



MOIA21/22040397

Margaret Mechum  
[fyi-request-19144-3e5f38d4@requests.fyi.org.nz](mailto:fyi-request-19144-3e5f38d4@requests.fyi.org.nz)

Dear Margaret,

Thank you for your email on 20 April 2022 to Minister Woods requesting the following information under the Official Information Act 1982 (the Act):

*Documents and statements which articulate the government's current plan with respect to third-party (i.e. supplied by CHPs rather than Kainga Ora) social housing provision. In particular she request documents which state:*

- *The government's plan for growing third-party social provision;*
- *The government's goals with respect to third-party social housing provision;*
- *The total amount, listed by year, expended on third-party social housing provision (by category of spend i.e. IRRS expenditure, grants, loans etc) since the Labour government took office in 2017;*
- *What the primary benefits of third-party social housing provision are, and why community provision is desirable in comparison to Kainga Ora provision;*
- *Any documents which show which CHPs are non-profit vs for profit organisations;*
- *Any estimates or analysis of how much private capital (either funded by CHPs directly or in financial arrangements or partnerships with other financiers) registered CHPs have invested in housing provision since the Labour government took office in 2017;*
- *Any record of meetings (including minutes, diary entries, emails, reports) between the minister OR her officials (including departmental/ministry officials) with private financial institutions (including but not limited to banks, investment funds, private equity firms) on financing of social housing since the Labour government took office in 2017;*
- *All cabinet papers since the Labour government took office in 2017 which have a focus on third-party social housing provision.*

We have identified 17 documents in scope of your request. Some information in these documents is withheld under the following sections of the Act:

<b>Section of Act</b>	<b>Reason to withhold</b>
9(2)(a)	To protect the privacy of natural persons
9(2)(f)(iv)	To maintain the constitutional conventions for the time being which protect the confidentiality of advice tendered by Ministers of the Crown and officials
9(2)(h)	To maintain legal professional privilege
9(2)(j)	To enable a Minister of the Crown or any department or organisation holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)

9(2)(g)(i)	To maintain the effective conduct of public affairs through the free and frank expression of opinions by or between or to Ministers of the Crown or members of an organisation or officers and employees of any public service agency or organisation in the course of their duty
9(2)(i)	To protect information where the making available of that information would disclose a trade secret
18(d)	The information requested is or will soon be publicly available

The above information is summarised in the attached document schedule.

Further to the documents you can also view the government's public housing plan here: [www.hud.govt.nz/community-and-public-housing/increasing-public-housing/public-housing-plan/](http://www.hud.govt.nz/community-and-public-housing/increasing-public-housing/public-housing-plan/)

With regard to your request for *the total amount, listed by year, expended on third-party social housing provision (by category of spend i.e. IRRS expenditure, grants, loans etc) since the Labour government took office in 2017*, please refer to the “Public Homes” tab on the Government Housing Dashboard here: [www.hud.govt.nz/research-and-publications/statistics-and-research/the-government-housing-dashboard/](http://www.hud.govt.nz/research-and-publications/statistics-and-research/the-government-housing-dashboard/).

The part of your request for *any documents which show which CHPs are non-profit vs for profit organisations* is refused under section 18(e) of the Act – that the documents do not exist. However, we are aware that 57 of 67 registered CHPs are registered charities.

The part of your request for *any record of meetings (including minutes, diary entries, emails, reports) between the minister OR her officials (including departmental/ministry officials) with private financial institutions (including but not limited to banks, investment funds, private equity firms) on financing of social housing since the Labour government took office in 2017* is refused under section 18(f) of the Act – that the information requested cannot be made available without substantial collation or research.

However, the Ministry meets with the following institutions on an annual basis. These meetings are primarily to uphold relationships.

- ACC
- ASB
- Brightlight
- Community Finance
- Positive Capital
- Koau Capital Partners Limited
- New Ground Capital
- NZBuild Fund
- Watchman Capital Power Finance.

You may also be interested to know that the Ministry has a partnership with ACC and Community Housing Provider CORT. You can find out more here: [www.hud.govt.nz/about-us/news/acc-and-cort-public-housing-partnership/](http://www.hud.govt.nz/about-us/news/acc-and-cort-public-housing-partnership/).

In terms of section 9(1) of the Act, I am satisfied that, in the circumstances, the decision to withhold information under section 9 of the Act is not outweighed by other considerations that render it desirable to make the information available in the public interest.

You have the right to seek an investigation and review of my response by the Ombudsman, in accordance with section 28(3) of the Act. The relevant details can be found on the Ombudsman’s website [www.ombudsman.parliament.nz](http://www.ombudsman.parliament.nz).

As part of our ongoing commitment to openness and transparency, the Ministry proactively releases information and documents that may be of interest to the public. As such, this response, with your personal details removed, may be published on our website.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Julia Pearce', written in a cursive style.

Julia Pearce  
**Manager Policy and Legislation Design**

## Annex 1: Document Schedule

Documents refused		
Date	Title	Sections of Act applied
7 May 2021	BRF20/21040932 Follow on from the detailed discussion about the Community Housing Provider public housing opportunities register  <a href="http://www.hud.govt.nz/assets/News-and-Resources/Proactive-Releases/23.-BRF2021040932-FINAL-Follow-on-from-detailed-discussion-about-the-CHP-public-housing-opportunity-register-REDACTED.PDF">www.hud.govt.nz/assets/News-and-Resources/Proactive-Releases/23.-BRF2021040932-FINAL-Follow-on-from-detailed-discussion-about-the-CHP-public-housing-opportunity-register-REDACTED.PDF</a>	18(d)
19 May 2021	AMI20/21050528 Further information on the Community Housing Provider public housing opportunities register and engaging with the sector  <a href="http://www.hud.govt.nz/assets/News-and-Resources/Proactive-Releases/50.-AMI2021050528-Further-information-about-the-Community-Housing-Provider-Public-housing-opportunities-register-and-engaging-with-sector-REDACTED.PDF">www.hud.govt.nz/assets/News-and-Resources/Proactive-Releases/50.-AMI2021050528-Further-information-about-the-Community-Housing-Provider-Public-housing-opportunities-register-and-engaging-with-sector-REDACTED.PDF</a>	18(d)

Documents released		
Date	Title	Sections of Act applied
11 December 2020	BRF20/21110801 Role of Community Housing Providers in the delivery of housing	9(2)(a) 9(2)(f)(iv)
21 January 2021	AMI20/21010426 Community Housing Provider Round Table Tuesday 26 January	9(2)(a)
resubmitted 16 March 2021	BRF20/21010855 Implementing changes to enable Community Housing Providers to support delivery of the Public Housing Plan 2021-2024	9(2)(a) 9(2)(f)(iv)
15 June 2021	BRF20/21050980 Draft Cabinet Paper: Staged operating funding to support public housing delivery	9(2)(a) 9(2)(f)(iv)
30 June 2021	BRF20/21061016 Cabinet paper: Staged operating funding to support public housing	9(2)(a)
2 August 2021	BRF20/21071038 Approval to make early-stage payments of the Operating Supplement to support public housing delivery	9(2)(h) 9(2)(a)
4 August 2021	AMI20/21070595 Community Housing Provider Round Table Wednesday 11 August	9(2)(a) 9(2)(h) 9(2)(j) 9(2)(f)(iv)
9 November 2020	A3 Funding Settings Changes	n/a
30 June 2021	IREQ20/21060976 Responses to Ministerial Consultation on the Cabinet Paper – Staged operating funding to support public housing delivery	9(2)(a) 9(2)(j)
29 and 31 July 2020	Notes from CHP workshop on public housing funding settings	n/a
September 2020	High-level notes from engagement with CHPs	n/a
19 November 2020	BRF20/21110794 Funding Settings for Public Housing: Changes to Enable Kāinga Ora Supply	n/a

20 April 2021	BRF20/21040918 Supporting material for detailed discussion about the Community Housing Provider public housing opportunities register	9(2)(a) 9(2)(f)(iv)
3 May 2021	M/EB20/21030125 Talking Points: Discussion on how the banks can support Government Housing objectives	9(2)(a)
17 March 2021	BRF20/21030886 Community Housing Provider Regional Level Public Housing pipeline	9(2)(a) 9(2)(f)(iv) 9(2)(g)(i) 9(2)(i)



# Briefing

Role of Community Housing Providers in the delivery of housing			
Date:	21 December 2020	Security level:	In Confidence
Priority:	High	Report number:	BRF20/21110801

Action sought		
	Action sought	Deadline
Hon Dr Megan Woods Minister of Housing	<p><b>Discuss</b> with officials your view of the three identified areas for Community Housing Providers (CHPs) in delivering intermediate and public housing:</p> <ul style="list-style-type: none"> <li>a. The role of CHPs in complementing a Kāinga Ora-led Public Housing Plan (PHP)</li> <li>b. The longer term role of CHPs in delivering and/or supporting public housing</li> <li>c. CHPs' role in delivering and/or supporting intermediate housing</li> </ul>	22 December

Contact for discussion			
Name	Position	Telephone	1 <sup>st</sup> contact
Caleb Johnstone	Manager, Market and Supply Responses	s 9(2)(a)	✓
Helen Potiki	DCE, Housing and Urban Settings		
Julia Pearce	Principal Advisor, Market and Supply Responses		

Other agencies consulted
Department of Prime Minister and Cabinet (Policy Advisory Group), Kāinga Ora – Homes and Communities, Ministry for Pacific Peoples, Ministry of Social Development, Te Puni Kōkiri, The Treasury

## Minister's office to complete

<ul style="list-style-type: none"> <li><input type="checkbox"/> Noted</li> <li><input type="checkbox"/> Seen</li> <li><input type="checkbox"/> Approved</li> <li><input type="checkbox"/> Needs change</li> <li><input type="checkbox"/> Not seen by Minister</li> <li><input type="checkbox"/> Overtaken by events</li> <li><input type="checkbox"/> Declined</li> <li><input type="checkbox"/> Referred to (specify)</li> </ul>	<p><b>Comments</b></p>
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Date returned to HUD:

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# Briefing

## Role of Community Housing Providers in the delivery of housing

**For:** Hon Dr Megan Woods, Minister of Housing

**Date:** 21 December 2020

**Security level:** In Confidence

**Priority:** High

**Report number:** BRF20/21110801

### Purpose

- To provide you with advice on the future role of Community Housing Providers (CHPs) in supporting Government’s housing objectives, specifically, the 2020 Public Housing Plan and intermediate housing (sub-market rentals and progressive home ownership schemes).

### Executive summary

*CHPs have historically played a role in the delivery of intermediate housing, and have moved more recently into public and transitional housing*

- The contribution of CHPs to housing in New Zealand has changed over time. They were originally focussed on intermediate housing options, including sub-market rentals and progressive home ownership (PHO) schemes. CHPs now provide around 5,000 sub-market rentals to those who struggle in the private market and have helped around 1,000 households into home ownership through PHO schemes.
- To encourage diversity of provision, the income related rent subsidy (IRRS) and some limited capital funding became available to CHPs in 2014 for public housing provision. This led to a significant increase in public housing provision by CHPs. There are currently 58 registered CHPs providing over 9,000 public housing places or around 11 percent of total public housing stock. This is significantly less than housing stock held by CHP-equivalents in other economies.
- Central government funding has also since been made available for transitional housing, the Housing First programme, and most recently progressive home ownership (PHO) provision. Around 18 CHPs are also accredited Transitional Housing Providers (THPs), which are responsible for contracting housing, managing tenancies, and providing wrap around support services for tenants accommodated in transitional housing.
- This following table summarises the current and potential role CHPs have in their key areas of housing delivery:

Delivery	Current role	Future role
Public Housing	Current focus for the CHPs (who must become a registered CHP in order to receive IRRS funding). Delivery has been by a limited number of providers, in a relatively limited number of locations, through a large number of redirects  (See paragraphs 7- 9 below for more details).	In the Public Housing Plan (PHP), CHPs can complement a Kāinga Ora-led PHP focussing on delivering in locations with limited government presence, for specific cohort groups, and in areas where we need additional supply. Targeted changes to funding settings will support this kind of delivery.

		Future role in public housing to be decided.  (See paragraphs 10 – 12 and 14 below for more detail).
Sub-market rentals	Historic base of delivery, as well as some continued delivery although government has limited visibility of this as there is currently no government funding for CHPs.	To be decided. HUD has provided further advice on the broader build-to-rent market and on increasing affordable housing supply [BRF20/21120827 refers]
Progressive Home Ownership	Some historic delivery and some specialisation e.g. Housing Foundation and Habitat for Humanity.  Several providers are involved with the current PHO pilot.	Seek to grow the involvement of CHPs.
Transitional Housing	Significant focus for the sector due to recent Budget funding.	CHPs who are THPs will continue to play an important role in delivering transitional housing, particularly in the provision of wrap around support.
Housing Support Services	Around 12 CHPs also provide a wide range of community-based mental health, addiction, disability support, offender rehabilitation, wellbeing and housing services nationwide.	Continue delivery.
Other areas	Financing, leveraging critical resources such as land, developing and building housing affordable to low- and modest- income households under-served by the housing market and housing system.	Continue delivery.

*Recent CHP delivery has been concentrated around redirects, and mainly in large urban centres*

7. CHP public housing delivery in the last two years has been characterised by:
- a. concentrated delivery by the ten largest CHPs who provide over 80 percent of CHP public housing places.
  - b. a large number of properties redirected from the existing rental market into public housing (78 percent of CHP places delivered to date through Budget 2018 funding).
  - c. new build delivery (22 percent of CHP places delivered to date through Budget 2018) mainly in the urban centres, which is driven in part by higher market rents.
  - d. leased properties (either via build to lease or direct leasing) making up almost half of all new builds delivered by CHPs since 2017.
  - e. Māori CHP delivery of new builds from 2017 represents less than 8 percent of total CHP new build delivery and was delivered by three of the 18 registered Māori CHPs, with the majority of it being leased rather than owned.



8. However, CHPs have needed time to ramp up their delivery of new builds and have a strong new build pipeline through to 30 June 2022. CHPs' delivery of new builds through Budget 2018 is currently expected to total approximately 1,780 places over four years. This accounts for a significant portion of the 6,400 target from Budget 2018 (28%).

9. s 9(2)(f)(iv)

*CHPs can complement a Kāinga Ora-led Public Housing Plan* s 9(2)(f)(iv)

10. You are intending to release the revised Public Housing Plan (PHP) on 21 January 2021. Officials sent you a draft version of the PHP on 9 December 2020 for your consideration [BRF20/21110805 refers]. We seek your view on the role you see CHPs playing alongside Kāinga Ora, which will lead the delivery of the PHP.

11. To deliver on the PHP intentions, it is important that we lock in delivery soon, given the lead times to complete houses. The initial focus of Kāinga Ora will be delivery in locations where it can achieve scale and pace. There are several locations in our PHP delivery intentions that require Kāinga Ora to establish a presence or significantly scale up its provision, and there are some cohort groups that CHPs are well placed to be able to deliver to in a range of locations. s 9(2)(f)(iv)

a.

b.

12. Two funding settings changes are needed to enable CHPs to deliver new builds in the locations set out in the PHP. We seek your approval to proceed with these changes, which can be funded from within Budget 2020 appropriations:

- a. Addressing out of date market rent limits (maxima), which will better enable CHPs to deliver new build public housing in locations where it is identified that they can support Kāinga Ora. The outdated rent maxima which apply to CHPs (but not Kāinga Ora) means that delivery is unviable in locations where the maxima are constraining the market rent CHPs can receive by keeping it artificially low relative to rents in the private market.
- b. Allowing in limited circumstances staged funding of the operating supplement, which will be used to support delivery for specific cohort groups, including Māori and Pacific Peoples, and in target regions. The lack of access to development capital makes delivering new builds difficult, particularly for smaller and more highly leveraged providers including Māori and Pacific CHPs.

#### *Engagement with CHPs in January 2021*

13. You are intending to engage with a group of CHPs on 26 January, following the release of the PHP on 21 January. Prior to the release of the PHP, we understand you intend to make

contact with several CHPs. Officials are working with your office to facilitate the 26 January meeting.

14. CHPs will be interested in your views on their role in the future in public housing delivery. There are more significant changes to the system settings that could be made to support either a more targeted approach or CHPs having an increased role in public housing provision.
15. This could include partnerships between CHPs and Kāinga Ora, s 9(2)(f)(iv) [REDACTED] Changes are also needed over the longer term to embed MAIHI across all providers (including Kāinga Ora) and to support delivery by Māori CHPs, particularly kaupapa Māori approaches. We are not progressing work on most of these areas at the moment, but can provide further advice on this if you are interested.
16. CHPs will also be interested in their role in any delivery of intermediate housing, in particular build-to-rent and submarket rental delivery alongside emerging opportunities for PHO schemes. There could be value in CHPs providing operating in these areas, alongside their provision of public housing, as CHPs already have expertise in these areas. Māori CHPs and iwi and Māori providers are likely to have significant interest in delivering intermediate housing.
17. We have developed below some initial talking points for your discussions with CHPs which can be adapted once we understand the role you want CHPs to play:
  - CHPs have an important role to play in delivering public housing. I particularly note CHPs' strong community connections, knowledge and expertise in delivering housing which provides warm, safe, dry homes for vulnerable New Zealanders.
  - Building on these strong community connections, CHPs also are sometimes able to deliver what the public sector cannot – either in specific locations, for specific cohort groups, and with other partners.
  - I want the Public Housing Plan to be largely state-led, with the role of CHPs being to complement Kāinga Ora's delivery.
  - I see a particular key focus for CHPs as supporting Kāinga Ora by delivering new build public housing in key locations where they have limited presence, for specific cohort groups, and in locations where significant additional supply is needed.
  - I appreciate the role that CHPs have played in providing warm, safe, dry homes at sub-market rental prices, and also your delivery of a range of other housing types such as transitional housing, Housing First, and Progressive Home Ownership schemes. All of these are critical to ensuring that every New Zealander has a place to call home.
  - In particular, I see delivery of sub-market rental housing as a gap in the current market in New Zealand. I would be interested in your thoughts on how CHPs could be involved in delivering this type of housing.

