

23 AUG 2019



Thank you for your Official Information Act (the Act) request of 27 July 2019, for:

- 1. In paragraph 266 of the business case, it states that "An approximate 20% uplift in rental income when public houses are redeveloped or refurbished." Can you please tell me how the government intends to achieve the 20% uplift? Eg, through lifting the 25% cap on income related rents for state housing tenants, etc?*
- 2. How much rental income does the Government get from public houses in Porirua? Please provide a breakdown by suburb please.*
- 3. The business case states that 1516 state properties, mainly in Waitangirua and Cannons Creek, will be demolished to produce 1516 new state homes and 1504 private homes for sale. Why will these houses be demolished? Eg, unfit to live in, too costly to fix, etc?*

Please find replies to your questions below.

*In paragraph 266 of the business case, it states that "An approximate 20% uplift in rental income when public houses are redeveloped or refurbished." Can you please tell me how the government intends to achieve the 20% uplift? Eg, through lifting the 25% cap on income related rents for state housing tenants, etc?*

The Treasury business case reflects a general assumption that a newer house generates a higher rent. Under current policy, a tenant's rent is capped at a per cent of a tenant's income, and is assessed by the Ministry of Social Development (MSD). Their rent will generally be 25 per cent of their weekly income, even if they move into a new or refurbished state home. If a person's circumstances change, then MSD will calculate the level of rent they should be paying, but the rent paid will continue to be based on income.

Housing New Zealand receives the market rent for the house. This is made up of the income-related rent paid by the tenant and an amount from MSD paid to Housing New Zealand to make up the difference to the market rent.

For example, for a tenant with an income-related rent of \$150 a week living in a Housing New Zealand house with a market rent of \$400 a week, MSD will pay Housing New Zealand \$250 to Housing New Zealand for providing the house.

If the tenant moves to a brand new warm and dry home, like the new housing that will be built in Eastern Porirua, the market rent for the newer house may be, for example, \$650 a week. If the tenant's income remains the same, the tenant will continue to pay an income related rent of \$150 a week, but Housing New Zealand will receive \$500 a week from MSD.

The additional rent received by Housing New Zealand increases Housing New Zealand's rental income, enabling more homes to be built and the renovation of older homes.

*How much rental income does the Government get from public houses in Porirua? Please provide a breakdown by suburb please.*

As noted above, the market rent for state housing is paid to Housing New Zealand. The following table is the total weekly rent paid to Housing New Zealand, by suburb. Housing New Zealand receives about \$1 million a week in rent for state houses in Porirua.

**Total weekly rent by suburb (as at 31 July 2018)**

<b>Suburb</b>	<b>Total Rent</b>	<b>Houses</b>
Cannons Creek	\$431,388	1,135
Titahi Bay	\$225,627	548
Waitangirua	\$213,104	520
Porirua East	\$70,428	177
Ascot Park	\$64,419	155
Elsdon	\$56,661	141
Mana	\$4,425	11
Whitby	\$2,120	3
<b>Total</b>	<b>\$1,068,172</b>	<b>2,690</b>

*The business case states that 1516 state properties, mainly in Waitangirua and Cannons Creek, will be demolished to produce 1516 new state homes and 1504 private homes for sale. Why will these houses be demolished? Eg, unfit to live in, too costly to fix, etc?*

The business case proposes that 1,138 state houses be demolished to build 1,516 new warm and dry state houses. Final numbers of houses to be retrofitted, demolished and built will be informed by the master planning process, with community engagement feeding into that.

Many of the houses were built in the 1950s, 1960s and 1970s. Some of these houses are cold and damp, not fit for purpose, and expensive to bring up to current standards. The above and below ground infrastructure is also in need of work to bring it up to standard. Demolishing the houses also allows for the land and infrastructure to be remediated and the land redeveloped.

The business case took an approach that attempted to get the most renewal, largest number of new homes and best value-for-money. This would mean aiming to demolish and rebuild where a larger number of homes could be built on the site, and to retrofit homes where there is less potential to increase housing supply (for example, if a section was small, isolated or steep).

Housing New Zealand would also be more likely to retrofit better-quality homes that are closer to meeting the current needs of tenants, and more likely to demolish homes where they wouldn't meet tenants' needs, even if substantially refurbished. Housing New Zealand is likely to want a mix that has more large homes for larger households, more small easy-care homes for retirees, and more accessible homes for people with disabilities. The initial business case to determine the scale of the project did not include detailed site inspections, so the actual approach is likely to vary as the redevelopment progresses.

I trust this information is helpful.

Yours sincerely



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**Manager Government Relations**