

# Research Report – Review of Annual Rent Increase Settings for Housing for the Elderly portfolio

## Housing for the Elderly Policies and Information 2010

### 1 Purpose

To undertake a review of the annual rent increase settings as set out in the Housing for the Elderly Policies and Information 2010 document (**Booklet**).

### 2 Objectives

The objective of this review is to:

- Consider whether the current approach to annual increases by reference to annual Consumer Price Index (CPI) adjustments remains the most appropriate method to review rents, and
- Identify and consider alternative approaches.

### 3 Problem (and opportunity) Statement

The Housing for the Elderly property portfolio is financially unsustainable, with operating costs exceeding income. Rents are reviewed and increased annually by the CPI, which has been the approach for 15 years. This review is to consider whether the current approach is still fit for purpose, or whether there are alternative approaches which could be more suitable.

#### 3.1 Scope/caveats on research and analysis

This report is limited by its scope to undertake a review as to how rents are currently increased and whether that approach is still fit for purpose. In addition, it also explores other approaches to how rents could be reviewed.

Additionally, it is recognised that while there may be opportunities to reduce operational costs, a detailed or forensic review of these expenses is outside the scope of this report.

### 4 Context

Council is owner of 12 properties (144 units) which are used as Housing for the Elderly<sup>1</sup>. These are tenanted by persons who meet the requirements of the Booklet, and Council is the landlord. The tenants have tenancy agreements made pursuant to the Residential Tenancies Act 1986 (**RTA**).

The Booklet provides that:

*Far North District Council aim to ensure that adequate facilities are provided for our elderly by providing 144 Pensioner Housing units at 12 locations within the Far North District.*

<sup>1</sup> Also referred to as *pensioner housing*.

*Council's Housing for the Elderly Funding Policy requires the activity to be funded from rents received and endeavours to keep rents as low as possible while providing units that are well maintained and presented.*

*Council will increase rents every year on the 1st October by the June Consumer Price Index (CPI).*

Eligibility criteria for a unit are<sup>2</sup>:

- Housing priority will be given to applicants 60 years old and above.
- The applicant must not be a land or property owner and the combined value of the applicant's assets must not exceed \$20,000.
- The applicant must be a permanent New Zealand Resident or Citizen of New Zealand.

Generally, tenants are in receipt of New Zealand Superannuation (**NZ Super**) or other benefit/financial support from Ministry of Social Development (**MSD**). Demographic details of the current tenants are in *section 4.3* below.

The Booklet is essentially an operational document setting out primarily administrative and operational matters relating to the Housing for the Elderly portfolio of assets. However, a small number of high-level policy statements in the Booklet reflect previous Council decisions and require a Council resolution to change, including that annual rent increases will be based on CPI figures. Council resolved this as the method of rent increases at the meeting of 26 May 2010 as set out below:

## 6.9. Pensioner Housing

Resolved

Baker/Macauley

**"That** the report, "Pensioner Housing", be received;

**And that** Council will increase pensioner housing rent annually effective from 1<sup>st</sup> October each year based on the CPI increase;

Information about annual rent increases being based on the CPI is included in the Booklet provided to the tenants. The Booklet also provides that rent increases occur once per year.

*Table 1* below sets out the current rent amounts for the properties, which includes some variation based on the type of unit.

*Table 1 - 2025 Rent Amounts*

Location	Type of Unit	Weekly Rent
Kaikohe, Kerikeri, Rāwene	Bedsit unit	\$130.00
Ahipara, Awanui, Horeke, Kawakawa, Oxford St, Puckey Ave, Rāwene, Kohukohu, Waimā	One bedroom unit	\$136.20
Kaikohe, Ōmāpere, Kerikeri	Larger units: One/ Two-bedroom unit (s)	\$140.00
All complexes	Couples	\$144.60

Under the Residential Tenancies Act 1986, landlords are required to give at least 60 days' written notice before any rent increase takes effect. Additionally, rent cannot be increased within 12 months of either the tenancy start date or the last rent increase. These requirements are also reflected in the tenancy agreements for Housing for the Elderly units. The last scheduled rent review was due in October 2024 but was not completed. While this could be completed now, it would mean rents cannot be increased again for another 12 months.

<sup>2</sup> See <https://www.fndc.govt.nz/our-facilities/housing-for-the-elderly>

Council has not changed how annual rent increases for the portfolio are calculated since 2010.

#### 4.1 Funding/Financing Policies

The Booklet provides that it *“requires the activity to be funded from rents received and endeavours to keep rents as low as possible while providing units that are well maintained and presented”*.

The Long-Term Plans 2021–2031 and 2024-2027 outlines that the Housing for the Elderly portfolio is intended to be funded entirely through rents received, however recognises that at times this activity may not be self-funding. It refers to the activity having a high level of private benefit paid which is intended to be covered by rental income, but some costs cannot be recovered. Unrecovered costs are funded from general rates or borrowings.

In addition, the Long-Term Plan 2024-2027 provides that depreciation will not be funded from rates for Housing for the Elderly assets<sup>3</sup>.

#### 4.2 Costs to Operate the Portfolio

Based on the forecast figures for 2025/2026, the portfolio is expected to generate an income of approximately \$880,000, with operating costs around \$1,110,000 (excluding interest and depreciation). These costs include necessary repairs and maintenance to meet landlord obligations but exclude capital costs for completed works such as Healthy Homes standards for occupied units. This results in an anticipated operational loss of \$230,000, which would be funded by rates.

Many units require refurbishment works or upgrades to enable them to be re-tenanted. Due to refurbishment needs, not all units can currently be tenanted. The number of units that are occupied or can be re-tenanted without additional capital works is 117.

The Long-Term Plan 2024-2027 reduced the budget for these with the revised budget being to meet the requirements under the Healthy Homes standards and provision for essential works. In addition, it was identified that the operational loss was affecting the portfolio's sustainability and to mitigate this, depreciation was no longer funded from rates. As a result, capital works continue to be deferred and these costs are not included in the costs associated with operating the portfolio. However, this may affect the ability to re-let units at the end of tenancies, or complete upgrades to meet changing needs of tenants.

Due to current policy settings from the Ministry of Housing and Urban Development (**MHUD**), redirects are no longer accepted for existing housing units.<sup>4</sup> Redirects refer to the process where existing properties, including those owned by councils, are brought into the public housing system and become eligible for the Income-Related Rent Subsidy (**IRRS**). This subsidy helps bridge the gap between what a tenant can afford to pay (typically calculated as 25% of their net income up to the weekly income threshold (being \$538.42) plus 50% of the amount received over the income threshold) and the market rent for the property as MHUD will pay the difference between those amounts to the landlord.

The discontinuation of redirects means that existing Housing for the Elderly units and their tenants do not qualify for IRRS, even if the properties were transferred to a registered Community Housing Provider. As a result, the Council is currently unable to increase revenue by partnering with a provider or transferring these units to a provider to house individuals on the public housing register. This limits options for council to increase revenue for the existing units through assistance from MHUD funding.

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<sup>3</sup> Long-Term Plan 2024-2027, p. 211.

<sup>4</sup> <https://www.hud.govt.nz/funding-and-support/income-related-rent-subsidy> and [https://www.hud.govt.nz/assets/Uploads/Documents/OIA-release/HUD2024-005380-Response\\_Redacted.pdf](https://www.hud.govt.nz/assets/Uploads/Documents/OIA-release/HUD2024-005380-Response_Redacted.pdf)

## 5 Review of Settings and Research

### 5.1 Process Undertaken

This review has been carried out through a combination of research and tenant engagement as follows:

- Research included:
  - Examining how other councils set and increase rents.
  - Assessing how these approaches could apply to the Far North context.
  - Reviewing eligibility criteria for accommodation subsidies.
- Tenant feedback was gathered to help consider approaches through a questionnaire. This was undertaken by:
  - Each tenant was contacted by phone and if required, by text, and offered the option to meet in person to discuss the questionnaire.
  - Tenants who preferred not to meet, were not available, or did not respond were given alternative methods to provide their feedback:
    - The questionnaire could be left in their mailbox and returned via a prepaid envelope or to any service centre.
    - It could be returned via email.
    - It could be completed over the phone.
  - Some tenants chose not to participate.

Tenants were provided information about current rent levels, how these compare to market rates, different approaches and what they would look like, and how current rents do not cover outgoing expenses. They were specifically invited to share their views on various rent-setting approaches, including:

- The existing CPI-based method
- Whether rent should be linked to the amount of superannuation received
- If couples should be charged a higher rate
- Whether receiving the accommodation supplement should be a requirement
- Rent calculations being based on unit size, location, or condition
- Aligning rents more closely with market rates

Tenants were also asked to comment on how a potential rent increase would affect them and to provide any additional feedback regarding the rent review process.

When meeting with tenants, staff were aware that some individuals might have health or disability limitations, such as hearing, vision, or memory impairments, as well as other potential vulnerabilities. Undertaking the meetings in person also allowed the tenant to seek immediate clarification on the questions if they did not understand.