## Recommended actions

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18. It is recommended that you:
  1. **Note** the expertise that CHPs hold in delivering intermediate housing (sub-market rentals and progressive home ownership schemes), alongside the role they play in delivering public housing through:
    - 1.1. providing specialised social landlord services, including tailored housing services to specific cohort groups, for example Māori CHPs providing kaupapa Māori responses aligned to MAIHI,

- Pacific Peoples, those with complex social needs, and those with disabilities
- 1.2. leveraging other resources such as existing land holdings, equity, philanthropic funds, private borrowing or existing relationships which can facilitate developments
  - 1.3. providing housing in locations where CHPs complement Kāinga Ora delivery helping to mitigate the delivery risk of a sole provider. *Noted*
2. **Agree** that CHPs will play a complementary role to Kāinga Ora in delivery of the 2020 Public Housing Plan:
- 2.1. s 9(2)(f)(iv) *Agree / Disagree*
  - 2.2. *Agree / Disagree*
3. **Agree** to the following funding setting changes to facilitate either approach agreed in recommendation 2, the costs of which can be managed from within funding appropriated in Budget 2020:
- 3.1. Remove the existing market rent maxima and replace them with rent setting guidance to enable CHPs to receive rents aligned with those in the private market. *Agree / Disagree*
  - 3.2. Allow staged funding to be provided, where necessary, to support delivery of the public housing funded in Budget 2020. *Agree / Disagree*
4. s 9(2)(f)(iv) *Noted*
5. *Agree / Disagree*
6. **Discuss** with officials your view of the three identified areas for CHPs in delivering intermediate and public housing:
- 6.1. The role of CHPs in complementing a Kāinga Ora-led Public Housing Plan
  - 6.2. The longer term role of CHPs in delivering and/or supporting public housing
  - 6.3. CHPs' role in delivering and/or supporting intermediate housing.

7. **Note** that officials are working with your office to facilitate a meeting with CHPs on 26 January to discuss their role in the delivery of the 2020 PHP, and in the future delivery of public and intermediate housing.

*Noted*



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Caleb Johnstone  
**Manager, Market and Supply Responses**

21. / 12 / 2020

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Hon Dr Megan Woods  
**Minister of Housing**

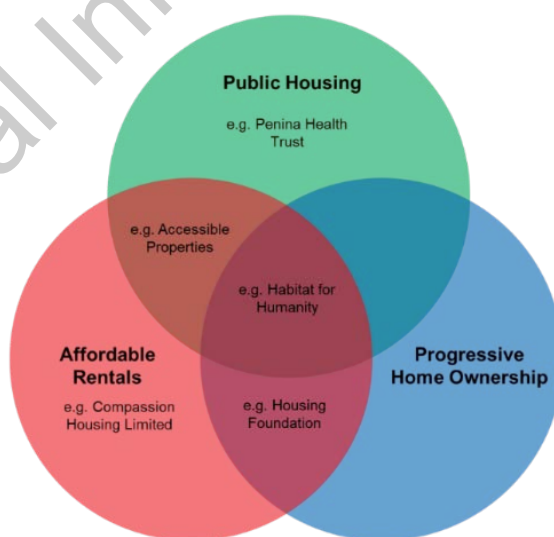
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## CHPs' current role in the delivery of intermediate and public housing

### CHPs have delivered intermediate housing for many years, including sub-market rentals and progressive home ownership schemes

19. CHPs were originally focused on providing intermediate housing. Intermediate housing includes non-profit rental housing solutions for people struggling with access in the private rental market and Progressive Home Ownership (PHO) schemes that assist households into home ownership.
20. Intermediate housing can be delivered through sub-market build-to-rent projects that are specifically built for rental purposes. Sub-market rentals provide tenants with a rent set at a proportion below market rates. It is designed to assist households who are struggling with rental costs but are not eligible or would be low priority for public housing.
21. Funding for the supply of sub-market rentals and PHO started through mechanisms such as the Housing Innovation Fund (HIF, from 2003/04) and the Social Housing Fund (SHF, from 2011). Most housing was delivered in the form of sub-market rentals as only a limited number of CHPs delivered progressive home ownership schemes.
22. Most Māori CHPs were not as active in government funded housing at the time of the SHF and the HIF, and so they were unable to access these funds and build larger portfolios of sub-market rentals. This issue has been raised in the Wai 2750 Housing Policy and Services Inquiry as an example of successive Governments being unwilling to provide the necessary finance for Māori CHPs, leading to the need to draw on other funding and financing arrangements.
23. While there were few Pacific organisations active in government funded housing, a partnership between the Tongan Methodist Church and Airedale Properties (which is a registered CHP) enabled around 30 homes for Pacific families on church land.
24. CHPs currently provide around 15,000 dwellings. We estimate that of this, around 5,000 are sub-market rentals (see Annex A for further information). Over half of CHP sub-market rentals are held by three large providers – Ōtautahi Community Housing Trust (Christchurch), Haumaruru Housing Limited Partnership (Auckland) and Accessible Properties (Tauranga). There have also been over 1,000 PHO places delivered to households, which have been mostly delivered by CHPs. Further details are included in Annex A.
25. The diagram below shows some examples of CHPs delivering different forms of housing.



26. CHPs are also involved in providing:
  - a. Around 18 CHPs are also accredited Transitional Housing Providers (THPs), which are responsible for contracting housing, managing tenancies, and providing wrap around support services for tenants accommodated in transitional housing.

- b. Around 12 CHPs provide housing services including community-based mental health, addiction, disability support, offender rehabilitation, wellbeing and housing services nationwide. This includes, for example, providing critical supports to the chronically homeless through Housing First, or helping people to stay housed and avoid homelessness through Sustaining Tenancies.
  - c. Financing, leveraging critical resources such as land, developing and building housing affordable to low- and modest- income households under-served by the housing market and housing system.
27. As market conditions have shifted, we see an increasing need for intermediate housing products to provide sub-market rental and home ownership options. This is further discussed later in this briefing.

**CHPs have increasingly moved into public housing provision as funding has become available with delivery being diverse in size, structure and place**

28. Government funding settings have shifted over the years. Funding for public housing through the IRRS became available to CHPs in 2014. This was part of a broader programme of social housing reform that included establishment of the Social Housing Unit to provide capital grant funding for new supply, and the establishment of the Community Housing Regulatory Authority. A key purpose of this reform was to diversify from a single provider of public housing. CHPs have followed this funding to a large extent.
29. There is limited government funding available for sub-market rentals, and none specifically for CHPs. Funding for intermediate housing delivered by Māori organisations is available through the Te Puni Kōkiri papakāinga programme and for Pacific organisations through the Ministry for Pacific Peoples Budget 2020 Pacific housing package. The PHO Fund provides \$400 million of funding for PHO schemes.
30. CHPs are regulated, and all but one are non-profit entities. There are now 58 registered CHPs managing over 9,000 public housing places (or around 11 percent of the total public housing stock) as at November 2020.
31. Māori CHPs make up around 30 percent of registered CHPs, and provide less than 14 percent of the total CHP public housing places. They are generally smaller organisations, with the exception of the two largest Māori CHPs that manage around 93 percent of Māori CHP provision. Around half of the primary applicants on the Housing Register as at September 2020 identify as Māori, highlighting the need to consider greater provision of kaupapa Māori approaches. There is only one Pacific CHP at present, providing 0.2 percent of the total CHP public housing places.
32. The ten largest CHPs provide over 80 percent of CHP public housing places (see table 1 below).

**Table 1: Public houses delivered by the ten largest CHPs as at November 2020**

CHP	Total public houses provided	Housing mainly delivered via	Locations delivered in
Tāmaki Housing Association Limited Partnership	2488	Leasing	Auckland
Accessible Properties Limited	1402	Ownership (via Crown transfer)	Auckland, Bay of Plenty, Waikato, Canterbury, Wellington
Otautahi Community Housing Trust	900	Leasing (from the Council)	Christchurch

Te Āhuru Mōwai Limited Partnership (Māori CHP)	894	Leasing (partnership with the Crown)	Porirua
Haumarū Housing Limited Partnership	522	Leasing (from the Council)	Auckland
LinkPeople	380	Leasing	Auckland, Waikato, Bay of Plenty, Canterbury, Wellington, Taranaki
Community of Refuge Trust	301	Ownership	Auckland
Kahui Tu Kaha Limited (Māori CHP)	275	Leasing	Auckland, Wellington, Whangarei
Monte Cecilia Housing Trust	256	Leasing	Auckland
Airedale Property Trust	250	Leasing and ownership	Auckland, Bay of Plenty, Wellington

33. The sector is dominated by smaller CHPs that manage from just over 100 places down to no places. There are 21 CHPs that currently provide no public housing, including seven Māori CHPs (see Annex B for further information).
34. There is a concentration of CHPs actively delivering in Auckland (18 providers), with a smaller number of providers actively delivering elsewhere (see Annex C for further details). Some deliver across range of regions, while others specialise in one or two regions. Māori CHPs are more likely to be operating in only one region, as their interests tend to be focussed on delivering services to their communities.

### **New Zealand CHPs are relatively small scale compared to overseas**

35. Compared to other countries with comparable CHPs sectors, CHPs in New Zealand are relatively small scale and play a smaller role in delivering affordable and public housing:
- In Australia, community housing providers received significant funding, financing, and stock transfers since 2009 to encourage the growth of the sector. They now manage around 22 percent of the public and sub-market rental stock, although this varies significantly by state.
  - In the United Kingdom, most sub-market rentals are built by Housing Associations. These Associations also play a significant role in developing and managing public housing, market rentals, and progressive home ownership schemes. As of 2015, Housing Associations held 10 percent of the entire housing stock in the country. This is significantly more than New Zealand CHPs that manage 0.7 percent. Ireland and Australia are somewhat comparable to the United Kingdom and both have significant established Housing Association sectors compared to New Zealand.
36. Indigenous CHPs in Australia provide small numbers of public houses (around 4 percent). Some states also have state owned and managed indigenous housing which provide a similar function targeted towards Indigenous households. These make up around 3 percent of public houses.

## What value do CHPs bring in providing public housing?

### CHPs can provide tailored housing services to specific groups, in locations with limited government presence, and leverage other resources

37. CHPs can play a distinct, albeit complementary, role in delivering public housing alongside Kāinga Ora. The CHP sector focuses on developing specialised social landlord skills and managing its tenancies to best meet the housing and other needs of its diverse tenant cohorts. In addition, many registered CHPs:
- are affiliated with charities (e.g. the Salvation Army, Accessible Properties (IHC), Habitat for Humanity) and/or social service providers (e.g. Emerge Aotearoa), and also deliver transitional housing or the Housing First programme.
  - provide for specific groups such as the Māori and Pacific communities (e.g. Kahui Tu Kaha and Penina Health Trust) or the disabled community (Accessible Properties Limited).
38. The added value that CHPs provide can be grouped into three main areas as outlined below.

More tailored housing services	Leveraging other resources	Locations with limited government presence
<ul style="list-style-type: none"> <li>CHPs are specialised social housing landlords and may be better positioned to support certain household types.</li> <li>CHPs can deliver housing stock sensitive to the cultural and community aspirations of populations that tend to be poorly served including for Māori, Pacific Peoples, those with complex social needs including mental health and addiction, and those requiring accessible housing.</li> <li>Many CHPs provide a range of services including transitional housing which allows for pathways between different types of housing.</li> <li>CHPs may have better relationships with and links into their community and social service providers, including through delivering transitional housing and the Housing First programme.</li> </ul>	<ul style="list-style-type: none"> <li>CHPs may have access to land e.g. those partnered with churches or iwi or Māori land trusts. They may also be able to leverage equity or private borrowing to support developments.</li> <li>CHPs may be able to access philanthropic or other capital funding that would otherwise be inaccessible to government, which could lower the size of government subsidy needed per household.</li> <li>CHPs may have better relationships with/links into communities, meaning projects face fewer hurdles and can progress faster</li> <li>CHPs often use small and mid-size contractors, a section of the construction sector not utilised by other providers</li> <li>CHPs are able to partner with developers, other CHPs, and broader housing and non-housing organisations as part of larger mixed tenure developments to leverage a wider pool of resources</li> </ul>	<ul style="list-style-type: none"> <li>CHPs are present in locations where Kāinga Ora has to scale up significantly or does not have a presence.</li> <li>CHPs may be a good fit in size and scale in smaller, local communities.</li> <li>In some regions, they could partner with Kāinga Ora to deliver on land that Kāinga Ora would otherwise be unable to develop (for a variety of reasons).</li> <li>CHPs help to mitigate risk of relying too heavily on one provider.</li> </ul>

### Public benefits include better outcomes for specific cohorts and risk mitigation in supplementing direct government provision

39. As CHPs are more likely to operate locally and have established networks across a range of social and other support services, tenants can receive a more personalised, culturally appropriate, and joined up service. Many CHPs also provide transitional housing so are well linked to a range of social service providers. CHPs may have an existing social service network through their other operations which they can leverage to start providing housing as well. Where CHPs can use their existing networks and relationships to provide housing in key locations, this would also be beneficial in supporting Kāinga Ora.



40. A more tailored and responsive service is likely to lead to higher tenant satisfaction and better long-term outcomes and wellbeing for tenants. Some limited information on CHP tenant satisfaction information was gathered by HUD in 2018/19, which anecdotally indicated that CHPs receive high levels of tenant satisfaction.
41. Alongside providing specialist services as a social housing landlord, there are also groups for whom CHPs have demonstrated expertise. These include Māori, Pacific Peoples, those requiring accessible housing or other specific social service interventions such as mental health services, and housing for young people amongst others.
42. Māori CHPs are well placed to deliver public housing with strong community connections, in a way that is consistent with MAIHI and a kaupapa Māori approach. For those linked to iwi, there is the opportunity to access whenua for housing in a range of locations. This is subject to capital availability.
43. CHPs may have the ability to deliver in locations where Kāinga Ora has a limited presence or where significant scale up is signalled in the PHP. CHPs can mitigate the risk created by having a single provider and may be able to leverage land holdings and other resources to accelerate housing supply.

## **CHP delivery of public housing since 2017**

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### **New builds are delivered by a handful of CHPs mostly in main urban centres**

44. New builds include public houses built by CHPs, those bought or developed by others and subsequently owned by CHPs, and those that CHPs lease from private investors/developers. Since 2017, most new builds have been delivered by a small proportion of CHPs with sufficient balance sheets to sustain borrowing:
  - a. Ten CHPs have delivered 80 percent of CHP new build public houses since 2017, many of which were already larger providers of public and/or sub-market rentals.
  - b. A further 16 CHPs have brought on new build public houses over this same period.
45. This is partly due to the current funding settings (discussed below) but also reflects prioritising providing people with homes to live in no matter whether in an existing or new build home.
46. Māori CHP delivery of new builds from 2017 represented less than 8 percent of total CHP new build delivery, and was delivered by 3 of the 18 registered Māori CHPs, with the majority of it being leased rather than owned (111 leased and 40 CHP owned public housing places).
47. CHP delivery is predominantly in Auckland with 67 percent of new builds between 2017 and 2020. Sizeable, albeit smaller, numbers of new builds have been delivered in the Bay of Plenty (11 percent) and Canterbury (10 percent). Very few have been delivered in other parts of the country.

### **CHPs face challenges in bringing on new build supply in a range of locations**

48. CHPs can be constrained by the level of rent they receive for public housing, their limited ability borrow to finance new builds in the absence of capital funding, and a lack of longer-term certainty from the government for ongoing investment in the sector. These factors combined with the current funding settings for CHPs have created incentives to deliver primarily in urban centres, through redirects and increasingly through leases as opposed to CHP owned homes.
49. Māori CHPs face similar challenges to increasing new build supply and provide services that meet whānau Māori needs. Feedback from the sector is that the lack of funding for capability and development are key constraints. Māori CHPs can also find the registration process difficult and have operational issues which are exacerbated by the smaller scale at which most operate. Legal requirements (such as the expectation to separate social work from tenancy services) may not align with kaupapa Māori values and principles, their organisational arrangements or with their partnership expectations.

50. Addressing these constraints together with building Māori CHP capability will strengthen the delivery of kaupapa Māori approaches. It will also build the capability of whānau, Ahu Whenua Trusts, hapū, iwi, and registered Māori housing providers to grow their housing stock and service provision.
51. Pacific CHPs and other smaller or newly registered CHPs face similar constraints and would benefit from improved access to funding for development activities. The Ministry for Pacific Peoples Improving Housing for Pacific Families and Communities initiative will provide support for Pacific organisations to become registered CHPs and assist them with business cases to determine the best options for developing their land.

### **CHP gross turnover and debt levels make it difficult for some to deliver new supply**

52. As at October 2020, 56 percent of CHPs had a relatively low gross turnover of less than \$5 million, with only three CHPs having turnover of \$50 million or more (see Annex D for further information).<sup>1</sup> This reflects that many either have small portfolios of public and/or sub-market rental housing, or no properties in the case of newly established CHPs.
53. In addition, smaller CHPs tend to be more highly leveraged. Analysis of information held on 39 CHPs showed that those with a debt-to-equity ratio of 76-100% averaged 51 public housing tenancies. Those with a ratio of 50% or less tended to average over 200 public housing tenancies. However, CHPs also operating in other areas of social service provision may require debt retention at lower levels or have assets that they are unable to leverage for further financing.
54. The combination of their low revenue and relatively highly leveraged position along with the absence of capital investment, makes it especially difficult for smaller CHPs to deliver new build public housing under the current funding settings. Banks are less likely to be interested in lending, or will only lend at higher interest rates. Some CHPs are currently using non-mainstream financial lenders to finance their activities which carry higher costs.
55. Not all CHPs report challenges with borrowing, although this may change if banks become increasingly risk averse as the economic effects of COVID-19 continue to unfold. The new Community Finance social investment bond is an important development in the community housing sector and is enabling several CHPs to deliver projects that would not be possible without low cost finance.

