

# RUAPEHU DISTRICT COUNCIL

## Confidential Reports Released into the Public Business

FROM THE MEETING OF RUAPEHU DISTRICT COUNCIL  
ON WEDNESDAY 23 FEBRUARY 2022

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### Item

#### C5 Proposed Assignment of Lease and Subsequent Surrender of Lease: Social Housing Complex Seddon Street, Raetihi (*redacted*)

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
Proposed Assignment of Lease and Subsequent Surrender of Lease: Social Housing Complex Seddon Street, Raetihi	s7(2)(a) To protect the privacy of natural persons, including that of deceased natural persons, s7(2)(i) To enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations) s7(2)(i) To prevent the disclosure or use of official information for improper gain or improper advantage	s48(1)(a) the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 7

The report and attachments have been released into the Public Business through an Official Information Request. The report and attachments have been redacted to protect the privacy of natural persons and remove information that could identify individuals. The minutes were previously released into the Public Business through a resolution at the meeting 23 February 2022.

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### Minutes

#### C5 Proposed Assignment of Lease and Subsequent Surrender of Lease: Social Housing Complex Seddon Street, Raetihi (*redacted*)

- 1 Receives the Report Proposed Assignment of Lease and Subsequent Surrender of Lease: Social Housing Complex, Seddon Street, Raetihi;
- 2 Approves the proposed Assignment of Lease of the Seddon Street Social Housing Complex, Seddon Street, Raetihi from the Waimarino Rest Home Trust to the Seddon Street Flats Charitable Trust;
- 3 Accepts a surrender of the Lease of the Seddon Street Social Housing Complex, Seddon Street, Raetihi from the Seddon Street Flats Charitable Trust back to Council;
- 4 Accepts the proposed transfer of ownership to Council of the building currently owned by the Waimarino Rest Home Trust located at 112 Seddon Street, Raetihi;
- 5 Approves the additional operational and capital budgets to be included in the Annual Plan.
- 6 Does record this resolution in the Public Business Minutes of this meeting.
- 7 Does Not release this report as publicly available information

## Report to: Council

Meeting Date: 23 February 2022

Subject: Proposed Assignment of Lease and Subsequent Surrender of Lease: Social Housing Complex, Seddon Street, Raetihi



### Purpose of Report

- 1.1 The purpose of this report is:
- To seek Council approval to a proposed two stage process of assignment of lease of the Seddon Street social housing complex from Waimarino Rest Home Trust to Seddon Street Flats Charitable Trust, followed by a proposed surrender of lease between Seddon Street Flats Charitable Trust and Ruapehu District Council, and
  - To seek a decision by Council on the preferred option for the future ownership and management of the Seddon Street social housing complex.

### Executive Summary

- 2.1 An assumption has been made that Council will accept the proposed surrender of the lease which incorporates a transfer of ownership of the building located on 112 Seddon Street currently owned by the Waimarino Rest Home Trust.
- 2.2 Once the surrender of lease and transfer of ownership of the Trust owned building has been formalised through a surrender of lease document, Council needs to make a decision on one of the following options which have been discussed in more detail in the body of this report:

**Option One:** Council continues to retain ownership, maintenance, and management of all the assets and re-absorbs the total complex back into its asset and rental portfolios. A later decision can be made on how best to manage the use and ongoing maintenance of the social gathering space that forms a large part of the transferred building once staff have fully assessed how best to utilise this space.

With this option, Council should commit to a capital upgrade of the six bedsit units to provide double glazed aluminium windows and doors, and suspended ceilings and insulation in the last three units that have uninsulated high raking ceilings. These costs, lesser renewal costs and deferred maintenance costs are detailed in **Attachment 1** of this report.

**Option Two:** Council continues to retain ownership of the complex but seeks expressions of interest from other not for profit or charitable entities who may be keen to continue to offer the Raetihi community not only rental accommodation, but additional social support services to tenants which might incorporate the future use of the social gathering space.

This proposal would include a long-term lease proposal similar to the current lease to the Waimarino Rest Home Trust. With this option, undertaking all capital upgrades, renewals and deferred maintenance should be undertaken by Council over the 2022 calendar year to ensure a hand over of the total complex in a well-maintained condition.