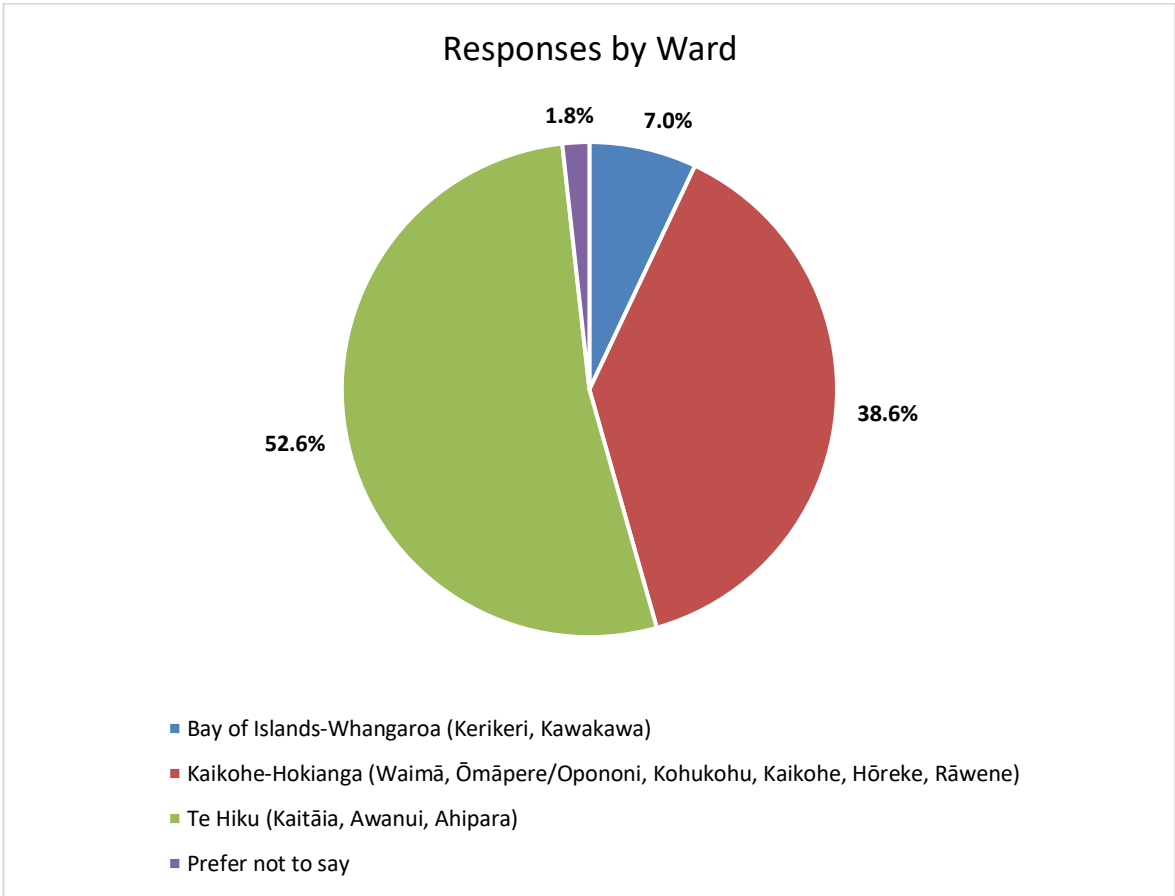
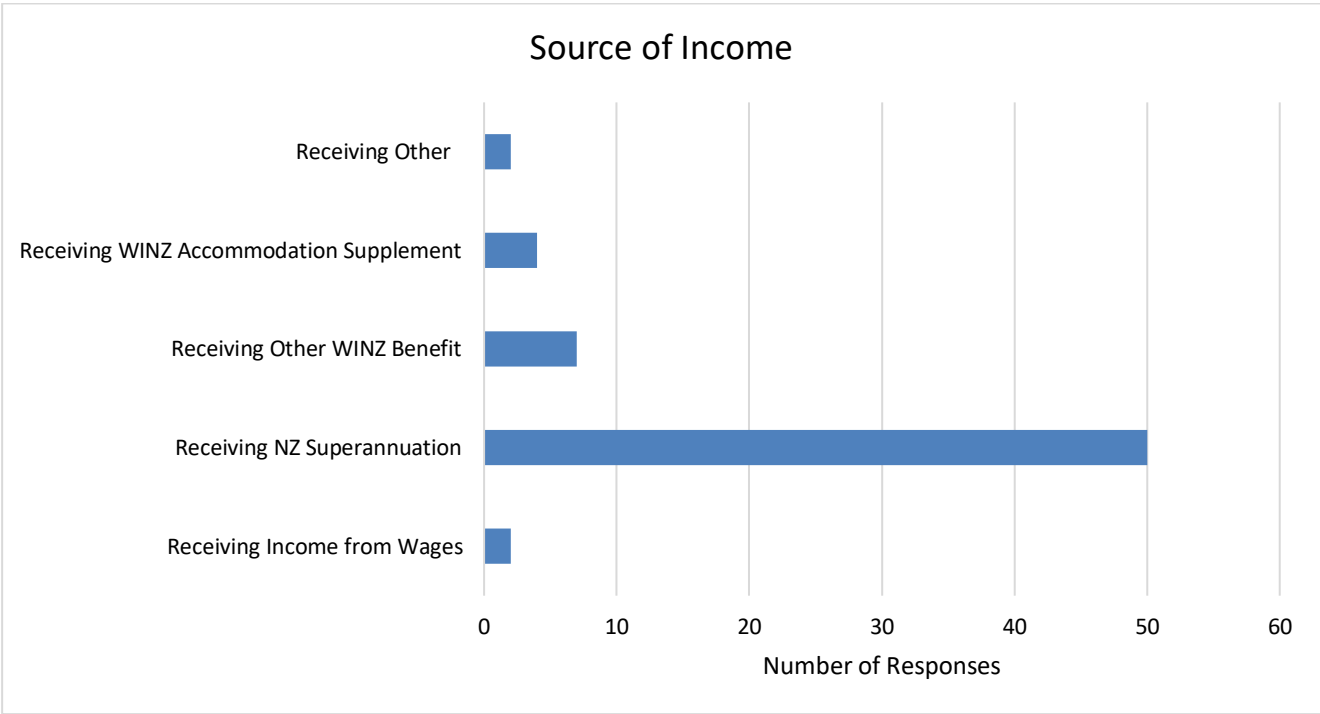
Sixty responses (60) responses were received.

A copy of the questionnaire is included in **Attachment A**. Key feedback is incorporated into this report.

### 5.2 Current Tenant Demographics

Most current tenants (88%) are aged 65 years and over. Less than 5% of units are tenanted by couples.

Based on feedback from the current tenants as part of this review about 83% receive NZ Super as their sole form of income. Below are two graphs illustrating income source (responses could select more than one option), and a breakdown of the responses received by ward.



### 5.3 Housing Affordability

Housing affordability is a key issue in the Far North and for those on fixed incomes like NZ Super. The key housing affordability metric threshold used by Statistics NZ states that rents should not exceed 30% of a person's gross income.<sup>5</sup>

For those in public housing, the majority pay an income-related rent determined by MSD, with the amount generally set at 25% of the net household income.<sup>6</sup>

Using NZ Super figures, *Table 2* below illustrates the possible amounts a tenant would pay for rent when applying those metrics. This is based on a sole occupant.

*Table 2 - Amounts based on housing affordability or public housing metrics*

Type of super	Amount per week (gross)	Amount per week (net, M tax rate) <sup>7</sup>	30% of gross amount (affordability metric)	25% of net amount (public housing approach)
NZ Super for single (living alone) 2025	\$627.14	\$538.42	\$188.14	\$134.60

### 5.4 Approaches and Examples from Other Councils

There are several ways councils could approach how rents are set and increased. These methods vary in complexity, affordability, and alignment with local conditions. Options for reviewing and setting rents include:

- **CPI-Based Adjustments:** Rents are adjusted annually in line with the CPI to reflect inflation. This is the current approach used by Far North District Council.
- **Percentage of Income (e.g., NZ Super):** Rent is set as a fixed percentage of the tenant's income, typically between 25% and 30%. This ensures affordability and aligns with public housing benchmarks.
- **Independent Valuation and Market Rent Benchmarking:** Rents are based on professional valuations and may be set at a full or discounted market rate. Councils may then benchmark rent as a percentage of local market rents (e.g., 50%, 75%).
- **Tiered Rents Based on Unit Features and Household Type:** Rent levels can vary depending on factors such as unit size, condition and location. This approach reflects the relative value of each unit and market variation. Additionally, units occupied by couples may warrant different rent considerations due to higher household income or shared occupancy.
- **Cost-Recovery Approach:** Rent is calculated to cover the actual cost of operating and maintaining the housing, with or without depreciation. This model prioritises financial sustainability. In addition, it also reflects the requirement for "the activity to be funded from rents received" as provided in the Booklet.
- **Mixed Approaches:** A combination of the above approaches which may provide a method for striking a balance between affordability for tenants, market variation, and financial sustainability.

*Tables 3 to 7* below provide examples of how different councils apply these approaches, including:

- Fixed percentages of income (e.g., Whangārei District Council).
- Flat weekly rates with adjustments for couples (e.g., Kāpiti Coast District Council).
- Tiered rates based on unit type and location (e.g., Rotorua Lakes Council).