### **Redirects have made up a large proportion of CHP supply**

56. Redirects are public housing places that do not come through the new supply programme. This includes lease arrangements with private landlords for existing properties, or sub-market rentals converted to public housing. Redirects are made up of Crown transfers (around 25 percent), council housing (around 16 percent), the Housing First and Creating Positive Pathways programmes (around 10 percent), and other transfers (around 50 percent).
57. Of the 2,302 public housing places CHPs delivered between 2018 and 2020, 1,787 were redirects while only 515 were new builds. However, the delivery of new builds is increasing. CHPs have a strong new build pipeline through to 30 June 2022. In total we expect that

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<sup>1</sup> A CHP may not derive all or most of its turnover from its social housing business. For example, the largest CHP turnover is that of the Salvation Army (\$168.1m as at 30 June 2019), which operates a wide range of services in addition to social housing.

CHPs' delivery of new builds funded through Budget 2018 will total approximately 1,780 places over four years.

58. There can be benefits from redirects, particularly where the main priority is providing housing with minimal delays. For example, for the Housing First programme, redirecting properties from the private market can be the only viable way of housing clients immediately in the community where they choose to live.
59. Redirect properties typically cost the government less as only IRRS subsidies are provided (the operating supplement is available for net new supply only). However, redirects remove existing affordable and other rental houses from the market, which can exacerbate existing supply and affordability pressures.

60. s 9(2)(f)(iv)

61. Redirects was initially an intentional policy to build the capacity of the CHP sector. s 9(2)(f)(iv)

### Leasing is a useful option for new supply, but has some significant drawbacks

62. Since 2017, almost half of CHP new build delivery have been leased properties. Leasing is typically done in one of two ways. Either via:
  - a. build to lease arrangements where a CHP directly engages and leases from a private developer/investor
  - b. direct leasing where HUD leases from the private developer/investor and then subleases to CHPs.
63. There are some advantages to leasing models for bringing on new supply, but there are also some disadvantages to consider. These are set out Table 2 below.

**Table 2: Advantages and disadvantages of build to lease and direct leasing**

Advantages	Disadvantages
<ul style="list-style-type: none"> <li>• Can be an easy way to bring on much needed new public supply without requiring financing tools for CHPs</li> <li>• May bring on new supply quicker by leveraging private investors/developers than if only relying on CHP asset bases or government borrowing</li> <li>• Leasing of existing houses is lower cost to government than other kinds of delivery as the operating supplement is not available</li> <li>• CHPs can leverage developers' skills that the CHP does not have to replicate internally</li> </ul>	<ul style="list-style-type: none"> <li>• Leasing of existing properties (as opposed to new builds) can remove existing properties from the rental market and exacerbate existing pressures</li> <li>• Direct leasing and leasing of new properties can provide less value for money as it can have a similar cost compared to other kinds of delivery as the operating supplement is available (including delivery by Kāinga Ora) but the asset is not owned by the Crown</li> <li>• Does not grow or lock in an asset base that can be used for public housing in perpetuity, potentially creating gaps in supply as contracts end (unless a there is a right to purchase or renew)</li> <li>• Does not grow the asset base for CHPs to be able to leverage to build further public housing</li> <li>• Can create logistical issues as leases expire if tenants still need a property to live in</li> </ul>

- |  |                                                                                                                                                    |
|--|----------------------------------------------------------------------------------------------------------------------------------------------------|
|  | <ul style="list-style-type: none"> <li>• It can be more complex and riskier for CHPs as it involves additional contracts and agreements</li> </ul> |
|--|----------------------------------------------------------------------------------------------------------------------------------------------------|

64. CHPs have differing appetites for using lease models. Many prefer the build-to-own model as it increases their assets and allows them to further grow their portfolio. However, some providers do a significant amount of leasing, particularly as their ability to deliver new builds decreased when access to staged funding was removed.
65. There are potential opportunities for new, innovative leasing models, such as exploring CHP 'lease-to-own' options. This could be attractive to investors as an investment opportunity, with ownership transferring to the CHP over time. Leasing options with Kāinga Ora are also an option (discussed further in paragraph 92).
66. s 9(2)(f)(iv)

## CHPs' role in complementing a Kāinga Ora-led Public Housing Plan

### Delivering on the 2020 PHP purchasing intentions will be a significant challenge in some locations

67. You are releasing a new version of the PHP on 22 January 2021, setting out at a high level the delivery locations for the 6,000 public and 2,000 transitional houses funded in Budget 2020. This will contribute towards the Government's commitment to deliver 18,000 additional public and transitional houses by 2024. Delivery of the PHP will be led by Kāinga Ora. The PHP will provide a clear indication of the priority areas where delivery is needed.
68. To deliver on the PHP intentions, it is important that we lock in delivery soon, given the time required to complete houses. Kāinga Ora will focus initially on delivery in locations where it can achieve scale and pace, which includes main cities and key regional locations such as Whangarei, Rotorua, Gisborne and Hastings, amongst others.
69. There are several locations that require Kāinga Ora to establish a new presence or significantly scale up its provision which represents a significant challenge. For example, a significant increase over and above existing delivery is required in:
- East Coast (1300% increase, from 33 places in 18/19 and 19/20 to 470 places)
  - Central region (1000% increase, from 24 places in 18/19 and 19/20 to 270 places)
  - West Coast Tasman (800% increase, from 24 places in 18/19 and 19/20 to 160 places)
70. In some regions, such as Gisborne and Whanganui, development economics make the delivery of new builds difficult. In locations like Palmerston North and Gisborne, most recent Kāinga Ora delivery has been redeveloping existing stock, as opposed to new builds. CHPs can add value by complementing Kāinga Ora's delivery plans so delivery can progress at pace and scale, as discussed further below. In addition, there is value in exploring opportunities for Kāinga Ora to partner with other providers to deliver public housing.
71. This could include long term land leasing arrangements with CHPs, iwi or Māori providers and Pacific providers, other financing arrangements utilising lenders such as Community Finance, or exploring opportunities for Kāinga Ora to develop properties and then transfer management of the tenancy to a CHP or iwi or Māori providers or Pacific providers.
72. While partnerships for delivering public housing between iwi and Māori organisations and Kāinga Ora are in place or under development, we consider that these should be available more widely in the future to support Māori CHP provision of public housing.
73. Increasing the capability and capacity of Māori CHPs to deliver against Budget 2020 is a priority. Any additional support for Māori CHP delivery will be guided by Te Maihi o te Whare Māori – the Māori and Iwi Housing Innovation Framework for Action (MAIHI). Budget 2020 allocated \$40 million over four years to implement MAIHI across the housing continuum.

74. Building Māori housing providers capability, including Māori CHPs, is a key component of the MAIHI work programme with initial funding (He Taupua) of \$3 million announced on 5 August 2020 to strengthen the delivery of kaupapa Māori approaches and build the capability of whānau and Ahu Whenua Trusts, hapū, iwi, and Māori CHPs.
75. In addition, the MAIHI Partnership Programme offers a legitimate opportunity to examine potential housing supply in locations with a high Māori population, where Māori and iwi-led projects could provide the best solution to address the shortages of public housing.

**CHPs can best complement a Kāinga Ora-led Public Housing Plan by focussing on delivery in specific locations and for specific cohort groups**

76. We consider that there are two roles for CHPs to play in the delivery of the PHP:

a. s 9(2)(f)(iv)

b.

77. CHPs' ability to deliver new builds is currently constrained by the market rent settings and their ability to borrow. Two changes to funding settings can be made quickly and would support CHPs to deliver new builds in a wider range of locations:
- change the public housing rent setting process to enable all providers to receive a rent that is aligned with rents in the private market.
  - allow for the provision of staged operating funding in circumstances where investment is considered high value in delivering on the PHP.

*Updating market rents will support CHPs to deliver new build public housing in locations where this will complement Kāinga Ora delivery*

78. Public housing market rent maxima were last set in 2016 and have not been updated since. In several locations they are no longer aligned with actual rents, which have increased significantly in recent years. Construction costs are broadly similar across the country although market rents vary considerably. This makes it difficult for CHPs to deliver new build housing in locations where the market rent that they can receive is kept artificially low by the maxima, including in regions where a significant increase in delivery is required for the PHP.
79. An example of this is in Dunedin where the current rent maxima for a one-bedroom property is \$275 per week, while independent rent assessment for similar properties are \$430 per week. The operating supplement is available for net new supply but may not be sufficient to address the gap between artificially low market rents and the cost of new supply. The maxima also creates uncertainty with the CHP having to negotiate the rent level directly with HUD.
80. While CHPs can negotiate with HUD for rent above the maxima, this is used in relatively limited circumstances. Around 16% of CHP public housing places currently exceed the maxima, compared with around 23% of Kāinga Ora properties (which are not constrained by

the rent maxima). These are mainly in locations like Gisborne, Napier, Rotorua, and Wellington. The majority of these circumstances are due to contractual obligations for annual rent increases to be indexed to the rental CPI, terms of Crown transfers (e.g. Te Ahuru Mowai in Porirua), or for agreements in support of Housing First and other specific programmes.

81. As CHP contracts generally allow for a rent review after five years, artificially low rents (as enforced by the rent maxima) will create significant pressure on the Income Related Rent Subsidy appropriations in future years when the 2016 rents are assessed as being inadequate and a significant increase is required.
82. This may also put pressure on operating supplement appropriations. A significant increase in market rent could increase the amount of operating supplement that a CHP receives (as the operating supplement is calculated as a set percentage of market rent for the lifetime of the contract). This would not occur if rents were set to reflect market rent from the outset.
83. HUD recommends removing the rent maxima from the new PHP and replacing it with separate rent setting guidance to be developed by HUD. By providing guidance, this will remove the need for regular updates. The guidance will draw on the approach Kāinga Ora takes to set rents, include reference to bond data and private market rent valuations, and factor in the quality and amenities of a public house. If this change is agreed, officials will commence development of the guidance which will be put in place as soon as possible.
84. This would result in a more consistent approach across Kāinga Ora and CHPs. It would also align the initial rent setting more closely with the five yearly rent review process, to ensure that funding settings for CHPs are consistent across the lifetime of a public house. There is a minor operating impact of this change, which can be managed from within funding appropriated in Budget 2020 (see table 3 below).

*Staged funding in limited circumstances could support delivery in targeted regions and/or for specific cohort groups, including Māori and Pacific Peoples*

85. A lack of access to development finance is a key barrier for many CHPs in delivering new builds public housing, especially for smaller providers. Many of the CHPs seeking to deliver to specific cohort groups, for example Māori and Pacific Peoples, fall into the category of smaller providers who are highly leveraged and unable to source affordable capital elsewhere. For example:
  - a. Only three Māori CHPs have delivered new builds since 2017 totalling 150 places. Two large Māori CHPs provide over 90% of Māori CHP public housing places, while 40% of Māori CHPs have no public housing tenancies at all.
  - b. Penina Health Trust (the only specialist provider for Pacific Peoples) has been contracted to deliver just 25 new builds places in Auckland since 2017.
86. We therefore recommend that you agree to allow for staged funding of the operating supplement, in limited circumstances, where investment is considered high value for specific groups or in specific locations to deliver the PHP.
87. CHPs may be able to leverage their other resources, such as land, philanthropic funding, or financing, alongside the staged funding to get shovel ready projects underway at pace. However, there may only be limited opportunities to deliver at pace. While CHPs are expected to deliver approximately 1,780 places over four years under Budget 2018 funding, the majority of these homes are expected to be delivered in years 3 and 4.
88. Feedback from Māori CHPs indicates lack of access to staged funding to support developments and capability funding are key constraints. Although some Māori CHPs may still face constraints to borrow against whenua Māori unless bespoke solutions are found. These solutions need to involve Iwi and Māori, the Crown and the banking sector.
89. Staged funding allows for operating funding to be accessed earlier in the process and so facilitates the ability of a CHP to borrow to fund a development. It would have a minor operating impact and would also increase net core Crown debt, as funding would need to be

borrowed earlier than it is currently appropriated. Treasury has indicated Cabinet approval is required for this change.

*The fiscal impact of these changes can be managed within Budget 2020 funding*

90. The cost of these two changes is set out in the table below and can be managed from within funding appropriated in Budget 2020 for public housing delivery. As the recommended changes are directly linked to market rents, which will likely continue to increase over time, a cost pressure is expected in the 2025/26 financial year and beyond. Funding to meet this cost pressure will need to be sought in a future Budget process.

**Table 3: Fiscal impact of proposed changes**

Proposed Change	Operating Impact (over 4 years)	Debt Impact (over 4 years)
Removing rent maxima	\$3.7m	-
Staged funding	\$3.8m	\$55.5m
<b>Total impact of changes</b>	<b>\$7.5m</b>	<b>\$55.5m</b>

## CHPs' longer term role in public and intermediate housing

### Further public housing setting changes could support public housing delivery

91. CHPs will be interested in your views on their role in the future in public housing delivery, outside of the PHP. There are more significant changes to the system settings that could be made to support either a more targeted approach or CHPs having an increased role in public housing provision. Each of these areas represents a relatively significant work area. Officials are not currently progressing work on these most of these areas, but further analysis would be needed to develop advice on a preferred package of options. Officials can develop this advice, should you be interested in pursuing further work in this space.
92. These changes would support CHPs taking either a more targeted approach and could shape CHPs' future role in public housing provision. They include:
- amending regulation to enable direct capital investment in the CHP sector. This would allow for CHPs and other providers to receive capital investment to deliver the housing asset and could create a proxy-ownership interest for the Crown, enabling properties to be retained as public or sub-market rental housing in perpetuity. This is discussed further in our recent advice *Affordable build-to-rent initiative* [BRF20/21120827 refers].
  - working closely with Kāinga Ora to develop models where CHPs and other providers, including iwi and Māori providers can collaborate with Kāinga Ora to deliver public housing through things like long term land leasing or tenancy services arrangements.
  - reviewing the current regulatory framework to ensure that it achieves the government's objectives, is enabling for CHPs, including Māori CHPs delivering kaupapa Māori approaches, and recommend any necessary changes.
- s 9(2)(f)(iv)
- investigating other funding and financing options including Crown loans, underwrites or guarantees, alternative leasing arrangements such as lease-to-own arrangements, social housing bonds or equity fund. Kāinga Ora could also offer financial support through short term loans or credit support (underwrites or guarantees). Kāinga Ora is currently considering a \$20 million pilot of this approach with a financial intermediary called Community Finance and will present a proposal to you early next year. The pilot will require joint minister's approval with the Minister of Finance
93. Leasing partnerships between Kāinga Ora and iwi and Māori providers need to consider the Māori relationship with whenua and the impact of loss of control over the land. Leasing

models need to build in benefits for Māori, for example housing whānau on whenua first or contracting iwi to manage the stock. For leasing to be an option on whenua Māori, Māori must develop solutions alongside Kāinga Ora, rather than just having proposals put to them.

### **CHP expertise can contribute to meeting the growing need for sub-market rentals**

94. There is a significant emerging need to increase support for sub-market rentals. CHPs will be interested to understand what thinking is going on in government around delivery of sub-market rentals and what their role might be, given their historical expertise in this space.
95. As CHPs have increasingly moved into public housing provision as funding has become available, they have shifted away from increasing the number of sub-market rentals they offer. In addition, some sub-market rentals have been redirected into public housing. This combined with increasing rents has created a gap that CHPs and other organisations could be well placed to contribute towards.
96. Māori CHPs and iwi and Māori providers are likely to have significant interest in delivering intermediate housing. The involvement at some level of CHPs and other entities with relevant expertise, including iwi and Māori providers, in increasing the supply of sub-market rentals would be a productive way to support housing diversity and increased delivery of mixed tenure developments.
97. HUD is providing further advice on the broader build-to-rent market and on increasing affordable housing supply (including provision for intermediate housing) in early 2021 and advice on options to develop a proof of concept build-to-rent scheme in the near future.

### **Engaging with CHPs in early 2021**

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98. You are intending to meet with representatives of the CHP sector on 26 January 2021, following the release of the PHP delivery intentions on 21 January 2021. This will follow on any initial conversations you are planning to have with CHPs and CHP peak bodies (Community Housing Aotearoa and Te Matapihi) prior to the release of the PHP. Release of the PHP will generate a significant amount of interest from CHPs who will be keen to understand their role in delivery of the new public and transitional housing.
99. Officials are working with your office to facilitate the 26 January meeting with CHPs. We have suggested some initial talking points for this discussion in the executive summary of this briefing. We will provide an event briefing prior to the discussion, including updated talking points, and are happy to meet with you to discuss format or content further.

### **Consultation**

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100. Department of Prime Minister and Cabinet (Policy Advisory Group), Kāinga Ora, the Ministry for Pacific Peoples, the Ministry of Social Development, Te Puni Kōkiri, and The Treasury, and the have been consulted on this paper.

### **Next steps**

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101. Officials would be happy to meet with you to discuss the content of this paper and in your thinking on:
  - a. The role you envisage for CHPs in delivery of the 2020 PHP
  - b. The future role for CHPs in the delivery of public housing and intermediate housing
102. We will liaise with your office to support your upcoming meetings with CHPs in late January or early February 2021.

