

# STAFF REPORT

**TO:** Councillors  
**FROM:** Chief Executive  
**REFERENCE:** C780  
**DATE:** 11 April 2006  
**SUBJECT:** Golden Bay Housing Trust Proposal

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## BACKGROUND

At the Community Services Committee meeting held 22 March 2006 considered this matter and resolved:

**“THAT:**

- 1 The Chief Executive provide a report to Council on implications of using council equity to assist the financing of outside organisations;**
- 2 A staff report be prepared addressing the following issues:**
  - (i) Trust Deed concerns;**
  - (ii) The protection of future ownership of these cottages should they be transferred to the Housing Trust;**
  - (iii) Pros and cons of Council keeping the cottages and uplifting Housing New Zealand funds for housing development.”**

I refer to the Community Services Manager’s report on this subject dated 10 March 2006 which provides a lot of the background on this housing proposal.

## STRATEGIC ASSETS/SIGNIFICANCE

The question arises whether the sale of four houses under the proposed conditions would be considered “the loss of a strategic asset and thus trigger the policy on significance”. Council’s significance policy (a copy of which is attached) clearly states that strategic assets include “community housing as a whole” ie if Council were proposing to sell all 97 community cottages then this would be considered significant and such a proposal would need to go through the special consultative procedure before being decided.

The proposal we are considering is for four Golden Bay cottages to be sold with Council to retain a management contract for the cottages.

As there should be no change in service level, we therefore cannot see how this would trigger the policy on “significance”.

**ASSET VALUE/EQUITY**

The four community cottages, have an asset value of \$450,000.00 and an outstanding loan of \$92,000.00 for recent refurbishment. The four cottages are on a separate title with a Land Valuation of \$110,000.00 and Improvements Value of \$340,000.00. There are no mortgages registered against this title. Council’s current asset valuation as at 30 June 2006 is approximately \$770 million and a decrease of \$508,000.00 on \$770 million represents a loss of equity of approximately less than 0.1% of Council’s estimated asset base.

This very small loss of equity value would presumably be reflected in the 2006/2007 year end accounts and this would be more than offset by normal increases in Council equity due to property revaluations, increases of value in associated companies, assets vested in Council as part of subdivision requirements etc.

It should be noted that councils do sell assets from time to time, when good reasons exists eg Property Sales, Sale of Port Motueka.

Therefore, we would conclude that the financial implication of using Council equity to assist this housing finance is minor.

**TRUST DEED CONCERNS**

Councillors have quite rightly pointed to a number of areas in the draft Trust Deed which would need to become more robust and our Council Solicitor has provided advice on the type of changes to the Trust Deed that would be needed to protect Council’s interests. One of these provisions would include the requirement in the Trust Deed that at least one of the Trustees be appointed by Tasman District Council. (See Mr Heal’s report attached.)

**PROS AND CONS OF COUNCIL KEEPING THE COTTAGES**

The following table is provided to analyse the pros and cons:

<b>a) Council Retaining Cottages</b>	
<b>Pros</b>	<b>Cons</b>
Council protects it equity	Golden Bay Housing Trust request continues to be ignored (problem is not addressed)
Council retains full control for the long term	Golden Bay Housing Trust is unable to secure significant government funding for affordable house

<b>b) Selling Cottages to HNZN</b>	
<b>Pros</b>	<b>Cons</b>
Maximises opportunity for new affordable housing in Golden Bay	Pensioner sensitivity.
<p><i>Any Housing Initiative</i></p> <p>HNZN will provide a 15% grant and 70% loan that is interest free for the first 10 years. Therefore for every \$15.00 from the community, \$85.00 is available from HNZN</p>	Council loses some equity.
<b>c) Council Uplifting Housing NZ Funds for Housing Development</b>	
<b>Pros</b>	<b>Cons</b>
<p><i>Acquisition</i></p> <p>HNZN will provide assistance in the form of an interest free suspensory loan, with a cost split of 50:50 between HNZN and Council.</p>	Council becomes directly involved in providing affordable housing.
<p><i>Modernisation/Reconfiguration</i></p> <p>\$30,000.00 interest free suspensory loan per unit will be made available or the cost split 50:50, which ever is the lesser.</p> <p><i>Note: The Takaka Cottages are very new and do not require modernisation or reconfiguration. Therefore, the only possible funds Council would require in Golden Bay would be for acquisitions.</i></p>	
<p><i>Issues</i></p> <p>Does Council wish to be involved in low cost community housing other than pensioner cottages?</p> <p>A \$1.0 million housing cost would cost Council \$0.5 million with the other \$0.5 million being an interest free suspensory loan, from HNZN.</p>	<p><i>Issues</i></p> <p>The Golden Bay Housing Trust wishes to provide low cost housing for all age groups.</p> <p>A \$1.0 million housing project under the Golden Bay Housing Trust would require a community contribution of \$0.15 million with \$0.15 million being a HNZN grant and the balance of \$0.7 million being an interest free loan for the first 10 years.</p>

## **COMMENT**

The Local Government Act 2002 requires Council to take a wider view of serving communities. The Act talks about community wellbeing in the wider sense and the Act deliberately encourages council to think beyond the provision of traditional core services. No-one would dispute the problems of affordable housing in Golden Bay and other parts of Tasman District. It appears to me that this may be an innovative proposal that would allow the Golden Bay Housing Trust to leverage a significant sum of central government funding for the ultimate good of a number of families living in Golden Bay ie providing affordable homes.

It would seem to me that providing there is a robust Trust Deed in place and Council retains the right to manage the four cottages, then the equity effect is not significant enough to offset the relative advantages that can be gained.

## **RECOMMENDATION**

- i) That the Chief Executive, Council's Solicitor and Cr .... form a Working Party to negotiate with Housing New Zealand and the Golden Bay Housing Trust a suitable Trust Deed and Memorandum of Understanding which protects Council's interests, but enables Central Government housing finance to be obtained for affordable housing in Golden Bay.
- ii) That this Working Party report back to Council if it believes a suitable arrangement can be achieved.

R G Dickinson  
Chief Executive

<http://tdctoday:82/Shared Documents/Meetings/Council/Full Council/Reports/2006/RCN060420 Report Golden Bay Housing Trust Proposal.doc>