<sup>5</sup> Bentley, A. (2021). Sticky Rents and the Affordability of Rentals for Housing in New Zealand. New Zealand Population Review, 47, pp.145-170. Population Association of New Zealand. (pgs 150-151), Stats NZ refer to this in their suite of [statisticsnz.shinyapps.io/wellbeingindicators/w\\_5dc588de3e4a4f3490f0e0609c6cd3e8/?page=about&subpage=main](https://statisticsnz.shinyapps.io/wellbeingindicators/w_5dc588de3e4a4f3490f0e0609c6cd3e8/?page=about&subpage=main)

<sup>6</sup> [Income-related rent subsidy - Te Tūāpapa Kura Kāinga - Ministry of Housing and Urban Development](#)

<sup>7</sup> <https://www.workandincome.govt.nz/eligibility/seniors/superannuation/how-much-you-can-get.html>

Table 3 - Whangārei District Council

<b>Whangārei District Council<sup>8</sup></b>			
Has 165 units over 16 separate sites, at 7 locations in its district. Rent for these is a fixed cost based on the current superannuation payment as follows:			
<ul style="list-style-type: none"> <li>single- and two-bedroom units are 30% of the weekly superannuation, and</li> <li>bedsits are 28% of the weekly superannuation.</li> </ul>			
Based on the 2025 superannuation rate, these would be:			
	<b>Amount per week (gross)</b>	<b>30% (1, 2-bedroom units)</b>	<b>28% (bedsits)</b>
NZ Super for single person (living alone) 2025	\$627.14	\$188.14	\$175.60

Table 4 - Rotorua Lakes Council

<b>Rotorua Lakes Council<sup>9</sup></b>		
Has 152 units at 7 locations in its district. Rent for these is a fixed cost which provides for differences for the area, size (or type) and whether the occupants are a single person or two people:		
<b>COMPLEX</b>	<b>Fee per week - Single</b>	<b>Fee per week - Double</b>
Domain Avenue	\$136.56	\$180.56
Dawson Drive	\$136.56	\$180.56
West Brook	\$148.33	\$176.00
Lucas Place – bedsit	\$121.09	\$160.00
Lucas Place - one bedroom	\$148.33	\$175.59
Rawhiti – bedsit	\$106.65	\$130.00
Rawhiti - one bedroom	\$148.33	\$175.49
Kahikatea Street	\$158.95	\$200.00

Rotorua Lakes Council reviews the rent by undertaking a three yearly independent rental review, and an annual CPI adjustment.<sup>10</sup> In addition, the annual rental is required to be no more than 30% of national superannuation.

Rotorua Lakes Council also charges between \$20 and \$45 more for couples.

<sup>8</sup> <https://www.wdc.govt.nz/Community/Community-services/Pensioner-housing>

<sup>9</sup> <https://www.rotorualakescouncil.nz/community/housing-in-rotorua/housing-for-older-people>

<sup>10</sup> [ECM 20274902 v2 Community & District Development Committee 2024 05 MAY - CDDC - PUBLICAgenda Community and District Development Committee Meeting 8 May 2024](#)

Table 5 - Kāpiti Coast District Council

<b>Kāpiti Coast District Council<sup>11</sup></b>	
Has 118 units across 10 locations. They charge a fixed rate for individuals and couples without any differences for area or size as follows:	
<b>Accommodation category</b>	<b>Weekly rent effective 1 July 2024</b>
Individuals	\$186
Couples	\$271
Couples pay \$85 more per week.	

Table 6 - Gisborne District Council

<b>Gisborne District Council<sup>12</sup></b>	
Has 136 units across 10 properties with a majority being single units. These are:	
<b>Unit Type</b>	<b>Rent per Week</b>
Single Unit	\$205
Twin Unit	\$215 - \$220
Disabled Persons Unit	\$215

Table 7 - Hauraki District Council

<b>Hauraki District Council<sup>13</sup></b>	
Has 57 units across 3 properties and charges the following for rents:	
<b>Unit Type</b>	<b>Rent per Week</b>
Bedsits	\$208
Single Bedrooms	\$215
In addition, this council requires applicants to be eligible for the accommodation supplement from MSD. The reason given for this is that <i>"Tenants that cannot receive it generally have too much income or assets and should be renting in the private sector."</i>	

## 5.5 Comparison of Weekly Rent Amounts

Below is a graph illustrating a comparison of the weekly rents charged for bedsits and one-bedroom units using the above council examples.<sup>14</sup> While this does not cover all district councils, this does demonstrate that rents for Housing for the Elderly units in the Far North are at the lower end.

<sup>11</sup> <https://www.kapiticoast.govt.nz/services/fees-and-charges/service-fees-and-charges/council-housing-charges/>

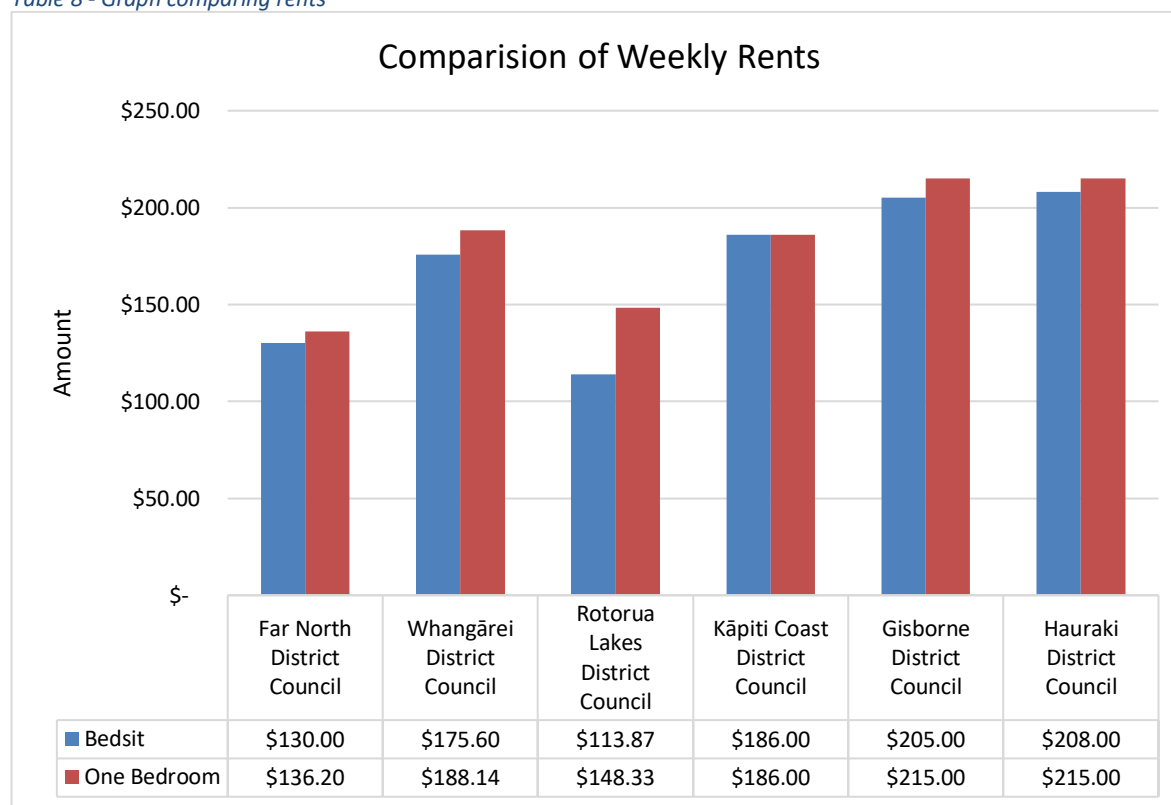
<sup>12</sup> <https://www.gdc.govt.nz/property/community-housing>

<sup>13</sup> <https://www.hauraki-dc.govt.nz/facilities/housing-for-elderly>

<sup>14</sup> To enable a comparison, for Rotorua units, the averages are based on the range of charges for both types of units which clearly provide for being a 'bedsit' and a 'one bedroom'. For Gisborne units, a 'single' unit is considered a bedsit, while a 'twin' unit is considered as a one-bedroom.



Table 8 - Graph comparing rents



## 5.6 Market Value

Valuations were obtained in February 2024, which provides for market rents as set out in the below *Table 9*, as compared to the current rents. These account for the property's overall condition, different towns/areas the properties are located in and the typology of the units.

Table 9 - Market Values

Property	Typology	Amounts per week as per policy (sole occupant)	Market rent per week based on valuations
47 Puckey Ave, Kaitāia	All one-bedroom units	\$136.20	\$350.00
19 SH 10, Awanui	All one-bedroom units	\$136.20	\$400.00
24 Boswell St, Kawakawa	All one-bedroom units	\$136.20	\$320.00
3 Hobson Ave, Kerikeri	3 bedsit units.	\$130.00	\$350.00
	4 one-bedroom units	\$140.00	\$400.00
288A SH12, Ōmāpere	2 one-bedroom units. 4 two-bedroom units. 2 three-bedroom units	\$140.00	\$420.00
39 Takahe Rd, Ahipara	All one-bedroom units	\$136.20	\$375.00
2 Potter St, Kohukohu	All one-bedroom units	\$136.20	\$350.00
5 Birch St, Rāwene	4 bedsit units	\$130.00	\$350.00
	6 one-bedroom units	\$136.20	\$375.00

Property	Typology	Amounts per week as per policy (sole occupant)	Market rent per week based on valuations
5-7 Oxford St, Kaitiāia	All one-bedroom units	\$136.20	\$350.00
40-61 Tawanui Rd, Kaikohe	36 bedsit units	\$130.00	\$300.00
	2 one-bedroom units	\$140.00	\$340.00
17 Waimā Valley Rd, Waimā	All one-bedroom units	\$136.20	\$375.00
2093 Horeke Rd, Horeke	All one-bedroom units	\$136.20	\$350.00

The above amounts represent the market rent for the properties, based on comparable rentals in similar localities, as listed by local agents and private landlords on Trade Me at the time of the 2024 valuations. The valuations then considered the locality of the property, features (such as design of units, outdoor space, parking availability) and whether there was a limitation on numbers of rentals in the nearby vicinity which affected demand.