### **Annexes**

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103. Annex A: List of top 20 Community Housing Providers delivering sub-market rentals at November 2020



104. Annex B: List of Community Housing Provider Public Housing Tenancies at November 2020
105. Annex C: Map of where CHPs are delivering public housing by region
106. Annex D: CHPs' financial information

Released under the  
Official Information Act 1982

**Annex A: List of top 20 Community Housing Providers delivering sub-market rentals at November 2020**

<b>CHP</b>	<b>Approximate number of sub-market rental places provided</b>
Otautahi Community Housing Trust	1,529
Haumaru Housing Limited Partnership	930
Accessible Properties Limited	384
New Zealand Housing Foundation	301
Trust House Limited	281
Habitat for Humanity New Zealand Limited	261
Compassion Housing Limited	208
The Salvation Army	172
The Nelson Tasman Housing Trust	166
Abbeyfield NZ Inc	161
Tāmaki Housing Association Limited Partnership	159
Homes of Choice Limited	111
Whai Maia Charitable Trust	101
Tauranga Community Housing Trust (T/A Tawanui Community Housing)	90
Auckland City Mission Housing Limited	80
Queenstown Lakes Community Housing Trust	63
Wesley Wellington Mission	46
Comcare Charitable Trust	43
Stevenson Village Ltd	36
Manawatu Community Housing Trust	32

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## Annex B: List of Community Housing Provider Public Housing Tenancies at November 2020

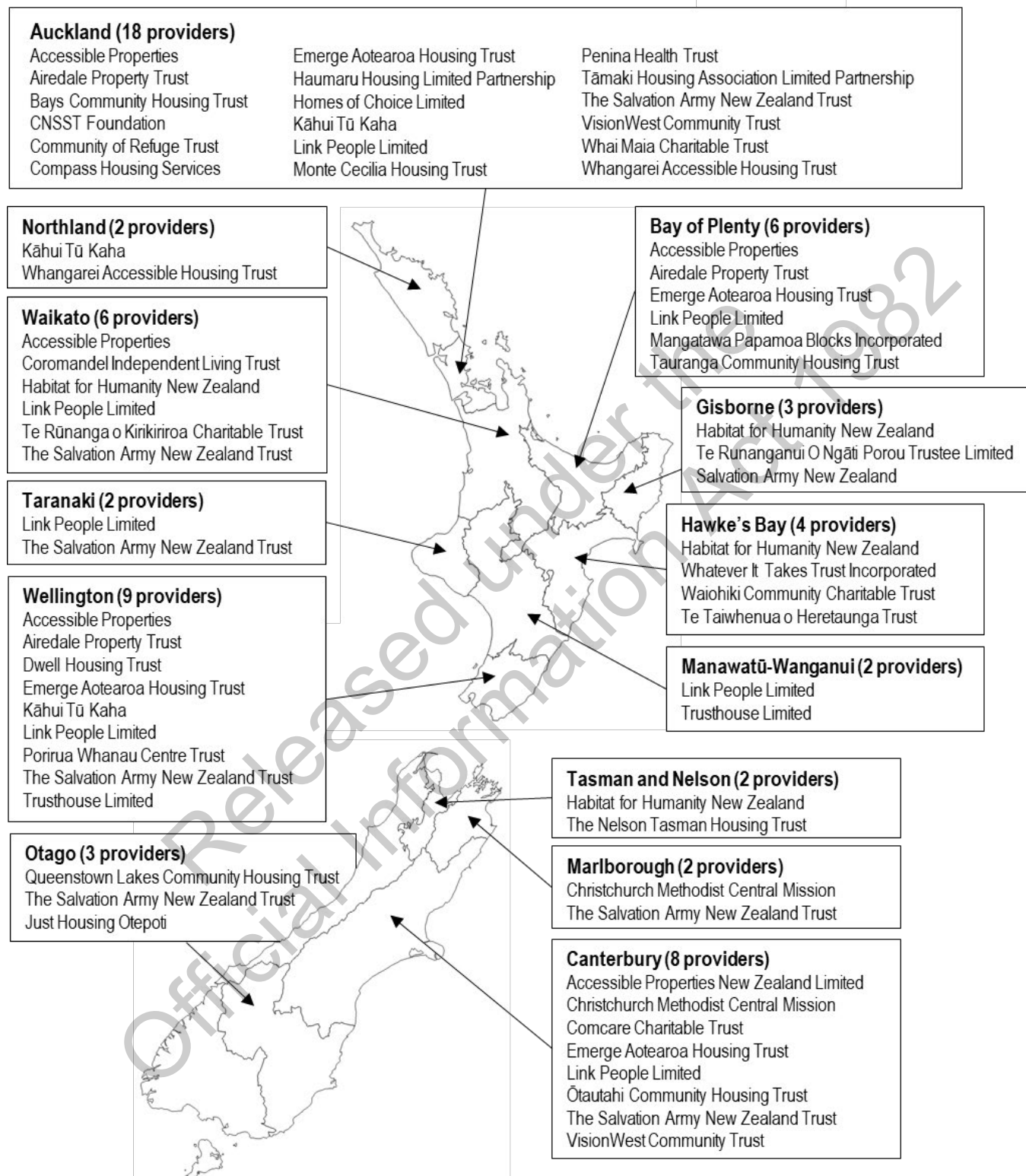
CHP	IRRS Tenancies	Location
Tāmaki Housing Association Limited Partnership	2488	Auckland
Accessible Properties Limited	1402	Auckland, Bay of Plenty, Waikato, Canterbury, Wellington
Otautahi Community Housing Trust	900	Christchurch
Te Āhuru Mōwai Limited Partnership	894	Porirua
Haumaru Housing Limited Partnership	522	Auckland
LinkPeople	380	Auckland, Waikato, Bay of Plenty, Manawatū--Wanganui, Canterbury, Wellington, Taranaki
Community of Refuge Trust	301	Auckland
Kahui Tu Kaha Limited	275	Auckland, Wellington, Whangarei
Monte Cecilia Housing Trust	256	Auckland
Airedale Property Trust	250	Auckland, Bay of Plenty, Wellington
Trust House Limited	208	Wairarapa, Manawatū-Wanganui
VisionWest Community Trust	206	Auckland, Canterbury
The Salvation Army	190	Auckland, Waikato, Gisborne, Taranaki, Greater Wellington, Marlborough, Canterbury, Otago
Emerge Aotearoa Housing Trust	166	Auckland, Bay of Plenty, Wellington, Canterbury
Compass Housing Services (New Zealand) Co Ltd.	161	Auckland
Whatever It Takes Trust Incorporated	88	Hawke's Bay
Comcare Charitable Trust	70	Canterbury
Tauranga Community Housing Trust (T/A Tawanui Community Housing)	66	Bay of Plenty
Dwell Housing Trust	60	Wellington
Christchurch Methodist Central Mission	56	Christchurch, Marlborough
CNSST Foundation	36	Auckland
Whai Maia Charitable Trust	35	Auckland
Habitat for Humanity New Zealand Limited	26	Waikato, Gisborne, Hawkes Bay, Tasman, Nelson
Queenstown Lakes Community Housing Trust	23	Otago
The Nelson Tasman Housing Trust	20	Nelson
Penina Health Trust	15	Auckland
Bays Community Housing Trust	14	Auckland
Porirua Whanau Centre Trust	14	Greater Wellington
Te Rūnanga o Kirikiriroa	13	Hamilton
Te Runanganui o Ngāti Porou Trustee Limited	11	Gisborne East Cape
Mangatawa Papamoa Blocks Incorporated	9	Bay of Plenty
Whangarei Accessible Housing Trust	8	Northland, Auckland
Homes of Choice Limited	5	Auckland
Waiohiki Community Charitable Trust	4	Hawkes Bay
Coromandel Independent Living Trust	2	Waikato
Te Taiwhenua o Heretaunga Trust	2	Hawkes Bay
Just Housing Otepoti	1	Otago
New Zealand Housing Foundation	0	
Marlborough Sustainable Housing Trust	0	
Abbeyfield NZ Inc	0	
Compassion Housing Limited	0	
Mahitahi Kainga Trust	0	
Manawa Community Housing Trust	0	
Auckland City Mission Housing Limited	0	
Modus Community Housing Limited	0	
Auckland Community Housing Trust	0	
Wesley Wellington Mission	0	
Te Whānau o Waipareira Trust	0	
Stevenson Village Ltd	0	
Te Hau Ora o Ngāpuhi Ltd	0	
Ngā Hau E Whā National Marae Charitable Trust Incorporated	0	
Ngāti Hine Health Trust	0	

Te Rūnanga o Whaingaroa	0	
Gateway Housing Trust	0	
West Auckland Living Skills Homes Trust Board - WALSH Trust	0	
Otangarei Papakāinga Ltd	0	
Manawatu Community Housing Trust	0	
De Paul House Charitable Trust Board	0	

<b>Māori CHP</b>	<b>IRRS Tenancies</b>	<b>Location</b>
Te Āhuru Mōwai Limited Partnership	894	Porirua
Kahui Tu Kaha Limited	275	Auckland, Wellington, Whangarei
Whai Maia Charitable Trust	35	Auckland
Porirua Whanau Centre Trust	14	Greater Wellington
Te Rūnanga o Kirikiriroa	13	Hamilton
Te Runanganui o Ngati Porou Trustee Limited	11	Gisborne East Cape
Mangatawa Papamoa Blocks Incorporated	9	Bay of Plenty
Waiohiki Community Charitable Trust	4	Hawkes Bay
Te Taiwhenua o Heretaunga Trust	2	Hawkes Bay
Mahitahi Kainga Trust	0	Auckland
Manawa Community Housing Trust	0	Bay of Plenty
Te Whānau o Waipareira Trust	0	Auckland
Te Hau Ora o Ngāpuhi Ltd	0	Kaikohe - Northland
Ngā Hau E Whā National Marae Charitable Trust Incorporated	0	Christchurch
Ngāti Hine Health Trust	0	Northland
Te Rūnanga o Whaingaroa	0	Northland

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## Annex C: Map of which CHPs are delivering in which locations as at November 2020



\*Note that some CHPs deliver IRRS places across multiple locations.

## Annex D: CHPs' financial information

Table 1: Registered CHP gross turnover details, November 2020

CHP gross turnover (\$)	No. of CHPs	% of CHPs
0 – 2m	19	33
2,000,001 – 5m	13	23
5,000,001 – 20m	15	26
20,000,001 – 50m	7	12
50,000,001 and above	3	5
Total	57	

Table 2: Debt-to-equity ratio for 39 CHPs

Ratio	No. of CHPs	% of CHPs measured	Total IRRS tenancies	Average IRRS tenancies / CHP
76-100%	14	36	716	51
51-75%	14	36	2083	149
26-50%	11	28	2300	209
0-25%	0	0	0	0



## Aide-memoire

Community Housing Provider Round Table Tuesday 26 January			
<b>Date:</b>	21 January 2021	<b>Security level:</b>	In Confidence
<b>Priority:</b>	Medium	<b>Report number:</b>	AMI20/21010426

Information for Minister(s)	
Hon Dr Megan Woods <b>Minister of Housing</b>	For your information.
Hon Poto Williams <b>Associate Minister of Housing (Public Housing)</b>	For your information.
Hon Peeni Henare <b>Associate Minister of Housing (Māori Housing)</b>	For your information.
Hon Marama Davidson <b>Associate Minister of Housing (Homelessness)</b>	For your information.

Contact for discussion			
Name	Position	Telephone	1 <sup>st</sup> contact
Caleb Johnstone	Manager, Market and Supply Responses		s 9(2)(a) ✓
Julia Pearce	Principal Policy Advisor	04 832 2504	
Ross Taylor	Senior Policy Advisor	04 832 2454	

Other agencies consulted

### Minister's office to complete

<input type="checkbox"/> Noted <input type="checkbox"/> Seen <input type="checkbox"/> Approved <input type="checkbox"/> Needs change <input type="checkbox"/> Not seen by Minister <input type="checkbox"/> Overtaken by events <input type="checkbox"/> Declined <input type="checkbox"/> Referred to (specify)  _____	<b>Comments</b>          
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Date returned to HUD:

\_\_\_\_\_



## Community Housing Provider Round Table Tuesday 26 January

**For:** Hon Dr Megan Woods, Minister of Housing

**Copy to:** Hon Poto Williams, Associate Minister of Housing (Public Housing)  
Hon Peeni Henare, Associate Minister of Housing (Māori Housing)  
Hon Marama Davidson, Associate Minister of Housing (Homelessness)

**Date:** 21 January 2021

**Security level:** In Confidence

**Priority:** Medium

**Report number:** AMI20/21010426

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### Purpose

1. To provide you with information to support you at your meeting with the community housing sector on how the government can work together with the sector to increase supply of public and transitional houses.

### Meeting details

2. You are meeting with Community Housing Provider (CHP) leaders on 26 January 2021 from 3 – 4pm in Beehive room 2.1.
3. There will be attendees from Community Housing Aotearoa (CHA) and Te Matapihi, alongside a range of representatives from different CHPs. Annex C sets out the people attending the meeting, and the CHP that they represent.
4. Minister Henare will also be attending the meeting. Minister Williams and Minister Davidson were invited but are not able to attend.

### Key issues

5. The Public Housing Plan (PHP) 2021 – 2024 was launched on 21 January 2021. It sets out the government's delivery intentions for the 6,000 public and 2,000 transitional houses funded in Budget 2020.
6. This meeting will provide you with an opportunity to discuss how the government can work together with the CHP sector to increase supply of public and transitional houses. CHPs will be interested in your views on their role in the PHP, and also in their role in the future in public, transitional, and sub-market housing delivery.
7. In our briefing on the Role of CHPs in the delivery of housing (BRF20/21110801 refers), we provided you with advice on the complementary role CHPs could play alongside Kāinga Ora in delivering the PHP.
8. You indicated that CHPs should focus delivery to complement Kāinga Ora delivery, particularly in locations where Kāinga Ora has a limited presence, for specific cohort groups (for example Māori and Pacific peoples), and in key locations where significant additional supply is needed. To support CHPs to play this role, you agreed to remove the existing market rent maxima and replace it with rent setting guidance and to allow for staged funding to be provided to CHPs where necessary.
9. In terms of next steps, officials will now work quickly to develop information and guidance for Kāinga Ora and CHPs on the changes to funding settings. We recommend that you inform CHPs of your decisions around the market rent settings and staged funding at the discussion.



10. There are more significant changes to the system settings that could be made to support either a more targeted approach or CHPs having an increased role in public housing provision as mentioned our recent advice on the role of CHPs in the delivery of housing [BRF20/21110801 refers].

*Issues that CHPs may raise with you*

11. CHPs will likely wish to discuss what potential changes could be made to better support their delivery. For example, in CHA's Briefing to the Incoming Minister (BIM), which they shared with us on 17 December, they mention the following areas of interest:
  - a. Developing a New Zealand Housing Strategy Act to provide a long-term vision for housing, grounded in housing as a human right.
  - b. Enhancing the community housing regulatory framework, including adjustments for Māori and Pacific housing organisations, and clarifying whether for profit entities should be able to become registered as Social Landlords under the Public and Community Housing Management Act (PACHMA). Some of their members also have concerns around some of the reporting requirements of PACHMA<sup>1</sup>.
  - c. Resolving capital constraints for the sector through more sector-led initiatives like the housing bonds issued by Community Finance.
  - d. Updating market rents to standardise rent settings across CHPs and Kāinga Ora.
  - e. Alternative funding mechanisms, including Crown subordinated loans<sup>2</sup>, adjustments to the Operating Supplement (such as staged funding), Crown guarantees, access to all-of-government constructions rates and standard designs, and greater use of standard head leasing arrangements.
12. You may be aware of the alternative financing solutions which CHPs have been accessing recently, for example the \$40 million investment Community Finance has made with the Salvation Army (see Annex D for further information) or the \$50 million CORT Community Housing partnership with ACC. The CORT/ACC partnership also resulted in changes to the financing terms in our contracts. These changes were wanted by CHPs and are an added benefit to the work done to progress this partnership. It would be worthwhile seeking the views of CHPs on the wider applicability of these types of financing for the sector.
13. Kāinga Ora is currently considering a \$20 million pilot investment with Community Finance and will present a proposal to you in the near future. The pilot will require joint ministers' approval, with the Minister of Finance.
14. Kāinga Ora has also been working on other collaborative opportunities; for example, a partnership with Haumarū Housing (in Auckland) where Kāinga Ora will build the public housing development and then lease to Haumarū under a long term lease. Haumarū will tenant the development with IRRS clients. HUD will support the project with a long term capacity services agreement.
15. In its BIM, CHA also note a strong interest in ending reliance on Emergency and Transitional Housing and request that these areas be regulated through the CHRA regulatory framework. While not having a specific regulatory framework for Transitional and Emergency Housing currently:
  - Providers of Transitional Housing are already required to receive Social Services Accreditation, which provides an independent assurance that social service providers

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<sup>1</sup> While not being entirely clear what reporting requirements they are referring to, we assume that CHA is referencing issues under discussion with the Community Housing Regulatory Authority (CHRA). Four of the 58 registered CHPs are reluctant to provide their full, unredacted Board minutes to CHRA, as required for its annual regulatory monitoring process. CHRA continues to discuss the issue with the CHPs concerned, and CHA. We understand that at least some of these are Māori CHPs where housing sits within a wider representative iwi or hāpu structure and matters are dealt with in combined meetings.

<sup>2</sup> Similar to those offered through the Housing Innovation Fund and the Social Housing Fund.

can deliver safe, quality services to New Zealanders. However, these requirements are not in place for Emergency Housing providers.

- HUD is also in the early stages of developing advice to Ministers on a potential code of practice for Transitional and Emergency Housing Providers. This will set out the government's expectations of providers and is intended to improve protections for tenants in these types of housing, as they are exempt from the Residential Tenancies Act. CHA has been involved in early discussions on this work, which is being led by Minister Davidson, and HUD will continue to involve CHA in discussions as the work progresses.

16. In addition, many providers are interested to understand why the government is prepared to pay significantly more for temporary housing places when funding is not being made available to CHPs to provide permanent housing solutions.
17. CHPs may also be interested in their role in any delivery of intermediate housing, such as build-to-rent, submarket rentals, and Progressive Home Ownership schemes.
18. We have attached some initial talking points as Annex A that we suggest you proactively raise during the meeting, and some potential questions and answers as Annex B that you could use for various issues that may be raised.

### **Risks and sensitivities**

19. CHPs may have been expecting to be consulted on the PHP and accompanying factsheets before their release. CHA has indicated it will release a media statement on the PHP. It will also be interested in the next steps following the release and how CHA and its members will be involved.

