

## Seniors and Council Housing – Submission to MDC Annual Plan

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1. Seniors are very vulnerable and have constrained incomes – superannuation is predicated on seniors being mortgage free and not paying rents. As a consequence, seniors renting struggle with their rents and maintaining their wellbeing.
2. Research and housing data show:
  - a. Homelessness is a very real experience for tenant seniors whether they have become tenants after owner occupation or because they have aged in rent.
  - b. Unless rents are affordable seniors struggle with care – dental, prescriptions and eye care. They are very vulnerable to being tipped into residential care which is much more expensive to the community.
  - c. Central government continues to deliver housing assistance to seniors through the AS, but this does not fill the unaffordable gap.
  - d. Unaffordable rents mean seniors spend less in the local economy.
3. Council housing generally:
  - a. While most seniors are in the private rental market, council housing is the only public housing that is targeted to, and prioritises, seniors.
  - b. Councils were provided significant support to build pensioner housing and the asset value of those properties exceeds significantly what councils initially invested in them. Some councils claim that they are extensively subsidizing rents to seniors. These claims are often overstated and arise from misunderstanding around the nature of subsidies.
4. I have previously noted that MDC's financials in the LTP do not provide clarity on rent revenue from the rental stock. But it should be noted that:
  - i. On principle, rents are only subsidised by a council if the revenue from rents does not cover necessary expenditure for servicing financing, maintenance and operating costs. Rents on existing stock should not be expected to cover generation of funds to build or acquire additional stock.
  - ii. Rents are NOT being subsidized if a council has failed to undertake maintenance or upgrade appropriately in previous years. If a council has deferred maintenance costs on their rental stock due to decisions by councils to use revenue from rents for other purposes in previous years, then it is those other activities that have been subsidised by seniors housing not the other way around.
  - iii. An opportunity cost may be associated with retaining rental housing and not taking asset values, but this is not a subsidy to tenants. Any council asset has potential opportunity cost.
  - iv. Setting rents at 80% of so-called market rents is neither necessarily a subsidy (or even discount) and nor does it generate affordable housing:
    - Seniors in council housing will have affordable housing if rents are set at 25% of gross income. This is the internationally accepted standard of affordability for low-income households.
    - MDC appears to claim that they discount council rents for seniors at 80% of the median market rent for the sort of dwelling they are providing. This is incorrect if MDC sets

rents at 80% of flow rents – that is recent tenancy bond indicated rents. This leads to higher calculations of rent than those prevailing in the housing market as a whole. In Marlborough median stock rents (which make up on a small proportion of market rents) are 73% less than the median flow rents.

**Recommendation:**

1. Council housing rents for seniors should be set to maintain the affordability and well-being of senior tenants. It is desirable that seniors' rents are set to be affordable – that is, 25% of gross income.
2. If MDC insists on calibrating its rents to the market through a so-called discounted rate, market rate estimates should be calculated more robustly:
  - Using actual rents – ie., the stock rent;
  - Calculated on that latest census data with CPU based annual reviews.