**Option Three:** Sell the complex to a not for profit or charitable entity currently working in the field of community social wellbeing, which in principle, should ensure the complex is retained for social housing.

With this option, the complex could be sold in its current condition with negotiations on price taking the costs of bringing the complex up to a good condition, or alternatively, Council could undertake this work prior to any offer for sale.

**Option Four:** Sell the complex on the open market. Although this is an option, it does not align with the Council's Public and Affordable Housing Asset and Tenancy Management Strategy 2020 and therefore could be excluded from further consideration.

## Significance and Engagement, Social Impact

### 3.1 Significance

This report does not trigger the Significance and Engagement Policy.

### 3.2 Engagement

Allocation of new capital and maintenance costs in the 2022/2023 could still be included in the Annual Plan. In the context that the Elected Members and community generally supported the 2020 Public and Affordable Housing Asset and Tenancy Management Strategy, consultation on allocating additional funds to the activity may not be necessary.

### 3.3 Social Impact

This report does not trigger the Social Policy.

## Background

- 4.1 Through the amalgamation of councils in 1989, Ruapehu District Council became the owner of 16 pensioner housing rental units located in Seddon Street, Raetihi. At that time, the policy direction was that the units could be rented only to senior citizens. More latterly, the policy has become a bit more flexible although the current tenants comprise mostly senior citizens and the 2020 strategy provides even more flexibility.
- 4.2 Council managed the rentals, capital, renewal and maintenance of the Raetihi complex until June 2003. At this time Council was approached by members of the Presbyterian Social Services with a proposal that Council lease the complex under a long-term registered lease to a not-for-profit Charitable Trust entity, the Waimarino Rest Home Trust (the Trust).
- 4.3 The Trust, with the support of Presbyterian Social Services, provided a convincing argument to Council that it could undertake the management of the rental portfolio with the added benefit of social interaction and support for tenants extending support to the more senior citizens residing in the Raetihi community which Council staff were not resourced to do.
- 4.4 Council agreed to enter into a lease with the Trust on an 'open book' basis under which the Trust supplied Council financial accounts at each rent review throughout the term of the lease for an assessment of whether the Trust could continue to be viable while paying Council a lease rental. The initial term of lease was set at a peppercorn rental with the Trust paying for all outgoings including rates, insurance, and maintenance. Each rent review to date has resulted in the Trust remaining on a peppercorn lease rental.
- 4.5 At the commence of the lease in June 2003, the units were all in a reasonable level of maintenance including painting of the exterior of the whole complex approximately two years earlier.

- 4.6 During the early years of the lease, the Trust undertook a major project with the construction of a new building on the remaining vacant parcel of land within the total complex. This building comprised a medium size meeting/recreation room with adjoining kitchen and toilet facilities and four small studio residential units which were designed to be used by Raetihi residents who needed the support of outpatient services while transitioning from hospital stay care back to their homes and independent living.
- 4.7 The Trustees had intended and hoped that Raetihi community residents with the right social skills would replace the first Trustees and ensure the ongoing viability of the complex while also providing social support services as had been the vision of the Trust when it was established.
- 4.8 Unfortunately, the challenges for the Trustees, have in more recent years become more difficult and changes to tenancy legislation and the requirements of the healthy homes regime have also impacted on the ability of the Trustees to continue with the lease. Council has supported the requirements of the healthy homes regulations with the installation of heat pumps, insulation and extractor fan units are due to be installed in kitchens and bathrooms where necessary. The Trust has undertaken total refurbishment of a number of units, but there is currently an extensive schedule of deferred maintenance undertaken by staff in early 2021 which is attached as **Attachment 1** to this report. Included in **Attachment 1** is an estimate of the capital cost of installing double glazed aluminium windows and doors and lowering of two ceilings in the bedsit units.
- 4.9 [REDACTED]
- 4.10 [REDACTED]
- 4.11 Council staff were first engaged in conversations with the Trust in late 2020 and early 2021 when the Trust gave a briefing on the Trustees preference to seek a surrender of the lease. During these discussions, the Trustees preference to transfer ownership of the building owned by the Trust was put on the table, including a preference to transfer to Council any funds held by the Trust at the time of surrender. At this time the Trust had also committed to full refurbishment of one of the units, although the work on this was still to start. This unit refurbishment was completed late in 2021.
- 4.12 The Trust indicated that they needed some time to undertake legal advice and their own processes for winding up the Trust before formally requesting Council to accept a surrender of the lease. This has resulted in a significant delay in bringing the proposal to Council. The Trust received and took legal advice that it needed to set up a new Trust to facilitate the proposed surrender, transfer of the Trust owned building and transfer of any cash surplus held at the time of surrender.
- 4.13 In late 2021, a new Trust was set up under which the proposals for surrender and transfer of assets could take place with ease. In January 2022, Council received a formal letter requesting approval for an assignment of the existing lease to be assigned from the Waimarino Rest Home Trust to the Seddon Street Flats Charitable Trust, followed by a surrender of the lease from the Seddon Street Flats Charitable Trust back to Council. A copy of the letter requesting the assignment and surrender is attached as **Attachment 4**.

