supplement				12,003,000				10.8				(3.5)				

**Appendix Two - Rent Setting Options detail**  
**- Low point of valuation range**

	OPTION	Total Rent		Limited to \$30 increase		Rent Limited at 40% of income		Rent Limited at 35% of income		Rent Limited at 30% of income		Rent Limited at 25% of income		Frozen - Over 80	
		\$million	Number	Cost	Number	Cost	Number	Cost	Number	Cost	Number	Cost	Number	Cost	
1	As is / Status Quo	14.5	180	77,000	26	8,000	232	204,000	900	1,091,000	1,483	3,399,000	88	102,000	
2	2005 Valuation "as is", 70% of low point	15.6	70	54,000	83	29,000	321	301,000	998	1,422,000	1,546	3,989,000	88	115,000	
3	2005 Valuation "as is", 80% of low point	17.7	788	431,000	164	137,000	553	671,000	1,204	2,263,000	1,616	5,182,000	88	136,000	
4	2005 Valuation "as is", 100% of low point	22.1			543	738,000	1,065	2,189,000	1,543	4,887,000	1,818	8,516,000	88	330,000	
5	25% of Income, no Accommodation Supplement	22.8									2,209	12,003,000			

	OPTION	Total Cost of Relief Measures				Net Rent \$million				Increase on Current				Acc Supp \$million			
		40%	35%	30%	25%	40%	35%	30%	25%	40%	35%	30%	25%	40%	35%	30%	25%
1	As is / Status Quo	187,000	383,000	1,270,000	3,578,000	14.3	14.1	13.2	10.9	0.0	(0.2)	(1.1)	(3.4)	4.9	4.7	4.1	2.5
2	2005 Valuation "as is", 70% of low point	198,000	470,000	1,591,000	4,158,000	15.4	15.1	14.0	11.4	1.1	0.8	(0.3)	(2.9)	5.5	5.3	4.5	2.8
3	2005 Valuation "as is", 80% of low point	704,000	1,238,000	2,830,000	5,749,000	17.0	16.5	14.9	12.0	2.7	2.1	0.6	(2.4)	6.7	6.3	5.2	3.2
4	2005 Valuation "as is", 100% of low point	1,068,000	2,519,000	5,217,000	8,846,000	21.0	19.6	16.9	13.3	6.7	5.3	2.6	(1.1)	9.4	8.4	6.5	4.0
5	25% of Income, no Accommodation Supplement				12,003,000				10.8				(3.5)				

- **Appendix Three – Case study details - Change in cash in the hand per week after paying rent compared with pre working for families package**

All single tenants may occupy either a bed-sit or a single bedroom unit. Both bed-sit and one-bedroom examples at assumed locations have been modelled for each of the three single person case studies below.

Single Unemployed/Community Wage/Sickness Bedsit		Rent	Benefit	Threshold	Net	Net	Net	Cash Left @ 40%	Cash Left @ 35%	Cash Left @ 30%	Cash Left @ 25%	Change	Change	Change	Change		
					Net Rent @ 40% cap	Net Rent @ 35% cap	Net Rent @ 30% cap					Net Rent @ 25% cap	from Pre 1 April @ 40%	from Pre 1 April @ 35%	from Pre 1 April @ 30%	from Pre 1 April @ 25%	
	Pre April 1		92.50	164.16	41.00	56.45											
1	Status Quo Post April 1		92.50	168.59	42.00	57.15	57.15	50.51	42.00	111.44	111.44	118.08	126.59	3.73	3.73	10.37	18.88
2	2005 Valuation "as is", 70% of mid point		99.50	168.59	42.00	59.25	58.91	50.51	42.00	109.34	109.68	118.08	126.59	1.63	1.97	10.37	18.88
3	2005 Valuation "as is", 80% of mid point		113.00	168.59	42.00	63.30	58.91	50.51	42.00	105.29	109.68	118.08	126.59	(2.42)	1.97	10.37	18.88
4	2005 Valuation "as is", 100% of mid point		140.00	168.59	42.00	67.31	58.91	50.51	42.00	101.28	109.68	118.08	126.59	(6.43)	1.97	10.37	18.88
5	25% of Income - HNZN formula		140.00	168.59					42.00				126.59				18.88

