

**QLDC Council  
7 March 2019****Report for Agenda Item: 5****Department: Planning & Development****Relationship framework agreement and Secure Programme Protocol between the Queenstown Lakes District Council and the Queenstown Lakes Community Housing Trust****Purpose**

The purpose of this report is to seek Council approval of a new Relationship Framework Agreement and Secure Programme Protocol between the Council and the Queenstown Lakes Community Housing Trust.

**Recommendation**

That Council:

1. **Note** the contents of this report;
2. **Approve** the Council entering into a new Relationship Framework Agreement and Secure Programme Protocol with the Queenstown Lakes Community Housing Trust and;
3. **Authorise** the General Manager Planning & Development to make minor amendments to the Relationship Framework Agreement for clarity and that do not affect the Council's position in any material way.

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Reviewed and Authorised by:



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21/02/2019

## Background

- 1 The Queenstown Lakes District Community Housing Trust (QLCHT or the Trust) was created by the Council in 2007 as one of the recommendations which came out of the HOPE strategy<sup>1</sup>. Today, the Trust is an independent Community Housing Provider<sup>2</sup> and is the Council-preferred delivery mechanism for affordable housing work in our region. To date, the Trust has delivered affordable housing products to 166 families with funding from a combination of sources. The tables below show the breakdown of household types assisted and funding sources for the Trust.

Tables 1 and 2:

QLCHT – Funding Summary		
Developers	\$17,046,261	72.9%
Crown Grants	\$4,790,000	20.5%
Council	\$1,550,000	6.6%

QLCHT - Households assisted as at Dec 2018	
Shared ownership	124
Rent Saver	10
Affordable Rental (incl senior housing)	32

- 2 The relationship between the Council and the Trust has been structured through a Memorandum of Understanding (MOU). Previous MOUs between Council and the Trust have been signed in 2008 and 2011. A key aspect of previous MOUs has been to maintain the independence of the Trust from Council, so that it can act independently from the Council and to ensure it retains the status of a Community Housing Provider which enables it to receive Crown funding as well as inclusionary zoning contributions facilitated through the Council.
- 3 The nature of the working relationship between the Council and the Trust is a key component of the delivery of affordable homes in the region. Presently the day to day relationship between the Council and the Trust is positive and productive.

## Mayoral Taskforce

- 4 The Queenstown Mayoral Housing Taskforce was established in April 2017 to investigate new ways of addressing housing affordability in the district. In October 2017 the Mayoral Housing Affordability Taskforce Report was released (the Report). The Report made six recommendations for actions to implement the goal set by the Taskforce. Recommendation four focused on the Trust, with the aim to strengthen and provide certainty in the relationship and between the Trust and the Council:

<sup>1</sup> [The HOPE Strategy 2005](#) is QLDC's affordable housing strategy.

<sup>2</sup> A Community Housing Provider (CHP) is able to receive government assistance to fund public housing provision through rent subsidies. To register, a CHP must have as one of its objectives 'the provision of social rental housing and/or affordable rental housing'. Presently the QLCHT is the only MBIE-approved CHP in the district.

**Recommendation 4: Taskforce Report**

*Invest in scaling up the QLCHT so that it is able to contribute strongly to the goal of delivering 1,000 Community Affordable homes with secure tenure by 2028:*

*4.1 The Council should confirm QLCHT is its preferred partner for receiving any contribution obtained by the Council and to be the primary delivery organisation for affordability product offerings to the residents of the District.*

*4.2 If confirmed, that the Council and QLCHT review the form and structure of the Trust by June 2018 to:*

*4.2.1 Ensure the appropriate structure is in place and that it is fit for purpose to achieve perpetual affordability.*

*4.2.2 Confirm the relationship between the two organisations.*

*4.2.3 Ensure it retains the support of the shared stakeholders—the entire community—as it grows.*

- 5 Following on from this recommendation, a new Relationship Framework Agreement (RFA or the Agreement) is now being proposed between the Council and the Trust and is the result of an extensive collaborative process between the Trust and Council officers.

**Relationship Framework Agreement**

- 6 This RFA will replace the pre-existing MOU 2011 (attachment B) and attempts to better represent the maturing relationship between the two organisations. Council engaged Nick Whittington from Meredith Connell law firm to assist in the review process. To date several meetings have been held with Nick Whittington, Tony Avery, GM Planning & Development, John MacDonald, Councillor, and Julie Scott of QLCHT to progress the RFA. Trustees have also reviewed the various drafts. The new RFA presented to Council for agreement demonstrates the commitment from the Council and the Trust to continue their work together of achieving homes for our community.
- 7 The proposed RFA is included in attachment A. Key elements of the Agreement are summarised below:
- a. The relationship is intended to be part of the long term solution for housing in our region, and the parties agree to work together with openness.
  - b. Land or cash contributed from the Council to the Trust are to be used exclusively for the mutually agreed purpose, and will be subject to an encumbrance in favour of the Council.
  - c. The Trust is an independent entity with its own deed, and board of trustees. The trustees of the Trust will always include one trustee appointed by the Council.
  - d. The Council will continue to provide IT and administrative support as well as a provision of an annual grant, with the mutual aim of reducing the support services from the Council to the Trust over time.

- e. The RFA includes a protocol that details the Trust's new assisted ownership offering, the Secure Home programme which, together with long term below market rentals, are intended to be the housing products that the Council wants to see its contribution used for.
- f. In the future other affordable home products developed between the Council and the Trust will be included in additional protocols in the RFA.