**Discussion**

- 5.1 Over the past eighteen months to two years, Elected Members have indicated a strong commitment to assist with the provision of housing within the District. There are two projects currently being progressed in Ohakune where Council had the ability to provide suitable land for new build housing units with significant funding to be provided for by Central Government. Council consulted on its new Public and Affordable Housing Asset and Tenancy Management Strategy in 2020 with the community, and subsequently adopted the Strategy.
- 5.2 Council staff have undertaken a delivery review of its older social rental housing stock in Ohakune and Taumarunui; the rental and tenancy support services were separated out from the asset management, with each activity having their own Executive Management oversight. This change not only enables more transparency on income and expenditure but provides for more resource time available for tenancy support as and when needed.
- 5.3 Although taking back the full management of both the assets and tenancies comprising the Raetihi complex adds new management requirements and further Council funding allocations for capital upgrades and renewals, the increase is considered capable of being undertaken within current staff resources. The surplus rentals should assist with an operational cost neutral position without any allocation for depreciation. It is estimated that the annual income from the Raetihi asset will be \$100,000 which has historically been sufficient for the Trust to cover the some but not all maintenance.
- 5.4 Having knowledge of the current condition of the units and the indication that the Trust would be surrendering the lease in the calendar year of 2021, Capital funds for the Raetihi social housing asset refurbishment (RECCOM134) have been allocated in the current financial year 21/22.
- 5.5 It is recommended that an additional \$100,000 of Capital Budget be allocated in FY2022/23 for new double-glazed joinery in the six bedsit units, and the insulation and lowering of the three remaining high uninsulated ceilings in the same complex. Historically there has been a minimal amount of capital funding allocated, so an additional \$91,000 will also need to be added for deferred maintenance, which can be loan funded, to cover items such as stoves, carpet/vinyl replacements etc.
- 5.6 There are currently no Capital funds allocated for subsequent years so this will need to be addressed in the next LTP.
- 5.7 In summary, Council's recent commitments to support community affordable housing including residential rental housing and the community support of the new Public and Affordable Housing Asset and Tenancy Management Strategy, would indicate that Council should take the option of accepting a surrender of the lease of the Seddon Street complex and resume the responsibility for both the asset and tenancies of the social housing units at this time.
- 5.8 The planning phase of the 2024/2034 Long Term Plan is a time that further strategic review of all Council's social housing can take place, with options of divesting future ownership and/or management of the portfolio considered alongside the introduction of asset depreciation funding if the preference is to continue ownership and management for the foreseeable future. This would also be a good time for a comprehensive review of rents to take place in the context of trying to move towards a cost neutral funding position including funding of depreciation.
- 5.9 Acceptance of ownership of the Trust building is not a necessity. Under the terms of the lease, at Council's request, on the expiry of the lease, (or surrender leading to expiry), the Trust is under an obligation to remove the building and make good the remaining land to its former condition. However, if Council owned the building and made a strategic decision to have it removed from the land, the building could be sold for removal or possibly re-located to another

Council owned site to be used for another purpose. An example of this alternative use could be a communal space and short stay rental units at the Raetihi Holiday Park where Council still owns most of the buildings.