### **Next steps**

20. There may be some areas that you want to request further information from CHPs on following the meeting. Officials will follow up with your office on this, if necessary, to help with facilitation.

### **Annexes**

21. Annex A: Talking Points
22. Annex B: Potential Questions and Answers
23. Annex C: List of Invited Community Housing Providers
24. Annex D: Alternative Financing Mechanisms

### Public Housing

- It's been difficult for many people over the last 12 months as COVID has affected us in ways we could not have predicted.
- I want to thank you for the hard work that you and your organisations have done this past year to support people into homes during these challenging times.
- I'm also acutely aware of how decades of under-investment in public and affordable homes has led us to where we are today. The shortage of houses is a critical issue for New Zealand and remains a key priority for this Government to fix.
- CHPs have an important role to play in delivering public housing. I particularly note CHPs' strong community connections, knowledge and expertise in delivering housing which provides warm, safe, dry homes for vulnerable New Zealanders.
- Building on these strong community connections, CHPs can sometimes deliver what the public sector cannot – either in specific locations (like Masterton), for specific cohort groups (such as large, multigenerational Pacific families in South Auckland), and with other partners.
- As you know, the Public Housing Plan 2021-2024 was released last week. Our new plan sets out the Government's public and transitional housing supply intentions for the coming four years.
- Our expectation is that these new places are predominantly new builds, thus increasing New Zealand's overall housing stock, with a focus on ensuring housing is delivered in a range of locations where there is significant need, particularly in our regions.
- I want the Public Housing Plan to be largely state-led, with the role of CHPs being to complement Kāinga Ora's delivery, or where a bespoke housing solution is needed.
- Māori CHPs and iwi and Māori housing providers will also be key partners in ensuring successful delivery of the houses we need, for example the recent transfer of Kāinga Ora housing

stock to Te Āhuru Mōwai Limited Partnership (Ngāti Toa) in Porirua.

- This will mean a particular key focus for CHPs in delivering new build public housing in key locations where Kāinga Ora has a limited presence, delivering for specific cohort groups (for example Māori and Pacific peoples), and delivering in locations where significant additional supply is needed.
- Over the coming months Te Tūāpapa Kura Kāinga - the Ministry of Housing and Urban Development will be working with Kāinga Ora, iwi and Māori groups, Community Housing Providers and local authorities, to firm-up new supply in areas where Kāinga Ora doesn't have an existing footprint or where a bespoke solution may be needed.
- To support this role for CHPs, I'm pleased to let you know about two specific changes I've agreed to funding settings:
  1. I've asked my officials to replace the market rent maxima with guidance on appropriate rent setting levels for CHPs. More details on this will be available soon.
  2. I also recognise the capital constraints CHPs face in delivering public housing and so have asked officials to consider, in specific circumstances, the availability of staged Operating Supplement funding. More details on this will be available soon. The circumstances in which it will be considered are likely to be focussed around delivery in key locations where Kāinga Ora has a limited presence, and delivering for specific cohort groups.
- I received your Briefing to the Incoming Minister and noted your points in particular around the need for funding setting changes.
- I'm interested that you mention the access to existing land holdings that CHPs may have. Can you tell me more about which CHPs have land and where it's located?
- I've been very interested to see the innovative partnerships CHPs have been developing with organisations such as Community Finance and ACC. Where the government can complement these or partner, we are open to considering this. Are there other opportunities in this space that you're aware of?

- Can you tell me more about the challenges and solutions you see for Māori and Pacific CHPs in delivering public housing at the moment?

## **Intermediate Housing**

- I appreciate the role that CHPs have played in providing warm, safe, dry homes at sub-market rental prices, and also your delivery of a range of other housing types such as transitional housing, Housing First, and Progressive Home Ownership schemes. All of these are critical to ensuring that every New Zealander has a place to call home.
- In particular, I see delivery of sub-market rental housing as a gap in the current market in New Zealand. I'd be interested in your thoughts on how CHPs could be involved in delivering more of this type of housing.
- We're committed to using all available levers to get more housing built, including public and affordable housing and I look forward to working with CHPs to make that happen.
- What do you see as the options for progressing delivery in this space? What do you see as the role for CHPs in delivering this type of housing?

## Annex B: Potential Questions and Answers

Question	Potential Answer
<p>You say that the PHP is 'state led'. What percentage of the new numbers will be delivered by CHPs?</p>	<p>My expectation is that a large majority will be delivered by Kāinga Ora as it has the scale, land, and resources available to deliver against the Public Housing Plan.</p> <p>In terms of what percentage, we have deliberately moved away from percentages to a place-based approach. This means that we will work out who is best placed to deliver in any area.</p> <p>CHPs will be an important part of that delivery. I expect that there will be increasing collaboration between Kāinga Ora, CHPs, and iwi and Maori providers, like we are already seeing with the recent transfer of stock from Kāinga Ora to Te Āhuru Mōwai Limited Partnership (Ngāti Toa) in Porirua.</p>
<p>Does this mean that you won't be considering further CHP developments in Auckland and Christchurch?</p>	<p>I understand that both Kāinga Ora and CHPs have strong pipelines of projects coming on in Auckland and Christchurch over the next few years.</p> <p>However, other areas of high demand have very limited pipelines. I think it's about ensuring we have the right homes in the right places.</p> <p>This doesn't mean we won't explore new proposals in Auckland and Christchurch. But as we already do, we'd need to look at what other developments are already planned and where these are to ensure we achieve a good spread across the areas most in need.</p>
<p>What are the next steps now that the PHP has been released? How and when will CHPs be involved?</p>	<p>As we've indicated, the next step is Te Tūāpapa Kura Kāinga - the Ministry of Housing and Urban Development to build on the partnerships we already have to work with Kāinga Ora, Community Housing Providers, iwi and Māori groups, and local authorities to firm-up who will deliver what and where.</p> <p>Our intentions through the PHP reinforces this Government's investment in public housing and confirms that we are on track to deliver over 18,000 extra places by 2024.</p>
<p>We understand that the plan is premised on new builds – does that mean you won't be considering redirects anymore?</p>	<p>As we all know, we need to increase supply generally, that's why we are focused on new builds. I agree with the BIM that CHA provided me with, which highlighted this as an issue.</p> <p>Of course, in limited circumstances, for example for Housing First where there may be few options, we need to consider redirecting existing properties to become public housing places. But I expect this to not be the primary way that public housing is brought on through the Public Housing Plan 2021 – 2024.</p>
<p>Why weren't our 3000 houses included in the CIP process</p>	<p>Alongside the CIP process, CHPs were able to move quickly to put together a list of potential shovel ready housing projects. I appreciate the time and effort put into developing this list.</p> <p>In Budget 2020, we secured further funding for 8000 new places, which sat alongside the funding from the CIP process. This more than doubled the funding available for new public housing. HUD has considered the list and I note that a number</p>

	<p>of the projects on the shortlist CHA put forward have been approved or are in the approval process right now.</p>
<p>Why is the government prepared to pay significantly more for temporary housing places when funding is not being made available to CHPs to provide permanent housing solutions?</p>	<p>I agree we need to ensure people have long term warm, dry, safe homes. The Budget 2020 funding for public housing represents a significant investment in permanent homes. However, it is important that we provide housing for a range of people in different situations.</p> <p>Ensuring we have short-term accommodation available means that individuals and families who don't have anywhere to live and have an urgent need get a place to stay until a more permanent solution is found.</p> <p>Some of the changes we're introducing e.g. market rent guidance and staged funding, should unlock the ability of CHPs to access funding to deliver permanent as well as temporary housing solutions.</p>
<p>What are you going to do to better support Māori and Pacific housing organisations to deliver housing?</p>	<p>Māori and Pacific CHPs, iwi and Māori housing providers are critical partners in supporting delivery of the PHP.</p> <p>As you are likely aware, this government is working to address housing inequalities for whānau Māori through implementing Te MAIHI o te Whare Māori – the Māori and Iwi Housing Innovation Framework for Action (MAIHI). MAIHI provides both urgent and long-term responses to address critical gaps for Māori in mainstream housing solutions, taking a 'respond, review, reset' approach across the housing sector that places Māori Treaty partners at its centre. I do recognise that changes are also needed over the longer term to embed MAIHI across all providers (including Kāinga Ora).</p> <p>As I've mentioned, I've also agreed that staged Operating Supplement funding can be made available where necessary to support the role of CHPs in delivering the PHP. I understand this will be beneficial for Māori and Pacific CHPs, as well as others.</p> <p>In addition, I understand that further changes could be explored to support delivery by Māori CHPs, particularly kaupapa Māori approaches, and to support delivery by Pacific CHPs. I'd be interested in your perspectives on what other changes are needed, and this is something I have asked my officials to provide me with further advice on.</p>
<p>Will you look to develop a New Zealand Housing Strategy Act to provide a long term vision for housing, grounded in housing as a human right?</p>	<p>The Government Policy Statement on Housing and Urban Development (GPS-HUD) will communicate the Government's long-term vision for the housing and urban development system, to help build consensus on what New Zealand wants for the future, and to help align the different players to ensure we get there. I expect that the GPS-HUD will provide this Government's vision for housing, which is similar to what you have proposed through a New Zealand Housing Strategy Act.</p> <p>Some of you will already have been involved with the HUD initial workshops to understand the context and issues the GPS will need to cover. Consultation on a draft GPS will happen this year with the GPS being approved later in 2021.</p>

<p>Why did you not consult with the CHP sector on the PHP before launching it?</p>	<p>As we need to move quickly to deliver at the scale required to meet the PHP, we wanted to provide an early indication of the government's purchasing intentions. The PHP we released on Jan 21<sup>st</sup> does this.</p> <p>As we've indicated, the next step is working with Kāinga Ora, iwi and Māori groups, Community Housing Providers and local authorities, to firm-up who will deliver what and where. The PHP will evolve over time – we want it to be a living document that is more reflective of actual dynamics of public and transitional housing need in different locations.</p>
<p>Are you supportive of clarifying CHPs not for profit status with CHRA? What about our concerns around reporting requirements?</p>	<p>I understand that you have some concerns about for-profit entities becoming registered as Social Landlords under PACHMA and receiving funding to deliver public housing. Can you tell me more about your primary concerns with the current situation?</p> <p>If you have concerns about how the regulatory reporting requirements are operationalised, I'd encourage you to discuss these with the Community Housing Regulatory Authority, if you've not done so already, to consider whether operational changes are appropriate to address your concerns.</p> <p>I understand that reporting requirements may be a particular issue for Māori CHPs. I understand that CHRA is presently working through this issue with the CHPs concerned and I hope it will soon be resolved.</p>
<p>What is the role of government in sector-led initiatives like the housing bonds issued by Community Finance?</p>	<p>I am really encouraged to see the innovation going on in the CHP sector through initiatives like the CORT/ACC deal and Community Finance. I would like to see more of these opportunities being developed and realised. Where the government can complement them or partner, we are open to considering this.</p>
<p>Is the government interested in the provision of affordable rentals/Build to Rent? What role do you see CHPs playing in delivering this type of housing?</p>	<p>I see delivery of sub-market rental housing as a gap in the current market in New Zealand. I'd be interested in your thoughts on how CHPs could be involved in delivering this type of housing.</p>
<p>To what extent is the government open to regulating Emergency and Transitional Housing through the CHRA regulatory framework?</p>	<p>We all want to ensure that the emergency and transitional housing provided is of high quality. The regulatory framework for CHPs may not be quite appropriate, however, for the role that transitional and emergency housing providers play. This does not mean that a linked or similar regulatory framework is off the table though.</p> <p>I also note that providers of Transitional Housing are already required to receive Social Services Accreditation, which provides an independent assurance that social service providers can deliver safe, quality services to New Zealanders. I understand you have also been involved in early discussions with HUD around the development of a code of practice for Transitional and Emergency Housing Providers and look forward to your helpful contribution to this work as it develops.</p>



	Can you tell me more about your concerns here and how you'd see emergency and transitional housing being able to fit into the CHRA regulatory framework?
Will you still support us to bring on supply through leased properties?	I agree that in places where build-to-own models are challenging to progress, and where Kāinga Ora also faces significant delivery challenges, leasing is a useful way to bring on new supply to address the growing need in that place. However, my preference in general would be to ensure that homes are retained in public housing in perpetuity.

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Official Information Act 1982

## Annex C: List of Invited Community Housing Providers

Provider Name	Contact	Position
CORT	Peter Jeffries	CEO
Emerge Aotearoa	Hope Simonsen	National Housing Manager
Compass Housing Limited	Bernadette Pinnell	GM
Te Rūnanga o Kirikiriroa	Yvonne Wilson	Housing Manager
Te Rūnanganui o Ngāti Porou (TRONPnui)	Anne Huriwai	Chief Executive
Whai Maia Charitable Trust 1 (Ngati Whatua Orakei)	Anahera Rawiri	Head of Culture and External Relations
Accessible Properties Limited	Greg Orchard	Chief Executive
Otautahi Community Housing Trust	Cate Kearney	Chief Executive
Christchurch Methodist Central Mission	Jill Hawkey	Executive Director
Penina Trust	Roine Lealaiauloto	Chief Executive
The Salvation Army New Zealand Trust	Major Campbell Roberts	Director
Monte Cecilia	Bernie Smith	Chief Executive
Te Āhuru Mōwai Limited Partnership	Lisa Bishop	Community and Partnerships manager
Kāhui Tu Kaha Limited	Barbara Browne	Chief Executive
Otangarei Papakāinga Limited	William Kaipo Martin Kaipo	Programme Manager CEO
Ngāti Hine Health Trust	Geoff Milner Jason Webber	Chief Executive Chief Financial Officer
Te Matapihi	Jen Deben Ali Hamlin-Paenga	Lead Advisor CEO of Kahungunu Whanau Services
Community Housing Aotearoa	Scott Figenshow	CEO

## **Annex D: Alternative Financing Mechanisms**

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### **Community Finance and the Salvation Army**

Community Finance was established in 2019 with capital from five key stakeholders: The Lindsay Foundation, The Tindall Foundation, The Matua Foundation, Christian Savings, and the Wilberforce Foundation. It provides low cost finance to CHPs to build new, safe and affordable homes.

Community Finance is a platform for impact investors to purchase community bonds. Bonds are issued for specific projects and created through the establishment of a stand-alone, ring-fenced investment vehicle. This ensures investors are protected from other projects that Community Finance manages.

Bonds are only open to 'Wholesale Investors' as definition under the Financial Markets Conduct Act 2013. Bond proceeds are transferred through the platform to qualifying borrowers called "Project Providers". A Project Provider, such as a CHP, must be able to provide sufficient security to support the loan, meet a commercially standard credit assessment, be appropriately managed, and demonstrate strong governance. Loans are set to match the term of the bonds so that, at the expiry of the bond, the loan can either be refinanced or investments rolled over for a fresh term.

The Salvation Army Community Bond is the first project by Community Finance. It is a total investment of \$40 million to finance three public housing developments in Auckland (in Royal Oak, Westgate and Flatbush). This will deliver 118 new, warm, dry and secure houses for families without homes.

The Community Bond is a fixed interest, 5-year impact investment yielding 2.30% per annum. It delivers investors a sound investment return and social impact. Investors in this project include Foundation North and Generate KiwiSaver Scheme.

Kāinga Ora is currently considering a \$20 million pilot of this approach with Community Finance and will present a proposal to you in the near future. The pilot will require joint minister's approval with the Minister of Finance.

### **CORT and ACC Partnership**

ACC is partnering with CORT Community Housing to fund, build and manage 100 new public homes in Auckland. ACC has agreed to invest \$50 million to initiate the joint venture and CORT will oversee the development and management of the new high-quality dwellings. The approved public housing developments will be supported by the Income Related Rent Subsidy for up to 25 years.

This initiative is actively supported by HUD. HUD worked with ACC and CORT to develop a public housing product and set of terms and conditions that involve project finance from ACC, to enable the delivery of these homes. This joint venture provides a framework that other long-term investors and CHPs may wish to use.

The joint venture between ACC and CORT means a new company will be formed, with each organisation owning half of the shares. The company will build the developments, and CORT will lease the properties off it and take responsibility for the houses and tenants.

The 100 properties funded by the joint venture will be spread across the city in 10 to 20 unit blocks. Each of the developments, once underway, were expected to take between 18 months and two years to complete.



# Briefing

<b>Implementing changes to enable Community Housing Providers to support delivery of the Public Housing Plan 2021-2024</b>			
<b>Date:</b>	16 March 2021	<b>Security level:</b>	In Confidence
<b>Priority:</b>	Medium	<b>Report number:</b>	BRF20/21010855

<b>Action sought</b>		
	<b>Action sought</b>	<b>Deadline</b>
Hon Dr Megan Woods Minister of Housing	Agree to the recommendations in this briefing.	23 March 2021

<b>Contact for discussion</b>			
<b>Name</b>	<b>Position</b>	<b>Telephone</b>	<b>1<sup>st</sup> contact</b>
Brad Ward	DCE Place-based Policy and Programmes	s 9(2)(a)	✓
Anne Shaw	DCE Housing Supply, Response and Partnerships		✓
Naomi Stephen-Smith	Manager, Market and Supply Responses		

<b>Other agencies consulted</b>
The Treasury, the Ministry of Social Development, the Department of the Prime Minister and Cabinet and Kāinga Ora – Homes and Communities

## Minister's office to complete

<input type="checkbox"/> Noted <input type="checkbox"/> Seen <input type="checkbox"/> Approved <input type="checkbox"/> Needs change <input type="checkbox"/> Not seen by Minister <input type="checkbox"/> Overtaken by events <input type="checkbox"/> Declined <input type="checkbox"/> Referred to (specify)  <hr/>
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<p><b>Comments</b></p>          
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Date returned to HUD:

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## Briefing

### Implementing changes to enable Community Housing Providers to support delivery of the Public Housing Plan 2021-2024

**For:** Hon Dr Megan Woods, Minister of Housing

**Date:** 16 March 2021

**Security level:** In Confidence

**Priority:** Medium

**Report number:** BRF20/21010855

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#### Purpose

1. This briefing responds to your requests for further information on:
  - a. the additionality criteria for the involvement of Community Housing Providers (CHPs) in the delivery of the Public Housing Plan 2021-2024 (PHP)
  - b. further information on how staged funding for CHPs could be implemented
  - c. an approach to progressively reduce the number of existing properties redirected into public housing
  - d. the role of leasing in delivering the PHP.