## 5.7 Accommodation Supplement Eligibility

The accommodation supplement is a weekly payment administered by Work and Income (part of MSD) which is to help people with the cost of rent, board or owning a home. This support is available to individuals with low income, low asset levels, and housing costs that exceed a set proportion of their income.<sup>15</sup>

For people receiving NZ Super, eligibility is assessed as follows:

- A person may qualify if their weekly housing costs (i.e. rent) exceeds 25% of their base rate.
- The base rate<sup>16</sup> is the maximum weekly rate of NZ Super that the person would be entitled to before any deductions or tax.
- If eligible, the person may receive 70% of the amount by which their housing costs exceed 25% of the base rate, up to a maximum cap. The maximum caps for sole occupants the Far North are
  - Kerikeri is classified as Area 2 with a maximum cap of \$105 per week.
  - The other properties fall into areas within Area 3 (maximum cap of \$80 per week) or Area 4 (maximum cap of \$70 per week).

Tenants were asked about the accommodation supplement, with nearly 64% saying they considered requiring tenants to be able to receive this as being a good approach. Comments were that it would help towards paying rent, although a few considered it may still not be enough. Some raised concerns about the requirements WINZ have in order to qualify for it.

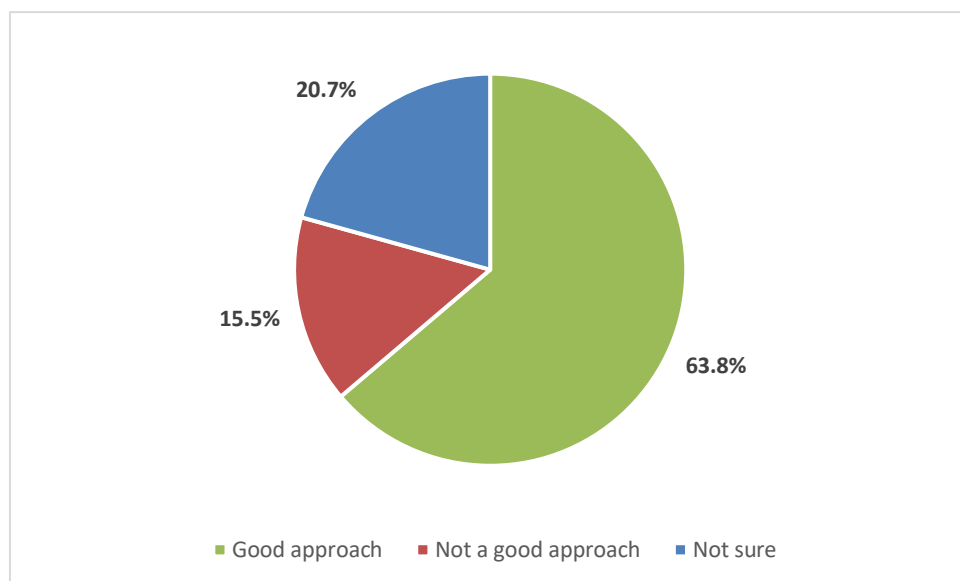
This is considered further in the worked examples in *Section 7: Effect on Tenants* below.

Other financial support from MSD or other entities may be available for tenants, however as that is based on individual circumstances and may be related to other factors such as health needs, this is not included in this report.

<sup>15</sup> Social Security Act 2018 sets out the requirements to receive the accommodation supplement.

<sup>16</sup> Social Security Regulations 2018, reg 17.

Tenants were asked about following an approach like Hauraki District Council for tenants to be required to qualify for the accommodation supplement with the results below:



## 6 Consideration of Different Approaches

This section considers each of the approaches detailed above, being:

- CPI-Based Adjustments
- Percentage of Income (e.g., NZ Super)
- Independent Valuation and Market Rent Benchmarking
- Tiered Rents Based on Unit Features and Household Type
- Cost-Recovery Approach
- Mixed Approach

### 6.1.1 Reviewing Rents using Consumer Price Index Based Adjustments

The CPI is a measure that examines the average change over time in the prices paid by consumers for a basket of goods and services across NZ. It is widely used to adjust rents for residential housing, ensuring that rental prices reflect changes in the cost of living.

Table 10 below is a summary of weekly rents as of 2011 and 2025.

Table 10 - Comparison of 2011 and 2025 rent amounts

Unit type	2011 (per week)	2025 (per week)
Bedsit	\$100.15	\$130.00
One bedroom unit	\$105.25	\$136.20
Larger one or more-bedroom unit	\$107.75	\$140.00
Couples (all units)	\$112.00	\$144.60

On average, rents have gone up by about \$2.13 per week each year. Depending on the CPI increase, weekly rent rises have ranged from \$0.60 to \$7.70, with the biggest jumps happening during the high inflation years of 2022 and 2023.

The benefits of using a CPI adjustment to review rents are:

- It creates fairness and predictability by following a consistent, inflation linked measure.

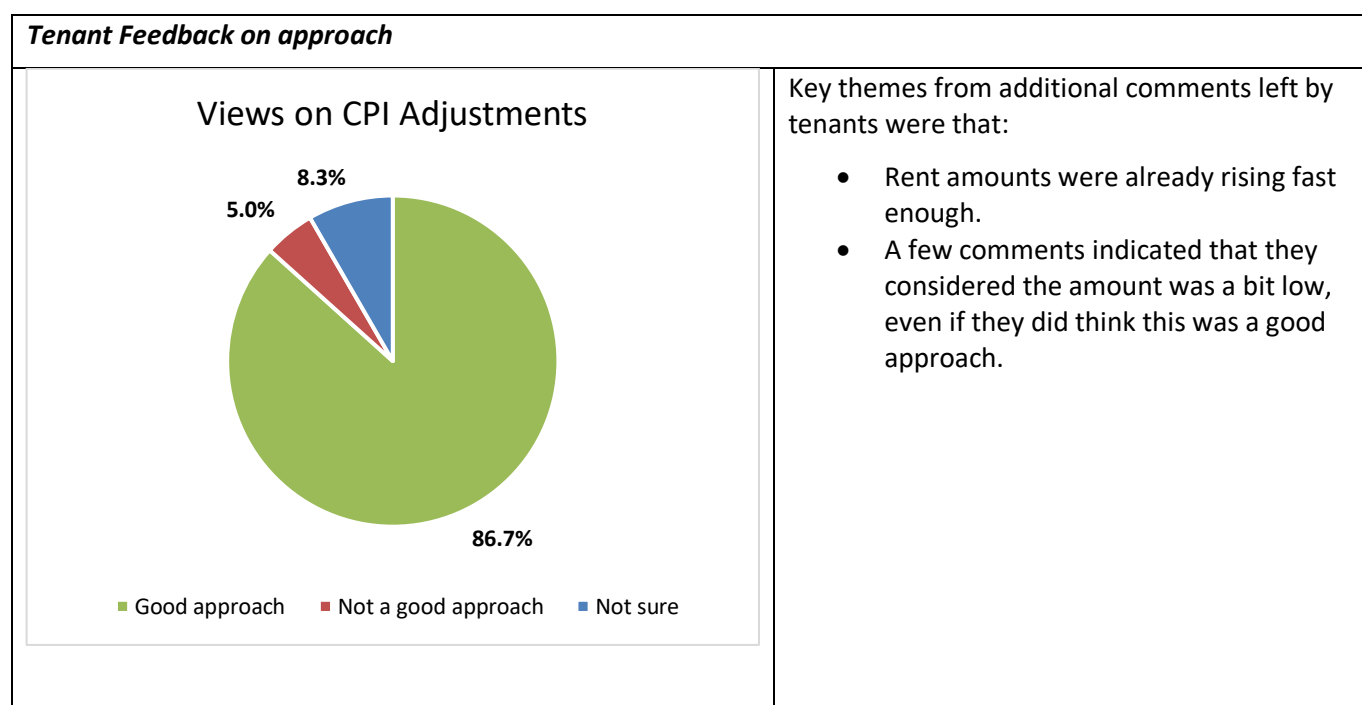
- Create some stability and certainty for tenants and landlords.
- It is a transparent approach, with the CPI information available from the Reserve Bank.
- Administering a CPI adjustment is simple.

The disadvantages of using a CPI adjustment are:

- CPI might not match local costs, especially in areas where living expenses are much higher or lower than the national average. For example, provincial areas in New Zealand may face higher inflation rates compared to large urban centres.
- Housing costs like rent and building expenses can vary a lot between regions.
- CPI can become less accurate if is not periodically 'reset' to account for changes in specific market conditions for that area.

Superannuation payments are reviewed annually and adjusted based on CPI and wage growth.<sup>17</sup>

Unless both rents and superannuation are adjusted by the same metric, overtime the proportionality can change. This has happened when considering rents relative to superannuation amounts between 2011 and 2025. More detail on how these figures have changed are in section 6.1.2 *Amount benchmarked against NZ Super*.



*Doesn't feel its enough to cover maintenance*

*I think it's fair – terrified of big rent hikes*

*Yeah, small amounts are good*

### 6.1.2 *Rent amount benchmarked against NZ Super*

Table 11 below shows how rent costs for single tenants have changed between 2011 and 2025 and compares these amounts to superannuation payments at those times to see the proportionality.