- 5.10 A registered valuation of the currently Trust owned building has been obtained to assist Council to determine if it will accept the offer of future ownership of the building as a new asset. A copy of the valuation will be tabled at the council meeting on 23 February 2022 as it is not yet available.
- 5.11 Although the additional building will increase the value of the Council property portfolio, it will also incur new costs related to maintenance and renewal. However, the relatively new age of the building will alleviate any requirement for renewal costs for the next decade.
- 5.12 In light of the significant body of work to review the future of the whole of the housing portfolio, it is recommended that Council pursue Option One, i.e. approve an assignment of the existing lease to the new Trust followed by a surrender of the existing lease and accepting ownership of the Trust owned building.
- 5.13 It is further recommended that Options two and three are assessed more fully and considered in the context of the whole of the social housing portfolio for the 2024/2034 Long Term Plan.

#### Next Actions

- 6.1 The Chief Executive under his delegated authority will respond to the letter of request received from the Waimarino Rest Home Trust in accordance with the resolutions made by Council.
- 6.2 On the assumption that Council will resume full responsibility for management of the Seddon Street complex, additional funding of \$191,000 will need to be allocated in the 2022/2023 Capital budget.
- 6.3 The Operational Maintenance budget should also be increased to \$100,000 per annum to reflect the increased number of units in the portfolio, which will be offset by the additional revenue.

#### Suggested Resolution(s)

That the Council:

1. Receives the Report **Proposed Assignment of Lease and Subsequent Surrender of Lease Social Housing Complex, Seddon Street, Raetihi** ;
2. Approves / Does Not Approve the proposed Assignment of Lease of the Seddon Street Social Housing Complex, Seddon Street, Raetihi from the Waimarino Rest Home Trust to the Seddon Street Flats Charitable Trust;
3. Accepts / Does Not Accept a surrender of the Lease of the Seddon Street Social Housing Complex, Seddon Street, Raetihi from the Seddon Street Flats Charitable Trust back to Council;
4. Accepts / Does Not Accept the proposed transfer of ownership to Council of the building currently owned by the Waimarino Rest Home Trust located at 112 Seddon Street, Raetihi;
5. Approves / Does Not Accept the additional operational and capital budgets to be included in the Annual Plan.
6. **Does** record this resolution in the Public Business Minutes of this meeting;
7. **Does Not** release this report as publicly available information.



Margaret Hawthorne  
**Technical Advisor**

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<b>Attachment(s)</b>
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1. Deferred Maintenance Schedule
2. [REDACTED]
3. [REDACTED]
4. Letter Requesting Assignment and Surrender

1. Deferred Maintenance Schedule

Room	Room	Flat	Upgrade Required	Estimated Cost
<b>110 Seddon St</b>				
<b>Exterior</b>				
	South west corner of Flat 4		Repair to hole in baseboard	
<b>Interior</b>				
Living	1,2,3		Paint interior walls	4,500
	2		Replace curtain tracks	50
	1,2,3,4		Replace curtains	400
	2,3		Replace carpet	3,200
Kitchen	2		Replace window roller blind	100
	1,2,3		Replace door louvres with glass	300
	2		Replace vinyl	1,200
	1,2,3,4		Install rangehood	4,000
	2		Replace oven	800
Bedroom	4		Install wall protection alongside oven	200
	1,2,3		Paint interior walls	4,500
	1,2,3,4		Replace curtains	400
	3		Replace nets	50
Bathroom	2		Replace carpet	1,600
	2,3,4		Install extractor fan	1,200
	1,2,3		Paint interior walls	4,500
				<b>\$22,500</b>
<b>114 Seddon St</b>				
<b>Interior</b>				
Living	8,9,11,12		Paint interior walls	6,000
	8,9,12		Replace curtains	300
	9,12		Replace net curtains	100
	8,9,12		Replace carpet	4,800
	9		Paint ceiling	500
	9		Paint window and door surrounds	250
Kitchen	9,12		Replace vinyl	2,400
	7,8,9,10,11,12		Install rangehood	6,000
	8,9		Replace cupboards	
	8,9,12		Paint interior walls	4,500
Bedroom	7,12		Replace curtains	200
	8,10,12		Replace nets	150
	8,9,12		Replace carpet	4,800
Bathroom	9		Replace door	200
	7,8,9,10,11,12		Install extractor fan	2,400
	8,9,10,12		Paint interior walls	6,000
	8,9		Replace vinyl	2,400
	8,9,12		Replace toilet cistern	600
	8,9		Replace toilet seat	150
	7,8		Replace laundry tub	600
	9		Replace vanity cupboard handles	50
9		Paint window sills	250	
12		Replace cabinet mirror	150	
10,11,12		Replace shower wall lining	1,500	