### **Secure Home Programme Protocol**

- 8 The Mayoral Taskforce's Secure Home Programme is a vision for a new perpetually affordable home product developed to achieve new homes for our community. This concept was developed by the Mayoral Housing Affordability Taskforce chaired by Councillor John MacDonald. The original concept envisioned having the land held in perpetuity by the Trust and the house owned by the household, with the entire home and land package only able to be bought and sold in a controlled secondary market with value increases limited to CPI, plus any improvements.
- 9 From that first concept developed by the Mayoral Taskforce, the Trust and SBS bank have invested considerable time in developing the legal and financial framework of the programme. The present version of the programme is described below:

#### For the initial home owner:

- The Trust owns the land and the house.
- The household will purchase the leasehold title or right to occupy at the price it cost to build the house.
- The household borrows money from the bank as a mortgage to cover the cost of the house beyond their deposit.
- In addition to the mortgage for the leasehold title or right to occupy, the household will pay a ground rent to the Trust of 1.5% of the current market value of the land. This rent will then only increase every year with inflation (CPI).
- When the household chooses to sell, they must sell back to the Trust at the original price plus inflation (CPI), less any improvements.

#### For subsequent home owners:

- For the next set of homeowners the leasehold title or right to occupy will be sold to them at the same rate the title was sold to the Trust by the previous occupants.
- In contrast to the initial vision of the Secure Home Programme, the Trust has proposed that the market value of the land be assessed at the time of sale and that the ground rent is reset at 1.5% of the revalued land, after which time it will increase every year with inflation (CPI).
- This approach ensures that there will continue to be even playing field for entry for new households buying into the Secure Home Programme regardless of whether it is a new build or an existing property in the programme.

Other considerations:

- Due to an encumbrance registered on the title, the land would revert back to the Council should the Trust wind up.
- In the unlikely event that the Trust is unable to complete a purchase transaction households would be able to sell the right to occupy to the open market at a price not limited by the CPI.

10 Tables three and four below show an example of the weekly costs for a secure home product for the initial homeowners.

Table 3

Secure Home example	
Trust Land price (2018)	\$350,000
Trust House build price	\$360,000
Household deposit	\$72,000
Household mortgage with bank	\$288,000

The Household pays a 20% deposit for a leasehold title

Table 4

Secure Home Weekly Payments (example)	
Household mortgage repayments on the leasehold (\$288k @5.5%)	\$408
Household rates, insurance, maintenance	\$100
Land lease payment to Trust (1.5% @ \$350k)	\$101
<b>Household total costs per week</b>	<b>\$609</b>

11 The household costs of \$609 per week compares well to market rental rates for similar homes of \$750 per week or more.

**Other home products in the future**

12 Over time as the needs of the households shift and the market continues to change, there may be other housing products developed to continue to deliver perpetually affordable housing for our region. The proposed RFP allows for this continued flexibility while also confirming and strengthening the ongoing relationship between the Council and the Trust.

13 Any further home products developed with the Trust and approved by Council will be added to this RFP.

**Options**

14 Option 1 approve the new Relationship Framework Agreement

*Advantages:*

15 This will confirm and strengthen an ongoing relationship with the Trust.

*Disadvantages:*

16 none

17 Option 2 do not approve the new Relationship Framework Agreement

*Advantages:*

18 None

*Disadvantages:*

19 Not approving the new RFA would actively damage the relationship with the Trust, and would also potentially damage the reputation of the Council in the community as a good partner. It would also inhibit progress on building affordable homes in the region to which the Council has committed through its adoption of the recommendations of the Mayoral Housing Taskforce.

20 This report recommends **Option 1** for addressing the matter because it will reinforce an ongoing relationship between the Trust and the Council, and facilitate the ongoing work of creating affordable homes for the community.

**Significance and Engagement**

21 This matter is medium significance as determined by reference to the Council's Significance and Engagement Policy because of its importance to the Queenstown Lakes District and community.

**Risk**

22 This matter relates to the operational risk SR1 Current and future development needs of the community, as documented in the Council's risk register. The risk is classed as moderate. This matter relates to this risk because it impacts the ability of the Trust to deliver on the outcome of providing affordable housing options to the community. It also impacts the reputation of the Council as a partner in achieving this outcome.

23 The recommended option considered above mitigates the risk by treating the risk through the confirmation of the ongoing relationship with the Trust.

**Financial Implications**

24 Council assumes some annual fiscal responsibility through the support of the Trust's IT and some administrative requirements as well as a provision of an annual grant, previously of \$50,000.

**Council Policies, Strategies and Bylaws**

25 The following Council policies, strategies and bylaws were considered:

- Mayoral Taskforce Report 2017
- Memorandum of Understanding (QLDC/QLCHT)
- HOPE Strategy

26 The recommended option is consistent with the principles set out in the Report, MOU and the HOPE Strategy

27 This matter is included in both the 10-Year Plan and the Annual Plan.

### **Local Government Act 2002 Purpose Provisions**

28 The recommended option:

- Will help meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses by ensuring that the activities of the Trust are supported;
- Can be implemented through current funding under the 10-Year Plan and Annual Plan;
- Is consistent with the Council's plans and policies; and
- Would not alter significantly the intended level of service provision for any significant activity undertaken by or on behalf of the Council, or transfer the ownership or control of a strategic asset to or from the Council.

### **Consultation: Community Views and Preferences**

29 The persons who are affected by or interested in this matter are residents and ratepayers of the Queenstown District, and other parties in the community housing field.

30 The Council has completed no community consultation on this matter as it is a legally sensitive agreement.

### **Legal Considerations and Statutory Responsibilities**

31 Considerable legal advice has been taken through the drafting of the RFA and the legal considerations the Council's perspective have been actively managed by Council officers and Meredith Connell Law.

### **Attachments**

- A The proposed Relationship Framework Agreement, including the Secure Home Protocol
- B Previous Memoranda of Understanding, 2008, 2011