<sup>17</sup> <https://www.workandincome.govt.nz/about-work-and-income/news/2025/changes-to-benefit-rates-from-1-april-2025.html#:~:text=About%20the%20increase,what%20you're%20getting%20now.>

Table 11 - Comparison of 2011 and 2025 rents and NZ Super

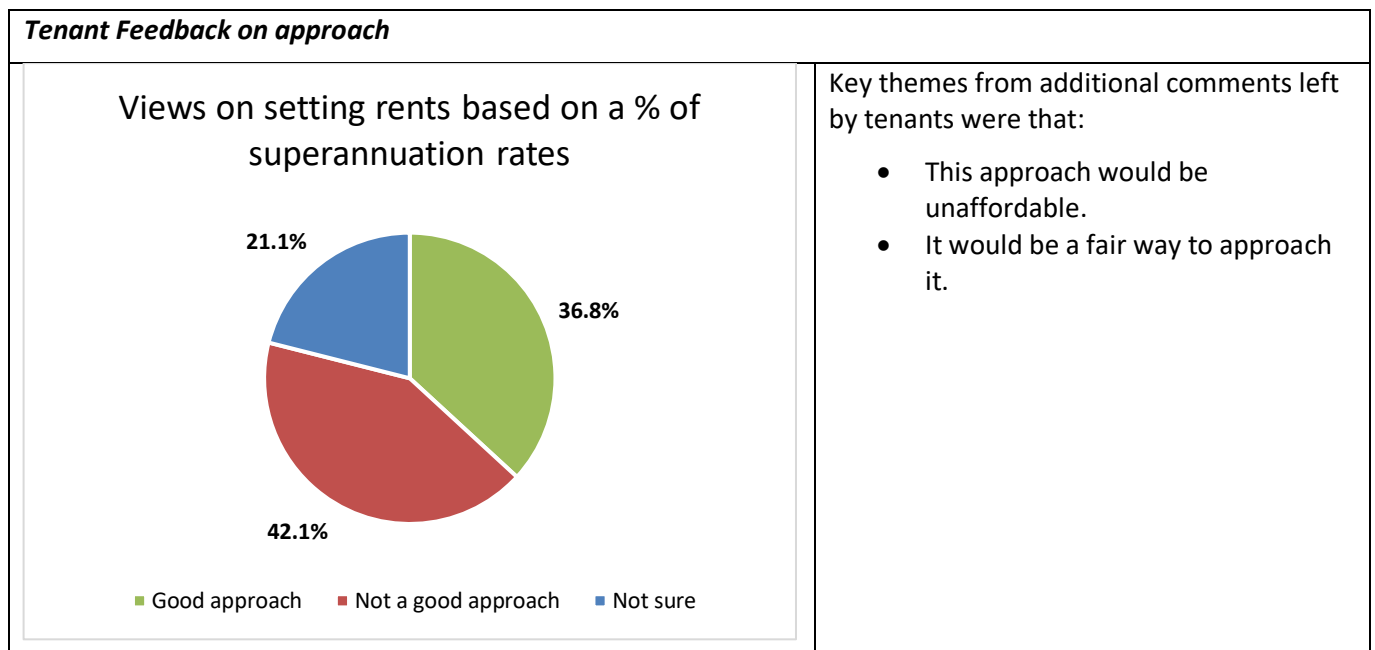
	2011			2025		
	NZ Super per week (gross) 2011	Rent per week	Proportion of super for rent	NZ Super per week (gross)	Rent per week	Proportion of super for rent
Bedsit	\$389.14	\$100.15	26%	\$627.14	\$130.00	21%
One bedroom unit		\$105.25	27%		\$136.20	22%
Larger one or more-bedroom unit		\$107.75	28%		\$140.00	22%

Table 12 below shows the superannuation rate and the amounts of rent which would be charged based on different percentages. These are:

- 30% which follows the model for affordable rents as set out in section 5.3 above, and which Whangarei District Council uses to set rents for one- and two-bedroom properties.
- 28% which is what is charged by Whangarei District Council uses to set rents for bedsits.
- 25% which is a similar approach to public housing as set out in section 5.3 above (noting that the below uses the gross amount for superannuation, whereas public housing would use a net figure and take into account all household income). This percentage is also the entry threshold used as part of assessing how much a person may receive from the accommodation supplement.

Table 12 - Percentages of NZ Super

Type of super	Amount per week (gross)	30%	28%	25%
NZ Super for single (living alone) person 2025	\$627.14	\$188.14	\$175.60	\$156.79



*Would not be able to pay and would have to move back into her van*

*I wouldn't be comfortable. I would have to budget as the cost of everything else is too high*

*Some people have debts to repay that come out of super first. This leaves them with a lesser amount.*

*Realistic and fair*

### 6.1.3 Market value

Market rents are approximately 150% to 200% more than current rents. Current rents are between 30 – 40% of market rents. *Table 13* below illustrates the amounts tenants would be charged if rents were adjusted to:

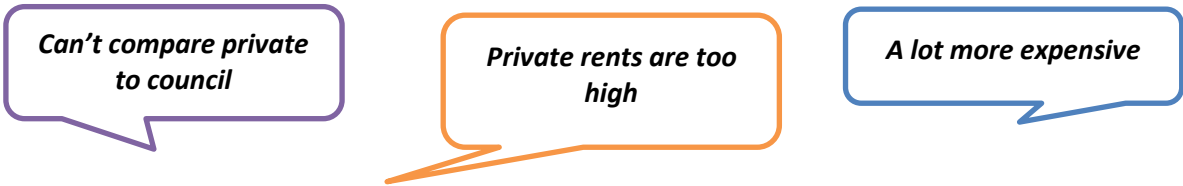
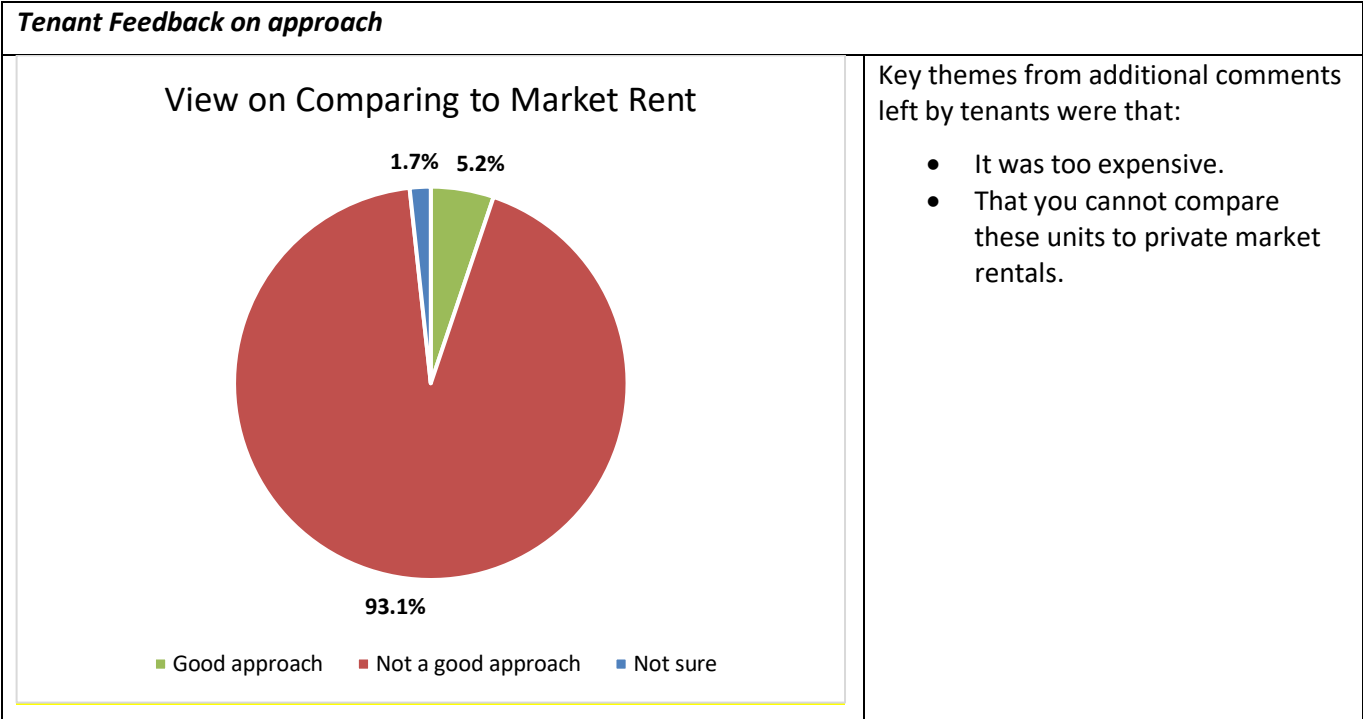
- 50% of market rents
- 75% of market rents
- 100% of market rents.

*Table 13 - Market Rent Comparisons*

Property	Typology	Amounts per week (sole occupant)	Market rent per week based on valuations		
			At 100%	At 75%	At 50%
47 Puckey Ave, Kaitiāia	All one-bedroom units	\$136.20	\$350.00	\$262.50	\$175.00
19 SH 10, Awanui	All one-bedroom units	\$136.20	\$400.00	\$300.00	\$200.00
24 Boswell St, Kawakawa	All one-bedroom units	\$136.20	\$320.00	\$240.00	\$160.00
3 Hobson Ave, Kerikeri	3 bedsit units.	\$130.00	\$350.00	\$262.50	\$175.00
	4 one-bedroom units	\$140.00	\$400.00	\$300.00	\$200.00
288A SH12, Ōmāpere	2 one-bedroom units. 4 two-bedroom units. 2 three-bedroom units	\$140.00	\$420.00	\$315.00	\$210.00
39 Takahe Rd, Ahipara	All one-bedroom units	\$136.20	\$375.00	\$281.25	\$187.50
2 Potter St, Kohukohu	All one-bedroom units	\$136.20	\$350.00	\$262.50	\$175.00
5 Birch St, Rāwene	4 bedsit units	\$130.00	\$350.00	\$262.50	\$175.00
	6 one-bedroom units	\$136.20	\$375.00	\$281.25	\$187.50
5-7 Oxford St, Kaitiāia	All one-bedroom units	\$136.20	\$350.00	\$262.50	\$175.00
40-61 Tawanui Rd, Kaikohe	36 bedsit units	\$130.00	\$300.00	\$225.00	\$150.00
	2 one-bedroom units	\$140.00	\$340.00	\$255.00	\$170.00
17 Waimā Valley Rd, Waimā	All one-bedroom units	\$136.20	\$375.00	\$281.25	\$187.50
2093 Horeke Rd, Horeke	All one-bedroom units	\$136.20	\$350.00	\$262.50	\$175.00

This approach would put rents in line with market conditions, which would also include unit features and variations such as area and size. Completed market reviews each year would require up to date valuations.