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#### Executive summary

##### Additionality Criteria

2. You have been clear in your discussions with CHPs that you see their role in delivering the PHP being to complement state-led delivery. CHPs should focus on where they can bring additionality; i.e. new build public housing delivery over and above what Kāinga Ora – Homes and Communities (Kāinga Ora) would otherwise be able to deliver. We seek your agreement to a set of additionality criteria to provide guidance to CHPs about what additionality means, as follows:
  - a. Where a CHP is able to leverage land to progress development opportunities at pace and/or scale, including in areas where significant supply is needed.
  - b. In locations where Kāinga Ora has a limited presence, has no delivery intentions or delivery would be slower than that which can be provided by a CHP.
  - c. Where a CHP will target a particular cohort group (such as Māori families or Pacific families) and/or meet a certain need for individuals or households who would not otherwise be as well catered for through Kāinga Ora delivery (such as those with disabilities or multigenerational families).
3. Any proposal coming through from CHPs would need to meet at least one of the above criteria at the initial assessment phase to be progressed for further consideration. Te Tūāpapa Kura Kāinga – The Ministry of Housing and Urban Development (HUD)'s regular assessment and approval processes will continue to apply, including consideration of place-based need and delivery ranges set out in the PHP.

## Early stage funding criteria and approval processes

4. You agreed that staged Operating Supplement (OS) funding could be made available in limited circumstances to support the delivery of new build public housing places by CHPs for the PHP. Where a CHP proposal has met at least one of the additionality criteria and staged funding is required for the project to proceed, the CHP can apply to HUD for a portion of the OS to be paid in early stage payments. In assessing an application, amongst other criteria, HUD will consider:
  - a. what other options for accessing upfront funding have been explored by the CHP
  - b. where funding has been approved, or is being sought, from other Crown sources
  - c. how the proposal aligns with the supply intentions in the PHP, place-based need, and other supply opportunities in the same location
  - d. how effectively the risks associated with providing early stage funding can be managed through contractual measures e.g. through encumbrances or other tools.
5. We seek your agreement for applications for early stage funding to be considered and approved by HUD, consistent with the existing funding approval delegations for public housing development opportunities. This would be a change from the current situation where approvals for upfront funding are considered and approved jointly by the Ministers of Housing and Finance. HUD will keep Ministers informed through regular reporting on the use of early stage funding.

## Progressively reducing redirects

6. You asked for further advice on an approach to progressively reduce the number of existing properties redirected into public housing. The broader objectives of funding committed through Budget 2020 are to increase housing supply and support the economic recovery from COVID-19. While redirects can be delivered quickly and increase CHP holdings, they do not add new housing and remove existing homes from other parts of the market, exacerbating supply and affordability pressures.
7. We seek your agreement to the following approach which, based on recent delivery, will result in approximately 300 fewer redirects being delivered per year:

Type of redirect	Recommended approach
Housing stock from the private market	Stop from 1 October 2021
Existing CHP stock	Allow at a reduced level through applying a cap per provider from 1 October 2021

8. There are a number of public housing places funded separately through programmes with a housing and support component such as Housing First, Rapid Rehousing, and Creating Positive Pathways. We propose that HUD continues to accept redirects for these programmes where there are no alternative public housing options. HUD will make changes to the way we report on delivery as these places will not contribute to the 6,000 places funded through the Budget 2020 housing supply initiative.

## Circumstances where leasing is appropriate for CHPs

9. You agreed that CHPs can continue to deliver public housing places through leasing where CHPs cannot deliver via build-to-own models in places where Kāinga Ora faces significant delivery challenges. You requested further discussion on leasing opportunities for CHPs.
10. HUD's preference is generally to incentivise a build-to-own models. Changes have been made to the funding settings to support this. However, we consider that build-to-lease and direct leasing can be useful depending on the circumstances in particular regions.
11. For leasing to be considered, we recommend that it first meet at least one of the additionality criteria. Beyond this, leasing should be considered where early stage funding is

not sufficient to enable a build-to-own proposal and where a CHP or another provider is unable to otherwise deliver build-to-own models. There may also be circumstances where a unique opportunity is made possible through leasing arrangements and there is a good reason to consider that proposal.

## Recommended actions

12. It is recommended that you:

1. **Agree** that HUD will require all proposals for new public housing supply from CHPs to meet at least one of the following additionality criteria as a part of the initial assessment process: *Agree / Disagree*

1.1. Where a CHP is able to leverage land to progress development opportunities at pace and/or scale, including in areas where significant supply is needed.

1.2. Where a CHP can deliver in locations where Kāinga Ora has a limited presence, has no delivery intentions or delivery would be slower than that which can be provided by a CHP.

1.3. Where a CHP will target a particular cohort and/or meet a certain need for individuals or households who would not otherwise be as well catered for through public housing delivery.

2. **Agree** that any exceptional or innovative proposals that do not otherwise meet the additionality criteria will require approval by the Minister of Housing on an ad hoc basis. *Agree / Disagree*

3. **Note** that where a CHP proposal has met at least one of the additionality criteria, the CHP will be able to apply to HUD for a portion of the Operating Supplement to be paid in early stage payments with a number of other criteria also being considered. *Noted*

4. **Agree** the authority currently delegated to approve CHP development opportunities should also be applied to approve opportunities that meet HUD criteria to receive early stage funding: *Agree / Disagree*

Whole of life cost (\$)	Delegated authority
Up to 5.0m	Manager Housing Supply
Up to 20.0m	Deputy Chief Executive Housing Supply, Response and Partnerships and Chief Financial Officer
Over 20.0m	Chief Executive

5. **Discuss** with the Minister of Finance an increase in net core Crown debt of up to \$55.0m over four years due to providing early stage funding for new build developments. *Agree / Disagree*

- |     |                                                                                                                                                                                                                                                                                                                            |                         |
|-----|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|
| 6.  | <b>Agree</b> that redirecting housing stock from the private market does not align with the objectives of funding committed for additional public housing places and will be stopped from 1 October 2021.                                                                                                                  | <i>Agree / Disagree</i> |
| 7.  | <b>Agree</b> that redirecting existing CHP stock (including stock from Council transfers or other sources) can continue at a reduced level to be set by HUD through an annual cap per provider from 1 October 2021 that takes into account supply intentions in the PHP, place-based need, and other supply opportunities. | <i>Agree / Disagree</i> |
| 8.  | <b>Agree</b> that some public housing places currently defined as redirects are outside the scope of this advice and should continue to be accepted where public housing places support priority programmes (such as Housing First, Rapid Rehousing and Creating Positive Pathways) and have separate IRRS funding.        | <i>Agree / Disagree</i> |
| 9.  | <b>Note</b> HUD will improve transparency in reporting on public housing delivery by reporting separately on the delivery of redirects to support priority programmes, as these places will not contribute to the 6,000 places funded through the Budget 2020 housing supply initiative.                                   | <i>Noted</i>            |
| 10. | <b>Agree</b> that new build leasing opportunities can be considered where CHPs are unable to otherwise deliver build-to-own models and where staged funding is not sufficient to enable a build-to-own proposal.                                                                                                           | <i>Agree / Disagree</i> |
| 11. | <b>Agree</b> that both direct leasing and build-to-lease opportunities can be considered for funding.                                                                                                                                                                                                                      | <i>Agree / Disagree</i> |
| 12. | <b>Agree</b> that homes newly completed for the private market and then leased for public housing would not be considered through either direct leasing or build-to-lease.                                                                                                                                                 | <i>Agree / Disagree</i> |
| 13. | <b>Agree</b> that unique new build leasing opportunities can be considered where there is a good reason to do so.                                                                                                                                                                                                          | <i>Agree / Disagree</i> |
| 14. | <b>Refer</b> a copy of this briefing to the Minister of Finance, for his information.                                                                                                                                                                                                                                      | <i>Agree / Disagree</i> |




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Naomi Stephen-Smith  
**Manager, Market and Supply Responses**

16/03/2021

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Hon Dr Megan Woods  
**Minister of Housing**

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## Background

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13. You released the Public Housing Plan 2021-2024 (the PHP) on 21 January 2021. The PHP provides information about the location and number of an additional 8,000 public and transitional housing places that will be delivered by June 2024. It focuses on building new houses with Kāinga Ora leading the delivery.
14. Implementation will take a deliberate, place-based approach informed by the Māori and Iwi Housing Innovation Framework for Action (MAIHI), requiring collaboration with our partners in the community to develop and deliver joined-up local solutions where the need for public housing and other housing responses is urgent. MAIHI promotes kaupapa Māori and whānau-centred approaches to enable delivery by Māori, with Māori, for Māori.
15. In our advice from late 2020 [BRF20/21110794 and BRF20/21110801 refer], you agreed to the following to support delivery of the PHP:
  - a. the Operating Supplement (OS) cap be increased from 90 to 100 percent of market rent outside the main centres
  - b. HUD, in certain circumstances, has the discretion to approve a percentage of OS over and above the OS cap where satisfied that priority new supply would be delivered
  - c. HUD has the discretion to approve the OS for Kāinga Ora new supply in Auckland where satisfied that priority new supply would be delivered
  - d. that CHPs would focus on delivery in locations where CHPs can complement Kāinga Ora delivery, in key locations where significant additional supply is needed, or for specific cohort groups
  - e. to replace the existing market rent maxima with rent setting guidance
  - f. to allow for staged operating funding to be provided, where necessary
  - g. that CHPs can continue to deliver public housing places through leasing where CHPs cannot deliver via build-to-own models in places where Kāinga Ora faces significant delivery challenges.
16. You requested further advice on how to progressively reduce the number of redirects used to deliver public housing, and the circumstances for which CHPs can continue to deliver public housing places through leasing arrangements.

## The role of CHPs in delivering additionality

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17. As you indicated to CHPs in your engagement with them on 26 January, CHPs' contribution to the PHP will be to complement Kāinga Ora's delivery by focussing on demonstrable additionality, over and above what the Government would otherwise be able to deliver. To provide certainty both to guide HUD's investment decisions and help CHPs focus their efforts, we will provide guidance about what demonstrating additionality means.
18. In practice, we see these criteria being integrated as part of the initial assessment process when a CHP approaches HUD with a development opportunity. When the CHP submits the initial information on a proposal to HUD for consideration, they would need to demonstrate compatibility with at least one of the additionality criteria before the proposal can proceed through the formal application process for funding.
19. The following sets out the criteria we propose to use to define additionality:
  - a. **Where a CHP is able to leverage land to progress development opportunities at pace and/or scale, including in areas where significant supply is needed.**

This could include, for example where CHPs have existing land holdings therefore providing clear additionality to what would otherwise be delivered. Land holdings could include whenua Māori and investment opportunities for Māori CHPs, and iwi and Māori housing providers. Delivery under this criteria could be considered in main

urban locations where significant supply is needed and we want to deliver at pace and scale, as well as in the regional centres and smaller towns.

While we will still consider CHP delivery in the main urban locations, this is likely to be at a much lower level than currently. This will affect some of the large CHPs e.g. CORT, Ōtautahi Community Housing Trust, and Accessible Properties, who have delivered significant numbers of new build public housing places in Auckland and Christchurch in recent years.

**Place-based examples of how this criteria would apply**

**Opportunity A1 – leasing opportunity in Auckland**

A CHP has a leasing opportunity in South Auckland for 25 new build 2 and 3 bedroom units. HUD's initial assessment is that while the opportunity is able to be delivered within existing settings, it will fail to meet the additionality criteria, unless it provides for a target cohort. Kainga Ora is well placed to deliver units of a similar size in the same location. HUD would not progress with the opportunity as currently presented.

**Opportunity A2 – build-to-own opportunity in Auckland**

A CHP has land in South Auckland for 12 new build places, half of which will be larger 4 and 5 bedroom homes. The CHP has a focus on supporting Pacific families. The CHP needs to borrow to finance the development and is looking for a 25 year contract with HUD.

HUD considers this opportunity meets the additionality criteria relating to land and target cohort and is worth progressing. HUD could consider providing some early stage funding if the CHP cannot access the full amount required from other sources.

**b. In locations where Kāinga Ora has a limited presence, or has no or slower delivery intentions.**

This could include, for example, where Kāinga Ora does not have an office and is not intending to commence delivery; where Kāinga Ora has land but does not find it economic to progress with a build; or where Kāinga Ora has plans to deliver but not until towards the end of the PHP period.

The value add of CHPs in this type of delivery is that they may be able to leverage existing local networks and relationships that allow them to deliver in a key location and/or much sooner than Kāinga Ora is able to deliver. This would include areas where Māori CHPs operate and are able to bring forward proposals potentially involving whenua Māori and utilising existing community networks. We would mainly envisage this occurring in the regional centres and smaller towns.

**Place-based example of how this criteria would apply**

**Opportunity B – large scale direct leasing in Whangārei**

A CHP has approached HUD with an opportunity to partner with a developer on a large direct leasing opportunity for 50 units in Whangārei, Northland. The CHP is looking to achieve a level of scale for its operations in this location. Kainga Ora is aware of the project and in principle has no issue with the proposed development due to the significant demand in Whangārei. The developer is also offering to build and lease a further 9 units to the CHP and to have some form of transfer of ownership of these units at the end of the 10 year term – to build the CHPs balance sheet.

HUD considers this opportunity meets the additionality criteria relating to location (having considered other opportunities to meet housing need) and is worth progressing.

- c. **Where a CHP will target a particular cohort and/or meet a certain need for individuals or households who would not otherwise be as well catered for through Kāinga Ora delivery.**

These CHPs have greater flexibility to deliver bespoke solutions best suited to the communities they serve, thus optimising tenants' abilities to retain secure tenure.

This could include, for example, delivery for Māori, Pacific peoples, multigenerational families, older people, those in severe housing deprivation, those with disabilities or other specific housing requirements. This could include delivery for these groups in the main urban locations as well as in regional locations.

**Place-based example of how this criteria would apply**

**Opportunity C – build-to-own development in regional town**

A recently registered Kaupapa Māori CHP focussed on delivering tailored housing solutions for Māori is interested in purchasing land and expanding in Northland in a location where Kāinga Ora has no pipeline of new supply. The CHP is looking to access some funding to support initial feasibility studies on the development from another Crown source such as Te Puni Kōkiri for a 20 unit development.

HUD considers this opportunity meets the additionality criteria relating to the target cohort and is worth progressing. HUD could consider providing some early stage funding if required to get the development over the line.

20. There may also be some other limited circumstances where an opportunity could be considered, for example, an innovative delivery model such as the ACC/CORT deal, or a key partnership opportunity in a key location. Where HUD is made aware of an opportunity in this category, we recommend that such opportunities be brought to the Minister of Housing for a decision on an ad hoc basis.

**Place-based example of this would apply**

**Opportunity D – New build for short and long term supply**

A CHP and developer has a new build opportunity for 30 units in Central Auckland where the CHP will have ownership of the units delivered. The proposal is to enter an initial 3-7 year contract for transitional housing. At the end of this period an option is to convert this supply to long-term public housing.

HUD would likely advise that this opportunity meets the additionality criteria as innovative housing delivery/a key partnership opportunity to support short term transitional housing supply targets while providing flexibility for longer term public housing requirements.

If this was a leasing opportunity, it would be more likely fail to meet the innovative delivery/key partnership criteria as there is less certainty around the longer term opportunity for a partnership with the CHP and Kāinga Ora is well placed to deliver public housing in this location.

21. If a proposal is progressed to the draft and the formal application stage, decisions will then be made as per the usual approval processes including considering other existing and planned developments in a region and wider contextual information will still be applied.
22. We envisage that there may be a need to refine the additionality criteria over time as we get better information about how delivery is progressing in the various regions, and the need, opportunities and challenges that are arising. We will report back to you should we propose to alter the additionality criteria to ensure that any changes are consistent with your view of the role for CHPs in delivering the PHP.

## Process for how and when CHPs can receive early stage operating funding

23. You have agreed that HUD can offer early stage OS funding to CHPs in limited circumstances where investment is considered high value to support delivering the public housing funded in Budget 2020 [BRF20/21110801 refers].
24. Where a CHP proposal has met at least one of the additionality criteria, and early stage funding is required for the project to proceed, the CHP will be able to apply to HUD for a portion of the OS to be paid in early stage payments. Our view is that early stage funding will be particularly helpful for enabling proposals considered to be high value to proceed where the CHP has been able to access a portion of the development capital required but needs a top up to get over the line.
25. In assessing an application, amongst other criteria, HUD will consider:
  - a. What other options for accessing finance have been explored by the CHP
  - b. Where funding has been approved, or is being sought, from other Crown sources
  - c. How the proposal aligns with the supply intentions in the PHP, place-based need, and other supply opportunities
  - d. How effectively any risks associated with providing early stage funding can be managed through contractual measures.
26. Simply meeting these criteria would not guarantee that a proposal receives staged funding. HUD's standard process for considering and approving IRRS and OS funding for CHP developments would still apply. This would enable HUD to approve paying a portion of the OS under a tailored agreement in one or more lump sum payments when milestones are reached during the planning and construction stage.
27. HUD will apply a cap on the portion of the OS which can be provided at an early stage for each application. Our costings to estimate the increase in net core Crown debt are based on an assumption of an average of 50% of the OS being made available, so we propose to use this as the general cap.
28. Implementing staged funding will require HUD to assess and mitigate risk as funding will be paid before a housing asset is completed. In the past, this has often been achieved via establishing encumbrances on projects to secure the Crown's investment. There has been some resistance from CHPs to this approach in the past, but it could be used again. Where delivery is occurring in locations where CHPs have smaller balance sheets and/or where whenua Māori is involved, some thought will need to be given to how this risk can be mitigated in an appropriate way.