	11	Check for leaks in roof and replace ceiling	3,000
			<b>\$47,300</b>
<b>116 Seddon St</b>			
<b>Interior</b>			
Living	Bedsit 5	Paint interior walls	1,500
	Bedsit 6	Replace curtain tracks	100
	Bedsit 5,6	Replace curtains	200
	Bedsit 5	Replace net curtains	50
	Bedsit 2,5,6	Replace carpet	4,000
	Bedsit 1	Replace rear exterior sliding door	
	Bedsit 5,6	Paint window sills	500
	Bedsit 5	Paint ceiling	1,000
Kitchen	Bedsit 2	Replace vinyl	1,200
	Bedsit 1,2,3,5,6,Flat 4	Install rangehood	6,000
	Bedsit 5	Install wall protection alongside oven	200
Bedroom	Bedsit 5	Paint interior walls	1,500
	Bedsit 5,6	Replace curtains	200
	Bedsit 5	Replace nets	50
	Bedsit 2,5,6	Replace carpet	800
	Bedsit 5	Paint ceiling	500
	Bedsit 5,6	Paint window sills	500
	Bedsit 6	Replace curtain tracks	50
Bathroom	Bedsit 1,2,3,5,6, Flat 4	Install extractor fan	2,400
	Bedsit 5	Install towel rail	50
	Bedsit 6	Replace shower head	400
			<b>\$21,200</b>
<b>TOTAL</b>			<b>\$91,000</b>





## 4. Letter Requesting Assignment and Surrender

**MENEFY JAICHAND JORDAN**

(incorporating Nash Jordan Law)  
BARRISTERS & SOLICITORS

Partners: Anil Kumar Jaichand, B. Law (South Africa)  
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8 February 2022

Raupehu District Council  
Private Bag 1001,  
Taumarunui

By email only; [Margaret.Hawthorne@ruapehudc.govt.nz](mailto:Margaret.Hawthorne@ruapehudc.govt.nz)

Attention Margaret Hawthorne

Morning Margaret,

RE; Waimarino Rest Home Trust/Seddon Street Flats Charitable Trust and the Seddon Street flats

We act for the Waimarino Rest Home Trust and Seddon Street Flats Charitable Trust. We understand that you have recently meet with [REDACTED] on behalf of the Trusts to discuss the transfer/assignment of the current lease of the flats at 112 Seddon Street, Raetihi.

The Trust end goal is to surrender the lease of the flats at 112 Seddon Street , Raetihi back to the Ruapehu District Council. This will have to be a two step process;

1. The lease is currently in the name of the Waimarino Rest Home Trust and will have to be assigned to the new Trust, Seddon Street Flats Charitable Trust;
2. Then Seddon Street Flats Charitable Trust will surrender the lease back to the Ruapehu District Council, along with the ownership of the dayroom/bedsits currently owned by the Waimarino Resthome Trust located adjacent to the flats on the land leased from Ruapehu district Council.

Both of these steps will require approval from the Ruapehu District Council, with the next meeting scheduled to take place early in the New Year. Can you please confirm the Councils position in due course?

Yours faithfully

**JOANNA JORDAN**

**TAUMARUNUI OFFICE**

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