Market valuations conducted in 2024 cost over \$30,000. Although updated valuations are expected to be less expensive, there will still be a cost involved in obtaining them each time.



6.1.4 Setting differences based on area, unit size, and/or condition

Rents could be more finely tuned by considering three key factors:

- Location,
- Unit size, and/or
- Unit condition.

These can be applied individually or in combination. These approaches consider the differences which arise between properties and are relevant for the market valuations undertaken. These features could also be combined to create a tiered rent structure that reflects the value of each unit. For example, a refurbished, large unit in a high-demand town may attract a higher rent than a smaller, un-refurbished unit in a lower-demand area.

Location-Based Rent Differences.

Currently, rents do not vary by town, despite differences in local market conditions. Introducing location-based rent adjustments could better reflect the relative value and demand of housing in each area.

This approach would use market rent data specific for each town as a benchmark. A baseline rent could be established based on the average market rent across all towns, with adjustments applied accordingly to how each town compares to that average.

For example, if the average market rent is approximately \$350 per week, and Kaikohe’s market is 10% lower than average, rents in Kaikohe could be adjusted proportionally. This same percentage adjustment could be applied to any starting rent amount, allowing for consistent and fair differences between towns based on market data.

In addition, all tenants in receipt of NZ Super receive the same amount regardless of which town they live in so those in a more expensive area would not necessarily have a higher income to offset that. If a tenant qualifies for the Accommodation Supplement, the amount received does vary based on area, with persons in Kerikeri able to receive more due to a higher cap.

### ***Unit Size***

Rents are already differentiated by unit size, which reflects the value and utility of larger spaces.

### ***Unit Condition***

The condition of a unit, especially whether it has been recently refurbished, may be a feature which can attract a higher amount of rent as it may be considered more desirable. However, tenants who have been placed in a unit due to availability (as opposed to the tenant being able to choose their unit) does mean that tenants would have little ability to choose. Further, applying this in practice may be difficult as what qualifies as 'refurbished' needs to be clearly defined, with upgrading activities in previous years being a mix depending on specific needs of the units (i.e. some units have upgraded bathrooms or kitchens, others just have upgrades to windows or accessways).

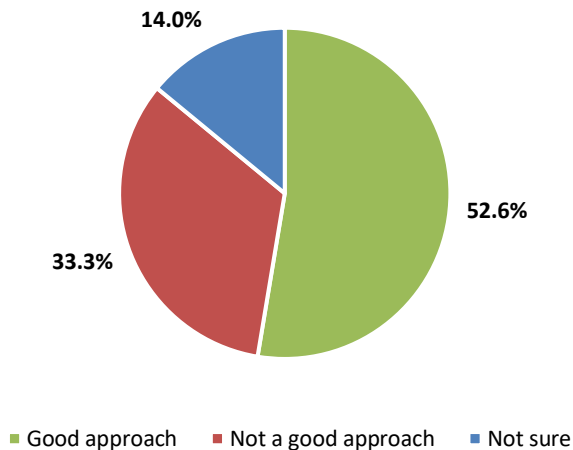
A unit's condition can also be affected by how it is used and looked after by a tenant. While malicious damage would be covered by the terms of their tenancy, expected general wear and tear will differ from person to person.

The valuations consider the overall condition of the property but does not have individual values per unit. Obtaining individual unit valuations may prove costly and would require a fair metric to be determined, especially as condition could be subjective.

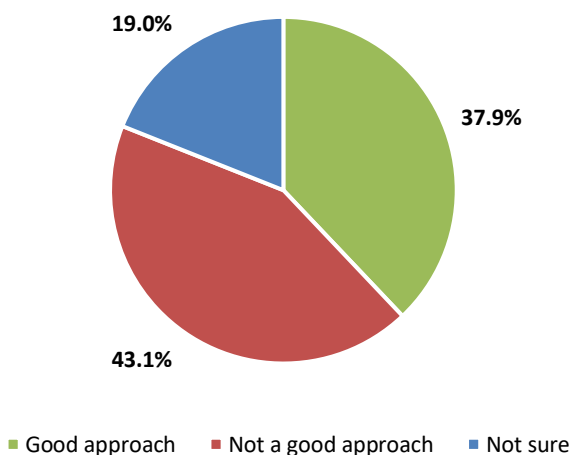


## Tenant Feedback on approach

### Views on Including Area and Size



### Views on Including Unit Condition



Key themes from additional comments left by tenants were that:

- Everyone gets the same income, so they should pay the same amount regardless of area, size or location.
- Area, as in being close to amenities like doctors, banks etc were considered of value
- With unit condition, tenants commented that they should be responsible for the look and presentation of the units, and that tenants who do not look after their units should not pay less.
- That some areas are more expensive to live in (i.e. goods and services cost more in Kerikeri versus Kaikohe, or cost more in rural locations) however NZ superannuation amount is the same regardless of area.

*Depends on how the tenant looks after the unit in the first place*

*Pay more to be closer to amenities etc.*

*Everyone gets the same income so rent should be the same*

## 6.2 Rent amounts paid by couples

Couples currently pay \$4 to \$10 more per week for a unit. When both receive NZ Super, their combined income is \$952.94 per week. In public housing, couples typically pay more because rent is based on household income. For example, a single person on NZ Super receives \$627.14 weekly, while a couple receives \$952.94, resulting in higher amounts paid.

Other councils also charge more for couples such as:

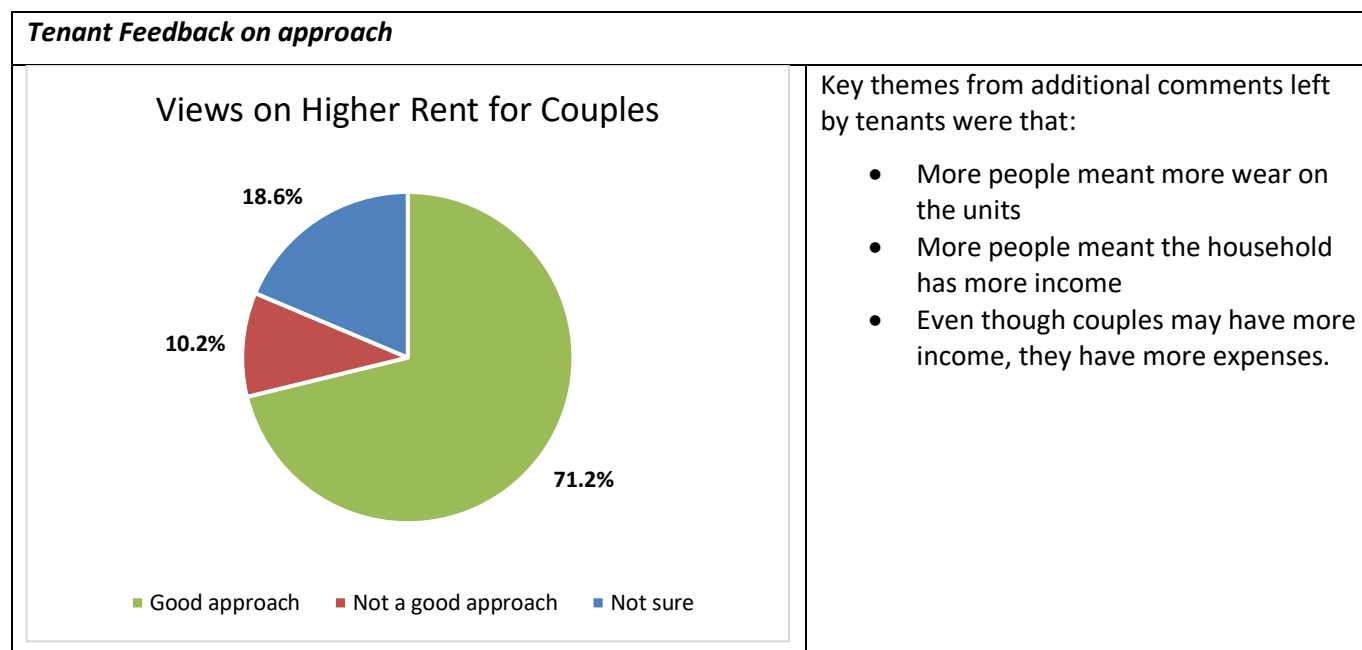
- Rotorua Lakes Council: \$23–\$44 more per week
- Kāpiti Coast District Council: \$85 more per week
- Gisborne District Council: \$10 more per week for their twin units

Advantages charging couples more are that it:

- Reflects higher household income and lower per-person living costs.
- Accounts for potential extra wear and tear from two occupants.

Disadvantages of this approach are that it:

- May feel unfair to couples with low combined income.
- Could discourage cohabitation or lead to undeclared occupancy.
- While there is a higher household income, two people cohabiting will have some higher costs such as for food and electricity.