### There are options for the level of approval needed for early stage operating funding

29. Currently, proposals for staged operating funding are jointly approved by the Minister of Housing and the Minister of Finance. This has been practical for the extremely low number of applications involving staged funding. We expect to receive a much higher number of proposals with the changes to funding settings.
30. We recommend that the current delegated authority to sign-off CHP development opportunities could be applied to opportunities that include early stage funding.

#### Current delegations for CHP developments:

Whole of life cost (\$)	Delegated authority
Up to 5.0m	Manager Housing Supply
Up to 20.0m	DCE Housing Supply, Response and Partnerships and Chief Financial Officer
Over 20.0m	Chief Executive

31. To ensure you have visibility over the number of projects and the level of early stage funding approved, we propose that HUD provides you with a quarterly update. The information provided would include: CHP name, location of the development, details about the development (number of places, housing typology and features, expected delivery date), amount and details of early stage funding, and details on how the development aligns with the criteria for early stage funding.
32. Subject to your agreement to apply the current delegations we would seek joint Ministerial approval from the Minister of Housing and the Minister of Finance:
  - a. where a project might be sensitive or create a new precedent
  - b. where more than 50 percent of the OS is needed in early stage funding for the project to proceed.
33. In addition, if the total amount of early stage funding sought across all projects exceeded the impact on net core Crown debt indicated, we will report back to you for further direction on whether and how to progress with any future applications.

### **Impact on net core Crown debt**

34. Providing early stage payments changes the timing of payments but does not change the overall whole of life cost to the Crown of a development. However, it does affect net core Crown debt as it involves paying out expenditure that would normally be spread across the life of a contract (often 25 years) before or during the development of a new build project.
35. We estimate that up to \$55 million of early stage funding would be paid to CHPs up to June 2024, with a corresponding increase in net core Crown debt. Treasury has advised Cabinet approval is required for this change. However, given the relatively small scale of the increase in net core Crown debt, you have indicated that you will discuss the impact on net core Crown debt with the Minister of Finance. Supporting information can be provided for the discussion, if needed.
36. If the total amount of early stage funding sought across all projects is reaching the estimated \$55 million, we will report back to you for further direction on whether and how to progress with any future applications.

### **Progressively reducing the number of redirects in delivering the PHP**

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37. Redirects are broadly CHP housing places that do not come through HUD's new supply programme. They are largely delivered when existing houses (mainly affordable rentals) are converted to IRRS funded public housing places. Redirects were seen as a way to build capacity and an asset base for CHPs when IRRS was initially extended to CHPs in 2014/15. While recent CHP public housing delivery has been characterised by a large number of redirects, CHPs have needed time to ramp up their delivery of new builds and now have a strong new build pipeline over the next few years.
38. In December 2020 you noted HUD's intention to progressively reduce the number of redirects delivered, and that further work was needed to develop an implementation approach [BRF20/21110794 refers]. This advice on an implementation approach does not cover Kāinga Ora buy-ins, or transfers of housing stock from councils to Kāinga Ora, as this is not within the scope of this paper and should be considered separately.
39. Our recommended approach to reducing redirects takes account of the various types of CHP redirects set out in the following table.

## Types of CHP Redirects

Type	Description and rationale	Number of places, 1 July – 31 Dec 2020
<b>WITHIN SCOPE OF ADVICE – CHANGES PROPOSED</b>		
<b>Existing housing from the private market</b>	<p><b>Properties provided by CHPs through lease arrangements with private landlords</b></p> <p>This can be used to bring on public housing supply quickly but doesn't increase housing supply overall and removes stock from the private market.</p>	149
<b>Existing CHP stock</b>	<p><b>Stock transferred from Councils</b></p> <p>Eligibility for the IRRS was not extended to councils in 2014 but there was an understanding that Councils could establish arm's length CHPs or transfer stock to existing CHPs and support the growth of the sector (e.g. Ōtautahi Community Housing Trust and Haumaru Housing).</p> <p>Stock transferred to CHPs can be converted to public housing when the sitting tenant leaves and an applicant on the Housing Register is housed.</p>	159
	<p><b>CHP stock from other sources</b></p> <p>Some CHPs have stock that has been donated, purchased, used for the wider mission of the CHP, or funded through the Social Housing Unit Fund. This stock may have been used for affordable rental housing or for another purpose.</p> <p>It can be converted to public housing when a tenant leaves and an applicant on the Housing Register is housed.</p> <p>In some situations an existing CHP tenant is assessed as being eligible and the place is converted to public housing (further advice to be provided on this by April 2021).</p>	64
<b>OUTSIDE SCOPE OF ADVICE – NO CHANGE PROPOSED (see paragraphs 56-57)</b>		
<b>Places for programmes with IRRS appropriations</b>	<p><b>Housing First</b></p> <p>Principles of the programme include providing housing quickly and consumer choice. Private market housing is used where there are no existing or new build public housing available.</p> <p>IRRS funding was appropriated through Housing First Programme in Budgets 2018 and 2019.</p>	202
	<p><b>Rapid Rehousing</b></p> <p>This follows the same principles of Housing First, with housing and support services for those with low to medium support needs.</p> <p>IRRS is funded through the Aotearoa Homelessness Action Plan.</p>	64
	<p><b>Creating Positive Pathways (CPP)</b></p> <p>Existing houses are used where there is no existing or new build public housing available. CPP relies on clients being housed without delays in the community of their choice.</p> <p>CPP was funded in Budget 2018.</p>	19
	<p><b>Other services</b></p> <p>There are a small number of other services with IRRS funding delivered through other agencies, such as the Ministry of Health.</p> <p>No places have been delivered yet, but we anticipate 20 places by June 2021, and up to 100 places over four years.</p>	Not yet started

40. Properties transferred between Kāinga Ora and CHPs (which are currently counted as CHP redirects) are not included in the table as the stock was already used for public housing prior to the transfer (e.g. the 894 properties in Porirua transferred from Kāinga Ora to Te Āhuru Mōwai in 2020). These types of transfers do not impact the total number of public housing places overall, do not remove stock from the private market, and were already receiving IRRS funding.
41. Leased new builds are not included either, as these places generally come through HUD's new supply programme and are discussed in the leasing section of this paper.

### Approach for reducing CHP redirects

42. The broader objectives of funding committed through Budget 2020 are to increase housing supply and support the economic recovery from COVID-19. While redirects can be delivered quickly and increase CHP asset holdings, they remove existing affordable or other houses from the market, which can exacerbate supply and affordability pressures. Continued use of redirects in delivering the PHP reduces the funding available for new build supply.
43. We recommend the following approach is applied from 1 October 2021:

Type of redirect	Recommended approach
Housing stock from the private market	Stop from 1 October 2021
Existing CHP stock	Allow at a reduced level through applying a cap per provider from 1 October 2021
Places for services and programmes with IRRS appropriations (e.g. Housing First, Rapid Rehousing, Creating Positive Pathways)	Outside scope of advice – no change proposed (see paragraphs 56-57)

### Stopping redirects of housing stock from the private market from 1 October 2021

44. We recommend no longer accepting any redirected housing stock from the private market from 1 October 2021. Stopping redirects will have the biggest impact, will be straightforward for HUD to administer and will provide the sector with certainty around the government's purchasing intentions.
45. We considered bringing the date further forward, for example to 1 July 2021, but do not recommend this as it does not allow sufficient time to engage with the sector. The recommended date provides the sector with approximately six months' notice before the change takes effect.
46. Another option would be to align the date with Budget 2020 funding, and stop this type of redirect from 1 July 2022. However, it would mean the change would not take effect for 15 months and would reduce the impact of the change.
47. We considered whether there would be merit in taking steps to reduce the number of redirects already within CHP portfolios, which would decrease the overall portion of redirects within the public housing stock over time at a quicker rate. This would need to occur as tenancies end so that tenants are not displaced. Our view is that managing down the overall number of redirects could be considered where the provider lease expires and either the tenancy ends, or the tenant can be provided with suitable alternative public housing.
48. There are a few risks from stopping redirects of housing stock from the private market entirely:
  - a. It could lead to short term supply gaps in some locations where there is no established new supply pipeline, or the pipeline is not sufficient to meet supply intentions. This risk can be mitigated as the changes you approved to funding settings to support providers to deliver new build supply are implemented and take effect.

HUD could consider bringing rent setting changes intended for Budget 2020 delivery forward where this might help to address supply gaps and can be achieved within the annual budget.

- b. There may be a few locations where it takes longer to establish a new supply pipeline and redirecting houses from the private market is the only option for delivering public housing supply in the short term. Should this be the case HUD would report back to you on place-based need, steps that have been taken to establish a new build pipeline and advice on an approach. For example, this could involve setting a cap per provider on the number of redirects that will be accepted. Redirects and the cap would remain in place until a pipeline is developed and new build delivery is underway.
  - c. Redirects not accepted by HUD may be diverted to transitional housing at a greater cost due to the support services that are provided. HUD can mitigate this through our approach to deliver transitional housing places.
49. Subject to your agreement to this approach, HUD would retain the option of considering exceptions on a case by case basis after 1 October 2021 in very limited circumstances; for example, a short term arrangement to redirect properties from the private market to enable a redevelopment on CHP land.
50. Few CHPs deliver a significant number of redirects from the private market, but those that do could respond negatively to this change. This can be managed through appropriate communications to the sector and a six-month lead in time for implementation. CHPs will then have the opportunity to adapt their operating models as necessary and mitigate their potential risks.

#### ***Reducing redirects of existing CHP stock by applying a cap from 1 October 2021***

51. While stopping redirects of existing CHP stock would achieve the benefits set out in paragraph 44, our view is that there is benefit in reducing but retaining some redirects on an ongoing basis:
- a. It would align with expectations established at the time CHPs became eligible to receive the IRRS
  - b. It would mitigate any negative response from CHPs with affordable rental stock, including around tenant equity issues, if the option of housing applicants from the Housing Register when properties become vacant and receiving IRRS was removed
  - c. Stopping this type of redirect completely would remove the incentive for councils to transfer stock to CHPs and could increase pressure on Kāinga Ora to enter into separate agreements with councils.
52. Subject to your agreement to continue to accept a reduced level of redirects of existing CHP stock, HUD would set an annual cap per provider effective from 1 October 2021 that takes into account supply intentions in the PHP, place-based need, and other supply opportunities. An alternative timeframe would be to push the date back to 1 July 2022 to align with Budget 2020 funding, although this would reduce the impact of the change.
53. Establishing a cap would be worked through with CHPs with housing stock transferred from Councils: Haumarū Housing, Ōtautahi Community Housing Trust and Accessible Properties Limited.<sup>1</sup> Based on recent delivery, up to 20 other CHPs with affordable rental portfolios may want to retain the option of redirecting small volumes of existing stock when it becomes vacant. HUD would also work with these providers to set an annual cap.

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<sup>1</sup> In the six months from 1 July to 31 December 2020, Haumarū Housing redirected 94 properties, Ōtautahi Community Housing Trust redirected 56 properties and Accessible Properties redirected 9 properties which were ex-Council stock.



54. In some situations an existing CHP tenant is assessed as being eligible and the place is converted to public housing (“sitting tenant redirects”). We will provide you with further advice on this situation in April 2021.
55. We do not consider there is a benefit in having a different approach depending on the origins of CHP stock (i.e. stock from councils or from other sources, such as donated and purchased properties) as there is no material difference in the type or quality of stock, and some CHPs have stock from both sources.

### **HUD considers some redirects are outside the scope of this approach because they have no impact on Budget 2020 funding for additional public housing places**

56. HUD proposes to continue to accept redirected properties that are used for programmes that have IRRS funding appropriated separately. This includes Housing First, Rapid Rehousing, Creating Positive Pathways and other services funded through the Aotearoa Homelessness Action Plan. The reasons for this include:
  - a. not allowing redirects would cause delays to housing clients and significantly reduce the effectiveness of these programmes
  - b. as the IRRS component is funded separately from the Budget 2020 initiative for public housing supply, these places will not count as delivery towards the 6,000 additional places.
57. HUD will make changes on how we publicly report redirects against PHP delivery to improve transparency in our reporting. From 1 July 2021 we will report on programme redirects separately to public housing places delivered through Budget 2020 funding.

### **Impact and next steps**

58. We estimate that if you agree to stop redirects from the private market there would be a reduction of approximately 300 redirects each year. This is based on recent delivery as there is no pipeline of redirect supply. This is the minimum reduction we can expect as it does not take account of a reduction relative to recent delivery in the number of redirects of existing CHP stock. There may be opportunity to further reduce the number of redirects through the work being completed on sitting tenant redirects.
59. Based on the new supply pipeline, HUD is confident that reducing redirects will not impact on providers’ ability to deliver 6,000 additional public housing places by June 2024.
60. Subject to your agreement to the approach for redirects, HUD will work with the sector to inform providers of the approach along with the changes you recently approved to funding settings to help overcome challenges CHPs face in delivering new build housing:
  - a. removing rent maxima so CHPs can receive a true market rent
  - b. increasing the percentage of OS available outside the main centres
  - c. enabling the OS to be provided in early stage payments for some new build developments.

### **Circumstances where leasing is appropriate for CHPs**

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61. CHPs have more actively sought leasing opportunities and these have made up almost half of CHP new build delivery since 2017. In addition, some CHPs have setup business models focusing solely on leasing models, such as Compass Housing.
62. A lack of capital is likely a contributor to this increase in leasing, although we understand some CHPs prefer leasing for a range of reasons, such as to avoid refurbishment costs. We anticipate that making early stage funding available is likely to reduce CHPs’ focus on leasing.

63. Leasing of new builds primarily comes in one of two ways:
- a. Build-to-lease – where a CHP leases new builds from a private developer/investor. Leases generally involve a pre-lease arrangement at the design stage, meaning the CHP can influence the design of the public houses.
  - b. Direct leasing – where HUD leases from the private developer/investor and then subleases to a CHP. These projects are completed ahead of the sublease arrangement between HUD and the CHP.
64. Leasing uses developers' skills and resources to deliver at pace, without requiring a CHP to secure finance. Developers can find this attractive due to the long-term security of the lease. However, there are disadvantages in that leased properties:
- a. do not lock in public housing in perpetuity (unless there is a right to purchase or renew)
  - b. may create gaps in supply or logistical issues if still tenanted as contracts end
  - c. do not grow CHPs' assets, which could otherwise be used to bring on further supply.
65. There are a few variations on the leasing model, and the pros and cons of each of the different leasing models are set out in the table below.

Type	Pros	Cons
Build-to-lease	<ul style="list-style-type: none"> <li>• Contracts with CHPs can be cancelled if there is no demand for public housing in a specific location.</li> <li>• Less complex for HUD as it is not party to the lease and the CHP bears the financial risk.</li> </ul>	<ul style="list-style-type: none"> <li>• It is shorter term supply than direct leasing, normally 10 to 15 years.</li> <li>• It can be riskier for CHPs as it involves additional contracts and agreements.</li> <li>• It is unlikely to incentivise regional investment due to risk of the investor being stuck with a property in a slow housing market at the end of the term.</li> </ul>
Direct Leasing	<ul style="list-style-type: none"> <li>• It is longer term supply than build-to-lease, normally 15 to 25 years.</li> <li>• Reduces risks to developers as contracting directly with HUD, which delivers housing where it would not otherwise been possible.</li> <li>• Developments are at a larger scale than other projects.</li> <li>• Direct leasing partners are well resourced and can bring significant capital to direct leasing projects.</li> <li>• Brings on substantial development experience that helps mitigate delivery risk on larger projects.</li> </ul>	<ul style="list-style-type: none"> <li>• Higher cost than build-to-lease, as more favourable OS settings needed to attract capital investment at scale.</li> <li>• More complex than other funding models, requiring developers or investors to be of a higher standard.</li> <li>• Financial risk is borne by the Crown as the head lease of properties. A number of CHPs are reluctant to sign a sub-lease for the full length of the lease.</li> </ul>

66. You previously agreed that CHPs can continue to deliver public housing places through leasing where CHPs cannot deliver via build-to-own models in places where Kāinga Ora faces significant delivery challenges and requested further advice on how this would work.
67. Build-to-lease and direct leasing can be useful models depending on the circumstances in particular regions and recommend that they both remain as options for leasing. For leasing to be considered, we recommend that it must first meet at least one of the additionality criteria (as set out in paragraph 19). Beyond this initial criteria, leasing could be considered:
- a. where staged funding is not sufficient to enable a build-to-own proposal and

- b. where a CHP or another provider is unable to otherwise deliver build-to-own models.
68. Simply meeting these criteria would not guarantee that a leasing proposal would either be approved or move on to the application stage. Consideration will need to be given to the regional needs and pipeline for public housing, as well as other existing approval criteria. If a leasing proposal does progress to the application stage, standard approval processes and consideration by HUD's internal assessment panels would still apply.
69. While not commonplace, we consider that leasing of recently completed homes where a CHP has not previously engaged with the developer to lease these properties for public housing should not be considered for funding. This does not align with the objectives for Budget 2020 delivery and adds little additional value. It can bring on public housing stock quickly, but it removes private market stock which exacerbates supply shortages.
70. There may be circumstances where a unique opportunity is made possible through leasing arrangements and there is a good reason to consider that proposal. For example, this could include:
- a. where an iwi or a church wants to make land available for public housing but will not sell the land to a CHP
  - b. in a location where long-term demand for public housing is uncertain and leasing could provide necessary flexibility for CHPs interested in delivering in that location.
71. We recommend that HUD retains the option to consider and approve these kinds of unique opportunities through leasing arrangements.

### **We intend to explore build-to-lease-to-own models**

72. Build-to-lease-to-own models would see CHPs take ownership of leased properties for public housing after the lease period ends. Such models are being developed by some CHPs. The ACC and CORT limited partnership with CORT as the provider and asset manager and ACC as the lender, provides another potential model. ACC provided a \$50 million convertible loan, which is ultimately held in equal shares by ACC and CORT. As a party to the Limited Partnership, CORT benefits through sharing any capital uplift over the term of convertible loan.
73. HUD will commence work to develop a replicable model that CHPs could use for leasing opportunities that would still ensure that assets are retained for public housing at the end of the lease. We will provide you with advice on how this model could work later in 2021.