**Single Superannuation Living Alone 1  
Bedroom**

	Rent	Benefit	Thresh old	Net Rent @ 40% cap	Net Rent @35% cap	Net Rent @ 30% cap	Net Rent @ 25% cap	Cash Left @ 40%	Cash Left @ 35%	Cash Left @ 30%	Cash Left @ 25%	Change from Pre 1 April @ 40%	Change from Pre 1 April @ 35%	Change from Pre 1 April @ 30%	Change from Pre 1 April @ 25%	
Pre April 1		120.50	249.09	62.00	79.55			169.54								
1 Status Quo Post April 1		120.50	255.81	64.00	80.95	80.95	76.64	64.00	174.86	174.86	179.17	191.81	5.32	5.32	9.63	22.27
2 2005 Valuation "as is", 70% of mid point		134.50	255.81	64.00	85.15	85.15	76.64	64.00	170.66	170.66	179.17	191.81	1.12	1.12	9.63	22.27
3 2005 Valuation "as is", 80% of mid point		153.00	255.81	64.00	90.70	89.38	76.64	64.00	165.11	166.43	179.17	191.81	(4.43)	(3.11)	9.63	22.27
4 2005 Valuation "as is", 100% of mid point		190.00	255.81	64.00	101.80	89.38	76.64	64.00	154.01	166.43	179.17	191.81	(15.53)	(3.11)	9.63	22.27
5 25% of Income - HNZN formula		190.00	255.81					64.00				191.81				22.27

**Single Invalid Bedsit**

	Rent	Benefit	Threshold	Net Rent @ 40% cap	Net Rent @ 35% cap	Net Rent @ 30% cap	Net Rent @ 25% cap	Cash Left @ 40%	Cash Left @ 35%	Cash Left @ 30%	Cash Left @ 25%	Change from Pre 1 April @ 40%	Change from Pre 1 April @ 35%	Change from Pre 1 April @ 30%	Change from Pre 1 April @ 25%
Pre April 1	92.50	205.18	52.00	64.15				141.03							
1 Status Quo Post April 1	92.50	210.72	53.00	64.85	64.85	63.13	53.00	145.87	145.87	147.59	157.72	4.84	4.84	6.56	16.69
2 2005 Valuation "as is", 70% of mid point	99.50	210.72	53.00	66.95	66.95	63.13	53.00	143.77	143.77	147.59	157.72	2.74	2.74	6.56	16.69
3 2005 Valuation "as is", 80% of mid point	113.00	210.72	53.00	71.00	71.00	63.13	53.00	139.72	139.72	147.59	157.72	(1.31)	(1.31)	6.56	16.69
4 2005 Valuation "as is", 100% of mid point	140.00	210.72	53.00	79.10	73.63	63.13	53.00	131.62	137.09	147.59	157.72	(9.41)	(3.94)	6.56	16.69
5 25% of Income - HN2C formula	140.00	210.72	47.00				53.00				157.72				16.69

Couple, unemployed, 4 children, 3 bedroom		Rent	Benefit	Family Support	Total Income	Threshold	Net Rent @ 40% cap	Net Rent @ 35% cap	Net Rent @ 30% cap	Net Rent @ 25% cap	Cash Left @ 40%	Cash Left @ 35%	Cash Left @ 30%	Cash Left @ 25%	Change from Pre 1 April @ 40%	Change from Pre 1 April @ 35%	Change from Pre 1 April @ 30%	Change from Pre 1 April @ 25%	
	Pre April 1	200.50	290.72	138.74	429.46	84.00	118.95				310.51								
1	Status Quo Post April 1	200.50	280.96	213.00	493.96	88.00	121.75	121.75	121.75	121.75	372.21	372.21	372.21	372.21	61.70	61.70	61.70	61.70	
2	2005 Valuation "as is", 70% of mid point	214.50	280.96	213.00	493.96	88.00	125.95	125.95	123.28	123.28	368.01	368.01	368.01	370.68	57.50	57.50	57.50	60.17	
3	2005 Valuation "as is", 80% of mid point	243.00	280.96	213.00	493.96	88.00	134.50	134.50	123.28	123.28	359.46	359.46	359.46	370.68	48.95	48.95	48.95	60.17	
4	2005 Valuation "as is", 100% of mid point	300.00	280.96	213.00	493.96	88.00	151.60	151.60	147.90	123.28	342.36	342.36	346.06	370.68	31.85	31.85	35.55	60.17	
5	25% of Income - HNZN formula	300.00	280.96	47.00	327.96					81.99				411.97				101.46	