*They have double income but need enough money to live*

*Wouldn't think so. Especially if living in same kind of unit*

*Wear and tear and usage increases*

### 6.2.1 Cost-recovery approach: based on shortfall for operational costs

This approach, although not explicitly used by other councils reviewed for this report, aims to assess the financial sustainability of the portfolio. While tenants were not specifically asked to comment on this approach, they were informed via the questionnaire that the portfolio was not covering its outgoings. This analysis helps monitor how rents compare to operational costs, especially in the context of funding policies designed to cover these costs. Comparing the results from this approach with those from other methods can provide valuable insights into whether alternative approaches can achieve financial sustainability.

Table 14 below shows the 25/26 forecast income and operating costs for the portfolio and the shortfall per unit, per week. The per unit calculations are based on:

- If all 144 units were tenanted. As referred in this report, some units cannot be retenanted without refurbishment work being completed.
- If 117 units were tenanted (being the current amount occupied or able to be occupied without additional works).

Table 14 - forecast income and OPEX

Income (forecast)	\$880,000.00
Operating costs (forecast)	\$1,110,000.00
<b>Operational Loss</b>	<b>-\$230,000.00</b>
<b>Spread across 144 units</b>	
Shortfall per annum, per unit	\$1,597.22
Shortfall per week, per unit	\$30.72
<b>Spread across 117 units</b>	
Shortfall per annum, per unit	\$1,965.81
Shortfall per week, per unit	\$37.80

The above excludes costs for capital works like renewals or refurbishments needed at the end of tenancies. Many units, built between 1960 and 1980, require updates to improve conditions and meet tenants' needs. It also excludes any unplanned renewal works identified during tenancy.

Depreciation is not currently funded as set out to the Long-Term Plan 2024-2027. If it was, this would increase the annual shortfall to \$760,000 approximately. While depreciation is not funded, this means there are no amounts held intended for capital expenditure works such as refurbishment for vacant units or renewal works. A shortfall amount of \$760,000 per annum increases the shortfall to an amount between \$101.50 and \$124.92 per unit, per week.

Reviewing rents by reference to OPEX has advantages and disadvantages. Advantages of this approach are it:

- Ensures financial sustainability by aligning rent with the actual cost of running and maintaining the units.
- Supports transparent cost recovery, as rent levels are directly linked to real expenses.
- May encourage efficient management by creating an incentive to control costs.

Disadvantages with this approach are it:

- Will require rents to be adjusted annually based on operational costs, which could fluctuate depending on inflation, maintenance needs, or interest rate changes. As units age and require more repairs, maintenance costs may increase, leading to corresponding rent increases. This creates uncertainty for tenants who are on fixed incomes.
  - An incremental approach which applies a fixed percentage increase over time could reduce this volatility. More details about an incremental approach are below.
- Places the financial risk of property condition directly on tenants.
- May create inequities, as some properties may require significantly more repairs than others, particularly where some units still require refurbishment or arising from actions of tenants. While a unit-by-unit approach could address this, it would be resource-intensive to implement and monitor and could result in unfairness across the portfolio if tenants are unable to easily move between properties.
- Tenants in older or less-refurbished units may end up paying the same as those in upgraded units unless further tiering is applied.
- Introduces administrative complexity, requiring detailed financial tracking and forecasting to ensure rent levels remain accurate and fair.
- If rents rise significantly, tenants may need to rely more heavily on other financial support, which may not fully offset the increase.

An incremental approach could occur whereby income and costs are forecast over a fixed period to work out when the portfolio may 'break even'. For example, calculating a fixed increase over a 10-year period which would require inputs or assumptions such as:

- A vacancy rate (for example of 5%)
- Including known or anticipated increases to costs (such as rates increases as set out in long term plans).
- Incorporating inflationary increases to costs (where those are not already known) using a metric such as that published by Reserve Bank of New Zealand in their Survey of Expectations.<sup>18</sup>
- A contingency may be required to allow for additional costs for repairs and maintenance for properties which were older or in more disrepair than others.

This sort of approach would calculate an annual increase of a fixed period. By way of example if the approach was an annual 8% increase for a 10-year period, *Table 15* below illustrates how the weekly rental amount would change in that scenario.

*Table 15 - Example of fixed 8% increase over 10-year period*

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Bedsits</b>	140.40	151.63	163.76	176.86	191.01	206.29	222.80	240.62	259.87	280.66
<b>One bedroom unit</b>	147.10	158.86	171.57	185.30	200.12	216.13	233.42	252.10	272.26	294.05
<b>Larger one or more bedroom unit</b>	151.20	163.30	176.36	190.47	205.71	222.16	239.94	259.13	279.86	302.25
<b>Couples</b>	156.17	168.66	182.15	196.73	212.46	229.46	247.82	267.64	289.06	312.18

This approach risks being inaccurate if forecasts and assumptions used are not correct, which could occur due to unexpected cost increases or reduced revenue from vacant units awaiting refurbishment. This approach leaves no room for funding depreciation for renewals works, meaning loans would need to be raised for these. When that happens, the interest cost of those would need to be included as an operational cost to be captured, and the above method may not capture this unless they are included in forecasts.

### 6.3 Mixed Approach

Mixed approaches combine elements from multiple rent-setting approaches to create what may be a more balanced and tailored framework. For example, a mixed model could blend:

- Income-based rent (e.g., a percentage of NZ Super) with adjustments based on unit size, condition, or location (for example bedsits at 25%, one-bedrooms at 28% and larger units/couples at 30%).
- Market benchmarking to ensure rents remain aligned with local housing values but including a cap to fit with income-based rent. This could also incorporate CPI adjustments in alternative years instead of market reviews every year.<sup>19</sup>
- Operational cost recovery to maintain financial viability and including tiered adjustments.
- CPI adjustments continuing but with a fixed additional percentage on top (i.e. CPI+3%).

Mixed approaches would introduce an additional layer of complexity needing to use multiple metrics to calculate each time and could create uncertainty and unpredictability for tenants, and this would need to be balanced

<sup>18</sup> <https://www.rbnz.govt.nz/-/media/project/sites/rbnz/files/statistics/series/m/m14/insights/survey-of-expectations-february-2025.pdf>

<sup>19</sup> An approach mixing annual CPI adjustments, and market valuations at fixed intervals is common in commercial leasing.

against the benefits of being able to tailor rent amounts more specifically to specific unit types or household makeup.

## 7 Effect on tenants

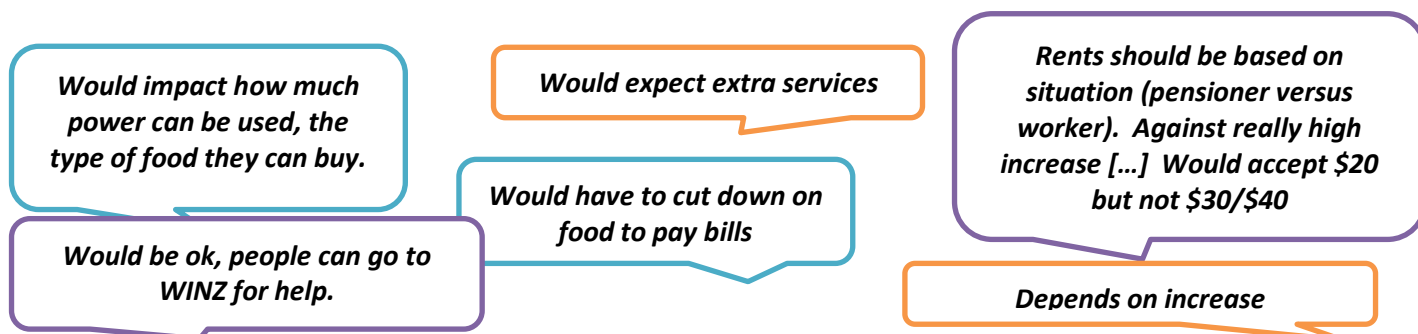
Tenants who rely primarily on fixed incomes like NZ Super are vulnerable to rent increases which may create financial pressure for them, especially for those with no supplementary income. An increase to rents may impact tenants by:

- Requiring them to seek additional support from WINZ, including the accommodation supplement.
- Reducing the amount of disposal income available to tenants, forcing tenants to make difficult choices between housing, food, healthcare, and other essentials. This situation contributes to increased stress, potential displacement, and reliance on community services such as food banks and budgeting support.
- Worsen housing insecurity and diminished quality of life if they are unable to afford rents.
- Increased homelessness for older persons in the district if they are unable to pay their rent and cannot find alternative accommodation.
- Increased demand on central government or other community housing.

If tenants are unable to pay rent, there is a risk of default by tenants and may lead to eviction of the tenant for unpaid rent. This is a resource heavy process undertaken through the Tenancy Tribunal.

Tenants were asked about how a rent increase may impact them, and what may make a rent increase feel more justified. Responses varied, with common themes being:

- They could not afford it.
- As long as it is reasonable – depended on how much the increase would be.
- People can go to WINZ for help.
- Won't worry about it too much.
- May mean having to sacrifice other expenses like food, power, car insurance.
- Would expect extra services or upgrades to the units for it.
- May mean they have to leave and seek alternative accommodation with some comments raising a concern about having to go back to living in a campground or van.



The financial impact on tenants will also depend on whether they can receive the accommodation supplement. *Table 16* below illustrates how much tenants may pay if they received the full accommodation supplement for a bedsit in Kaikohe, and rents were based on:

- Current rate for a bedsit in Kaikohe of \$130 per week.
- Adjusted for current CPI (from Q3 2023 to Q1 2025). This timeframe is to cover the 2024 adjustment not completed, and at the time this report was prepared data for Q2 2025 was not available.
- NZ Super (at 25%, 28%, 30% amounts).
- Market rents (at 50%, 75%, 100%, utilising an amount of \$300.00 per week as per the valuations).
- Based on an increase to meet forecast outgoings being an extra \$31 per week.

Table 16 - Accommodation Supplement

	Rent Amount per week	Base Rate (NZ Super)	Entry Threshold (25%)	Excess Rent	70% of Excess Rent	Amount Accommodation Supplement Pays	Amount Tenant Pays in total
Current rate	\$130.00	\$627.14	\$156.78	Too low to qualify	Too low to qualify	Too low to qualify	\$130.00
Current Rate CPI adjusted	\$134.77	\$627.14	\$156.78	Too low to qualify	Too low to qualify	Too low to qualify	\$134.77
Paying 25% of NZSuper	\$156.79	\$627.14	\$156.78	\$0.00	\$0.00	\$0.00	\$156.78
Paying 28% of NZSuper	\$175.60	\$627.14	\$156.78	\$18.82	\$13.17	\$13.17	\$162.43
Paying 30% of NZSuper	\$188.14	\$627.14	\$156.78	\$31.36	\$21.95	\$21.95	\$166.19
Paying 50% of Market	\$150.00	\$627.14	\$156.78	Too low to qualify	Too low to qualify	Too low to qualify	\$150.00
Paying 75% of Market	\$225.00	\$627.14	\$156.78	\$68.22	\$47.75	\$47.75	\$177.25
Paying 100% of Market	\$300.00	\$627.14	\$156.78	\$143.22	\$100.25	(CAPPED) \$80.00	\$220.00
Meeting outgoings	\$161.00	\$627.14	\$156.78	\$4.22	\$2.95	\$2.95	\$158.05

If the units were located in Kerikeri, the cap increases. If they are located elsewhere other than Kaikohe or Kataia, then the cap reduces. In addition, for considering the effect of utilising market rates, this will vary significantly across the properties, with Kaikohe rates at \$300 per week being at the low end, and these increasing to an amount of \$400+ per week for the properties at Ōmāpere and Kerikeri. The average market value is about \$350.00 per week.

These calculations are indicative only and subject to changes to government policies or legislation. These are based on generalised information, as each person is assessed based on their own circumstances. This includes the amount of cash assets and non-cash assets they have and the number of people living in a home. To qualify a person must apply to Work and Income.

## 7.1 Consideration of different approaches to implement

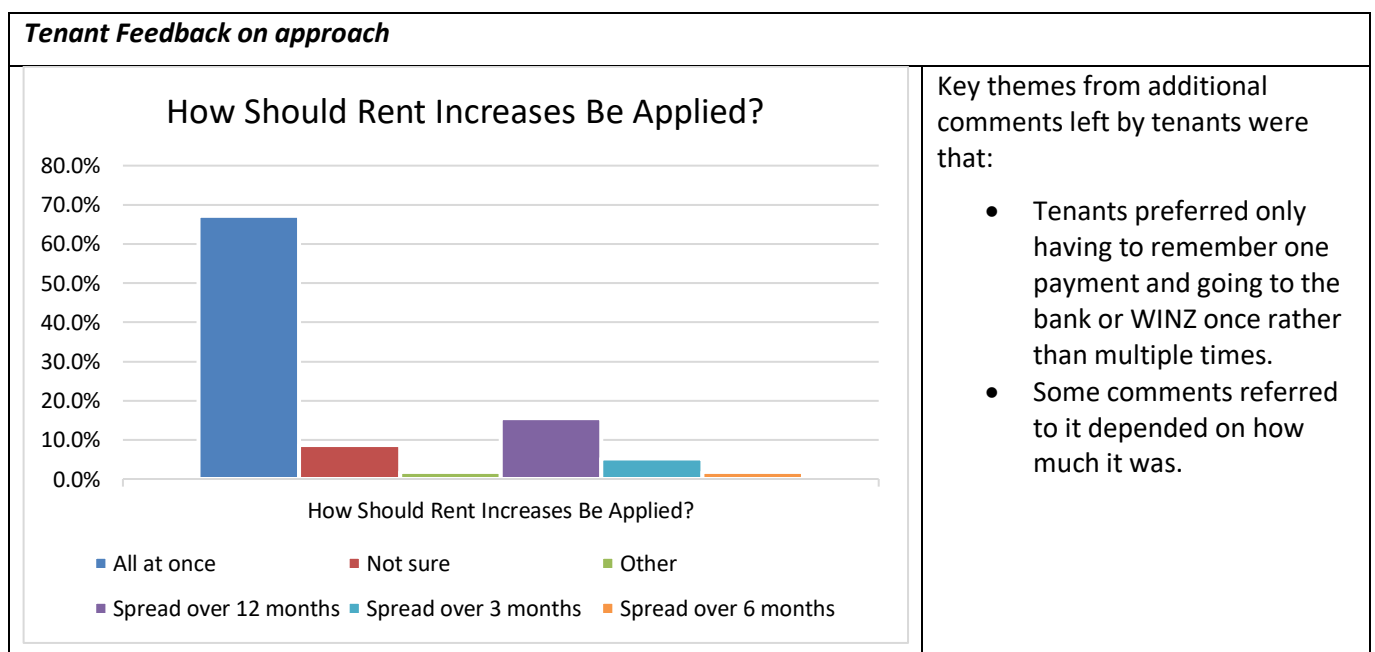
Several approaches have been considered and many of them will result in an initial 'jump' to set rents against a new metric. A summary of the amount extra a tenant may have to pay for each of the approaches in the section above is in *Table 17* below. This is based on the current tenant being in a bedsit paying \$130 per week and compares the amount if they receive the accommodation supplement or not. For comparing with market rent, two amounts have been used, one being for \$300 per week which is the amount for bedsits in Kaikohe, and one being for \$350 per week which is the amount for bedsits in Rāwene and Kerikeri.

Table 17 - Amount extra payable per week

	Rent Amount per week, current	Extra tenant would pay per week (if no accom supplement)	Extra tenant would pay per week (if receives accom supplement)
Current rate	\$130.00	\$0.00	\$0.00
Current Rate CPI adjusted	\$134.77	\$4.77	\$4.77

	Rent Amount per week, current	Extra tenant would pay per week (if no accom supplement)	Extra tenant would pay per week (if receives accom supplement)
Paying 25% of NZSuper	\$156.79	\$26.79	\$26.78
Paying 28% of NZSuper	\$175.60	\$45.60	\$32.43
Paying 30% of NZSuper	\$188.14	\$58.14	\$36.19
Paying 50% of Market (if market rent is \$300 p/w)	\$150.00	\$20.00	\$20.00
Paying 75% of Market (if market rent is \$300 p/w)	\$225.00	\$95.00	\$47.25
Paying 100% of Market (if market rent is \$300 p/w)	\$300.00	\$170.00	\$90.00
Paying 50% of Market (if market rent is \$350 p/w)	\$175.00	\$45.00	\$32.25
Paying 75% of Market (if market rent is \$350 p/w)	\$262.50	\$132.50	\$58.50
Paying 100% of Market (if market rent is \$350 p/w)	\$350.00	\$220.00	\$140.00
Meeting outgoings	\$161.00	\$31.00	\$28.05

Tenants were asked about whether if there was a rent increase how would they prefer it was applied: all at once or over a period of time. Incremental increases can help allow a current tenant to adjust to change, review their budgets and have time to seek additional financial assistance. However, this can also be more administratively burdensome to implement and monitor for both council and the tenant.



*I don't like the idea of going to the bank to change amount all the time*

*If it's going to go up, then all at once. I would have to go to WINZ more often if it was spread out over a period of time.*

*Depends on rent increase amount*

## 8 Effect on community and ratepayers

The shortfall is covered by general rates, meaning all ratepayers contribute an amount based on the differential that applies to their property and its land value. Based on forecast figures for 2025/2026, this is an amount of \$230,000 (or \$265,000.00 including GST) to come from rates. This means that for each rate payer, for every \$100,000 of land value, they are contributing the below amounts:

General Differential	\$1.39
Commercial/Industrial Differential	\$3.82
50% Land Differential	\$0.70

The provision of Housing for the Elderly is also an asset which members of the community may wish to use one day, they may already be on a waitlist or may have family living on one of the units. Changes to the rents may have financial implications for those persons if they consider they could no longer afford to live there in the future, or if current tenants can no longer live in the units and need to move out and live with others.

## 9 Conclusion

This review has examined the current rent-setting approach for the Housing for the Elderly portfolio, which has remained unchanged since 2010 and is based solely on annual CPI adjustments. While this method offers predictability and simplicity to administer, rents are not meeting the operating costs of the portfolio. Alternative rent-setting approaches are explored in this report, including methods to take into account income of tenants (benchmarking against NZ Super), aligning with market rents, basing rents on operational shortfalls, and variations based on unit condition, size, or location. Each approach presents different trade-offs between financial sustainability, tenant affordability, and complexity.

Tenant feedback gathered through the questionnaire highlighted a range of views, with many expressing concerns about affordability and the potential impact of rent increases on their ability to meet their basic living costs. Most tenants are on fixed incomes, and any significant increase beyond CPI may require them to seek additional support from Work and Income or other community services.

The review also considered the broader community impact and the impact on ratepayers. The provision of Housing for the Elderly is of high private benefit to the tenants, but it is also an asset which others in the community may seek to benefit from one day.

While the CPI-based approach has provided a simple way of reviewing rents over the last 15 years, in order to meet the stated funding objective for rents to meet outgoings, another approach should be considered.