**Sole Parent Invalid 1 child 2  
bedroom**

	Rent	Benefit	Family Support	Total Income	Threshold	Net Rent @ 40% cap	Net Rent @ 35% cap	Net Rent @ 30% cap	Net Rent @ 25% cap	Cash Left @ 40%	Cash Left @ 35%	Cash Left @ 30%	Cash Left @ 25%	Change from Pre 1 April @ 40%	Change from Pre 1 April @ 35%	Change from Pre 1 April @ 30%	Change from Pre 1 April @ 25%
1 Pre April 1	150.00	265.43	103.02	368.45	84.00	103.80				264.65							
1 Status Quo Post April 1	150.00	276.82	119.00	395.82	87.00	105.90	105.90	105.90	98.83	289.92	289.92	289.92	296.99	25.27	25.27	25.27	32.34
2 2005 Valuation "as is", 70% of mid point	164.00	276.82	119.00	395.82	87.00	110.10	110.10	110.10	98.83	285.72	285.72	285.72	296.99	21.07	21.07	21.07	32.34
3 2005 Valuation "as is", 80% of mid point	186.00	276.82	119.00	395.82	87.00	116.70	116.70	116.70	98.83	279.12	279.12	279.12	296.99	14.47	14.47	14.47	32.34
4 2005 Valuation "as is", 100% of mid point	230.00	276.82	119.00	395.82	87.00	129.90	129.90	118.55	98.83	265.92	265.92	277.27	296.99	1.27	1.27	12.62	32.34
5 25% of Income - HNZN formula	230.00	276.82	47.00	323.82					80.96				314.87				50.22

Couple work 2 children 2 bdrm		Rent	Income	Family Support	Total Income	Threshold	Net Rent @ 40% cap	Net Rent @ 35% cap	Net Rent @ 30% cap	Net Rent @ 25% cap	Cash Left @ 40%	Cash Left @ 35%	Cash Left @ 30%	Cash Left @ 25%	Change from Pre 1 April @ 40%	Change from Pre 1 April @ 35%	Change from Pre 1 April @ 30%	Change from Pre 1 April @ 25%	
	Pre April 1		150.00	345.00	63.00	408.00	84.00	103.80			304.20								
1	Status Quo Post April 1		150.00	345.00	103.00	448.00	88.00	106.60	106.60	106.60	341.40	341.40	341.40	341.40	37.20	37.20	37.20	37.20	
2	2005 Valuation "as is", 70% of mid point		164.00	345.00	103.00	448.00	88.00	110.80	110.80	110.80	337.20	337.20	337.20	337.20	33.00	33.00	33.00	33.00	
3	2005 Valuation "as is", 80% of mid point		186.00	345.00	103.00	448.00	88.00	117.40	117.40	111.83	330.60	330.60	330.60	336.17	26.40	26.40	26.40	31.97	
4	2005 Valuation "as is", 100% of mid point		230.00	345.00	103.00	448.00	88.00	130.60	130.60	111.83	317.40	317.40	317.40	336.17	13.20	13.20	13.20	31.97	
5	25% of Income - HNZN formula		230.00	345.00	47.00	392.00				98.00				350.00				45.80	

*Appendix Four - Existing and Proposed Income and Asset Tenant Eligibility Caps [TBC]*

**Income Eligibility Wellington City Council Housing**

	<b>Current maximum weekly income</b>	<b>Current maximum annual income</b>	<b>Proposed maximum weekly income</b>	<b>Proposed maximum annual income</b>
<b>Family type</b>	<b>After tax and before accommodation supplement</b>	<b>After tax and before accommodation supplement</b>	<b>After tax and before accommodation supplement</b>	<b>After tax and before accommodation supplement</b>
1 adult	418	21,736	531	27,605
1 adult + 1 child	512	26,624	650	33,812
1 adult + 2 children	592	30,784	752	39,096
1 adult + 3 children	681	35,412	865	44,973
1 adult + 4 children	708	36,816	899	46,756
2 adults requiring 2 bedrooms	445	23,140	565	29,388
2 adults	538	27,976	683	35,530
2 adults + 1 child	619	32,188	786	40,879
2 adults + 2 children	708	36,816	899	46,756
2 adults + 3 children	750	39,000	953	49,530
2 adults + 4 children	708	36,816	899	46,756

<b>Asset levels</b>	<b>Current</b>	<b>Proposed</b>
Applicants under 50 - cash/investments should not exceed	\$35,000	
Applicants over 50 - cash/investments should not exceed	\$50,000	