### **Risks**

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74. We anticipate some CHPs raising concerns with the additionality criteria in that it may restrict delivery in some locations, particularly Auckland and Christchurch, if other additionality criteria cannot be met. Not all CHPs will have access to land to leverage in their delivery, and may not be well placed to deliver to a particular cohort and/or meet a certain need for individuals or households who would not otherwise be as well catered for through Kāinga Ora public housing delivery.
75. There are risks associated with offering early stage funding that will need to be mitigated. HUD has used tools like encumbrances in the past, however these may not be appropriate for all development opportunities as we deliver the PHP. HUD will develop options for managing the risks associated with early stage funding for use where required.
76. We anticipate that some CHPs will have concerns with the potential reduction or stopping of redirects. Redirects play a significant role in some CHPs models; e.g. council stock now held by a CHP that is progressively redirected to public housing (Ōtautahi Community Housing Trust and Haumaru Housing have redirected around a third of their stock respectively into public housing). Identified risks are discussed in the redirects section of the paper.

## Communications

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77. As a result of the various changes for the CHP sector, we will develop a range of communications material to provide clarity over the next two months. This will include information on changes such as:
- a. rent guidance parameters and process
  - b. staged funding requirements, providing direction on when and where such funding would be supported by the Crown
  - c. redirect and leasing criteria, supplemented with locational information around the CHP complementary role to the state led delivery
78. To help CHPs focus their efforts and understand HUD's approach to investment decisions, guidance will also be provided of the sector's role in delivering the PHP and how they can demonstrate a development opportunity meets the additionality criteria.
79. Where appropriate, we will work with Community Housing Aotearoa and Te Matapihi to refine the material to be provided to CHPs, particularly around any changes agreed to redirects.

## Consultation

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80. The Treasury, the Ministry of Social Development, the Department of the Prime Minister and Cabinet and Kāinga Ora were consulted on this paper.

## Next steps

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81. HUD will be providing you with further advice on the following areas:
- a. redirect situations where an existing CHP tenant is assessed as being eligible and the place is converted to public housing by April 2021
  - b. register of CHP land in April 2021
  - c. options for addressing barriers faced by Kaupapa Māori CHPs in the second quarter of 2021
  - d. options to fund council housing in June 2021
  - e. update on PHP implementation in June 2021
  - f. s 9(2)(f)(iv)
  - g.



## Briefing

<b>Draft Cabinet Paper: Staged operating funding to support public housing delivery</b>			
<b>Date:</b>	15 June 2021	<b>Security level:</b>	In Confidence
<b>Priority:</b>	Medium	<b>Report number:</b>	BRF20/21050980

<b>Action sought</b>		
	<b>Action sought</b>	<b>Deadline</b>
Hon Dr Megan Woods <b>Minister of Housing</b>	For feedback and consultation with colleagues	29 June 2021

<b>Contact for discussion</b>			
<b>Name</b>	<b>Position</b>	<b>Telephone</b>	<b>1<sup>st</sup> contact</b>
Anne Shaw	Deputy Chief Executive, Housing Supply, Response and Partnerships	04 830 6946	s 9(2)(a)
Brad Ward	Deputy Chief Executive, Place-based Policy and Programmes	04 831 6035	
Naomi Stephen-Smith	Manager, Market and Supply Responses	04 832 2433	✓

<b>Other agencies consulted</b>
Department of Prime Minister and Cabinet, Kāinga Ora, Ministry of Social Development and The Treasury have been consulted and provided comments on the draft Cabinet paper.

### Minister's office to complete

<input type="checkbox"/> Noted <input type="checkbox"/> Seen <input type="checkbox"/> Approved <input type="checkbox"/> Needs change <input type="checkbox"/> Not seen by Minister <input type="checkbox"/> Overtaken by events <input type="checkbox"/> Declined <input type="checkbox"/> Referred to (specify)  <hr/>	<b>Comments</b>          
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**Date returned to HUD:**

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## Briefing

### Draft Cabinet Paper: Staged operating funding to support public housing delivery

**For:** Hon Dr Megan Woods, Minister of Housing

**Date:** 15 June 2021

**Security level:** In Confidence

**Priority:** Medium

**Report number:** BRF20/21050980

#### Purpose

1. The purpose of this briefing is to provide you with the draft Cabinet paper *Staged operating funding to support public housing delivery* for your feedback and for you to consult with colleagues before lodgement with the Cabinet office.

#### Recommended actions

2. It is recommended that you:

1. **Provide feedback** on the attached draft Cabinet paper and consult with Ministerial colleagues by Tuesday 29 June. *Agree/Disagree*
2. **Agree** to take this paper to Cabinet Social Wellbeing Committee on Wednesday 7 July and Cabinet on Monday 12 July, which will require lodgement by 1 July. *Agree/Disagree*

Naomi Stephen-Smith  
**Manager, Market and Supply Responses**

15/06/21

Hon Dr Megan Woods  
**Minister of Housing**

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## Background

3. In March 2021 [BRF20/21010855], Te Tūāpapa Kura Kāinga – Ministry of Housing and Urban Development (HUD) officials provided you with advice on implementing changes to enable registered Community Housing Providers (CHPs) to support the delivery of the Public Housing Plan 2021-2024. This advice provided further information on implementing early stage payments of the Operating Supplement for CHPs.
4. You agreed to discuss with the Minister of Finance (Hon Grant Robertson) an increase in net core Crown debt of up to \$55 million over four years as a result of enabling early stage payments of the Operating Supplement for CHPs. HUD officials have since received advice from The Treasury that you will need to take a paper to Cabinet to seek approval for the increase in net core Crown debt.

## Agreement to provide early stage Operating Supplement payments to CHPs will require a two-stage approval process

5. Offering early stage payments of the Operating Supplement provides HUD with some flexibility around when it provides funding to CHPs. Early stage funding will support CHPs to deliver additional public housing places that would not otherwise be delivered.
6. Operating funding for additional public housing places has already been appropriated through Budget 2020 and no additional funding is required. However, providing early stage payments of the Operating Supplement has an impact on net core Crown debt as it involves paying out expenditure earlier (before or during the development of a new build project) than would otherwise be incurred.
7. Early stage payment constitutes lending under the Public Finance Act 1989. Section 65L of the Public Finance Act 1989 empowers the Minister of Finance to lend money on behalf of the Crown if it appears to the Minister to be necessary or expedient in the public interest to do so. Subject to Cabinet's agreement to early stage payments of the Operating supplement, HUD officials will request that the Minister of Finance exercise his power under section 65L and delegate the exercise of that power to HUD officials with respect to these loan arrangements.
8. This means that approval to implement early stage Operating Supplement payments for CHPs will occur in two stages:
  - a. **Stage one:** Cabinet approval of increased net core Crown debt which is a result of bringing forward Operating Supplement payments and approval to establish new appropriations.
  - b. **Stage two:** Minister of Finance approval to exercise his power under section 65L where this is in the public interest and delegate the exercise of that power to officials with respect to these loan arrangements.
9. HUD officials will work with the Treasury on the stage two advice. HUD's view is that the authority currently delegated to approve CHP development opportunities should also be applied to approve opportunities that meet HUD criteria to receive early stage funding (see below). You have agreed to this delegation in BRF20/21010855.

Whole of life cost	Delegated authority (HUD)
Up to \$5 million	Manager, Housing Supply
Up to \$20 million	Deputy Chief Executive, Housing Supply, Response and Partnerships, and Chief Financial Officer
Over \$20 million	Chief Executive

10. The Treasury will advise the Minister of Finance on how the investment criteria meets the public interest test of section 65L of the Public Finance Act 1989:
  - a. *The Minister, on behalf of the Crown, may lend money to a person or organisation (whether the person or organisation is in New Zealand or elsewhere) if it appears to the Minister to be necessary or expedient in the public interest to do so.*
  - b. *The Minister may lend the money under subsection (1) on any terms and conditions that the Minister thinks fit.*
11. Following the two stage approval process, engagement with CHPs can occur and the new funding tool can be operationalised.

### **Key messages in the draft Cabinet paper**

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12. The Cabinet Paper provides information on the Public Housing Plan, announced in January 2021, and seeks approval from Cabinet to increase net core Crown debt to support CHPs to deliver new build public housing.
13. The paper reflects the key shifts in delivery that you are seeking through the Public Housing Plan and covers the following key points:
  - a. CHPs will compliment Kāinga Ora delivery in priority areas and through bespoke housing solutions.
  - b. For some CHPs, a lack of access to capital can be a barrier to delivering new build public housing.
  - c. Changing the funding settings to offer staged operating funding will better support CHPs to deliver new build public housing.
14. The key approval you are seeking from Cabinet is to increase net core Crown debt as the proposal involves paying out expenditure before or during the development of a new build project, rather than spreading it across the life of a contract (often 25 years).
15. This will only support the delivery of public housing sought through the current Public Housing Plan by June 2024. You will need to consider the funding arrangements for the delivery of any additional public housing places funded through future budgets.
16. The paper notes the staged approval process and highlights where agreement is subject to the Minister of Finance exercising his power under section 65L of the Public Finance Act 1989.
17. Subject to the required approvals, HUD will develop clear criteria and guidance for CHPs and work with them to identify and progress projects that might be eligible and benefit from early stage funding.

s 9(2)(f)(iv)



## Consultation

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20. Department of Prime Minister and Cabinet, Kāinga Ora, Ministry of Social Development and The Treasury have been consulted and provided comments on the draft Cabinet paper.
21. Treasury's Fiscal Reporting team are yet to confirm that the wording of the financial recommendations are suitable. We expect to hear from them by the end of this week (18 June) and will advise if any further changes are needed.

## Next steps

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22. You are meeting with CHPs on 11 August. It would be preferable for Cabinet to consider this proposal prior to that meeting so you can advise CHPs of the outcome.
23. HUD therefore recommends that you to take this paper to the Social Wellbeing Committee on 7 July 2021 and Cabinet on 12 July 2021. HUD officials will provide you with speaking points for this paper once the paper is lodged.
24. A timeline of key milestones for this preferred date are outlined below:

Date	Milestone
15 June - 29 June	Provide feedback to HUD officials on initial draft and conduct Ministerial consultation
29 June	Provide final feedback to HUD officials from Ministerial consultation
1 July	Cabinet paper lodged
7 July	Cabinet Social Wellbeing Committee considers proposal
12 July	Cabinet considers proposal
19 July	<b>Stage two approval:</b> Briefing to the Minister of Finance seeking approval to lend

## Annexes

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25. Annex A: Draft Cabinet Paper: Staged operating funding to support public housing delivery



## Briefing

<b>Cabinet paper: Staged operating funding to support public housing delivery</b>			
<b>Date:</b>	30 June 2021	<b>Security level:</b>	In Confidence
<b>Priority:</b>	High	<b>Report number:</b>	BRF20/21061016

<b>Action sought</b>		
	<b>Action sought</b>	<b>Deadline</b>
Hon Dr Megan Woods Minister of Housing	Agree to lodge the Cabinet paper in Annex A.	9am 1 July 2021

<b>Contact for discussion</b>			
<b>Name</b>	<b>Position</b>	<b>Telephone</b>	<b>1<sup>st</sup> contact</b>
Naomi Stephen-Smith	Manager, Market and Supply Responses	04 832 2433	✓
Amanda Lewis	Senior Advisor, Market and Supply Response	04 832 2464	-

<b>Other agencies consulted</b>

### Minister's office to complete

<input type="checkbox"/> Noted <input type="checkbox"/> Seen <input type="checkbox"/> Approved <input type="checkbox"/> Needs change <input type="checkbox"/> Not seen by Minister <input type="checkbox"/> Overtaken by events <input type="checkbox"/> Declined <input type="checkbox"/> Referred to (specify)  <hr/>	<b>Comments</b>          
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Date returned to HUD:

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# Briefing

## Cabinet paper: Staged operating funding to support public housing delivery

**For:** Hon Dr Megan Woods, Minister of Housing

**Date:** 30 June 2021

**Security level:** In Confidence

**Priority:** High

**Report number:** BRF20/21061016

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### Purpose

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1. To provide you with the final Cabinet paper – *Staged operating funding to support public housing delivery* for lodgement with the Cabinet office by 10am Thursday 1 July.

### Recommended actions

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2. It is recommended that you:

1. **Note** that we have attached the final Cabinet paper and speaking points to be considered by Cabinet Social Wellbeing Committee on Wednesday 7 July, and Cabinet on Monday 12 July. *Noted*
2. **Note** that the final Cabinet paper needs to be lodged on Thursday 1 July by 10am to be considered by Cabinet. *Noted*
3. **Agree** to lodge the Cabinet paper – *Staged operating funding to support public housing delivery*. *Agree/Disagree*



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Naomi Stephen-Smith  
**Manager, Market and Supply Responses**

30/06/2021

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Hon Dr Megan Woods  
**Minister of Housing**

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## Background

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3. On 15 June, we provided the draft Cabinet paper – *Staged operating funding to support public housing delivery* [BRF20/21050980] for your feedback and for you to consult with your Ministerial colleagues.
4. As noted in BRF20/21050980, Te Tūāpapa Kura Kāinga – Ministry of Housing and Urban Development (HUD) has continued to work with The Treasury to understand the implications of the Public Finance Act 1989 requirements.

## Amendments to the draft Cabinet paper

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5. There are some changes to the Cabinet paper, reflecting our ongoing engagement with The Treasury and feedback from the Ministerial consultation process.
6. The key changes are summarised below:
  - a. Additional information on the role of Community Housing Providers (CHPs) and their contribution to public housing places.
  - b. Clarity relating to the criteria that will be developed for early stage funding, and how risk will be managed.
  - c. Updated financial recommendations (specifically recommendations 3, 4, 8 and 9) to reflect discussions with The Treasury on how to best represent the financial implications of the decisions being sought.

## Next steps

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7. If you agree to the recommendation, officials will upload the final paper for your Office to lodge prior to 10am Thursday 1 July.
8. This paper will then be considered at Cabinet Social Wellbeing Committee on Wednesday 7 July, and Cabinet on Monday 12 July.
9. If Cabinet agrees to the recommendations in the Cabinet Paper, officials will provide a joint briefing to the Minister of Housing and Minister of Finance to gain approval to make the early stage Operating Supplement payments, as required under the Public Finance Act 1989.

## Annexes

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10. Annex A: Cabinet paper – *Staged operating funding to support public housing delivery*
11. Annex B: Speaking points

**Annex A: Cabinet paper – Staged operating funding to support public housing delivery**

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Released under the  
Official Information Act 1982

## Annex B: Speaking points

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### Cabinet Speaking Points: Staged operating funding to support public housing delivery

#### Introduction

- I am asking Cabinet to support a change in the funding settings for Registered Community Housing Providers, which will support the delivery of new build public housing places. This proposal will enable CHPs to receive operating funding in the early stages of a new build development in limited circumstances and support priority projects that otherwise would not progress.
- The proposal supports the Government's housing policy objective that every New Zealander has a safe, warm, dry and affordable home to call their own, whether they rent or own.
- Given the ongoing growth in demand for public housing, it is vital that we remain on track to delivery over 18,000 extra housing places by 2024 in the places where they are needed most.

#### Public Housing Plan 2021-2024

- In January this year, I released the Public Housing Plan 2021-2024, which sets out the Government's supply intentions for the 6,000 public housing places, and 2,000 transitional housing places funded in Budget 2020.
- While Kāinga Ora will lead delivery of the Public Housing Plan, CHPs will also play an important role. CHPs have valuable local insight, community connections and experience in providing housing and support services for vulnerable New Zealanders.
- CHPs have built up a strong pipeline of new build public housing. Between July 2020 and June 2022, they are expected to bring on 1,283 new build places, while a further 138 places have been contracted so far for delivery after July 2022.
- I am committed to working with the CHP sector through a progressive partnership approach to increase the supply of public housing and improve outcomes for people urgently needing housing support.
- I expect all CHP proposals for new supply to demonstrate "additionality" - that is, to deliver supply over and above what Kāinga Ora could otherwise supply. Additionality can be demonstrated where a CHP:
  - has available land for public housing that could be progressed at pace
  - can provide housing for a specific cohort group, including delivering solutions with a kaupapa Māori approach
  - can provide housing in a location where Kāinga Ora has a limited presence or development pipeline.

#### Changes to CHP funding settings

- I am proposing to bring forward the payment of Operating Supplement funding to CHPs in limited circumstances, which would otherwise be paid following delivery for the duration of the contract.

- I have heard from the sector that access to sufficient development capital from banks or other sources can be a barrier to bringing on new supply. In recent years this has led to a high proportion of build-to-lease developments, with developers retaining ownership of the housing asset, rather than the CHP.
- The Operating Supplement is available for eligible new public housing places. It is paid in addition to the Income Related Rent Subsidy, which is generally not sufficient on its own to enable and incentivise new build supply.
- Providing a portion of the Operating Supplement in lump sum payments during the development stage will enable additional priority projects to progress, where they meet the additionality criteria and where there are no alternative viable funding options.
- I am particularly interested in supporting opportunities where Māori CHPs or CHPs which are working alongside iwi and Māori organisations can provide Kaupapa Māori driven solutions – for Māori by Māori.
- A similar type of funding arrangement was successfully used previously to deliver 496 new build places between 2015-2018.
- An initial assessment of current opportunities by officials at Te Tūāpapa Kura Kāinga – the Ministry of Housing and Urban Development identified six CHP projects (approximately 200 places) in priority locations that are likely to be more viable if early stage funding is made available.
- Further suitable projects will be identified once I can announce the availability of this funding to the sector.

#### *Impact on Crown debt*

- This proposal doesn't increase the overall amount of Operating Supplement funding paid out and no additional funding is needed. However, bringing forwards payments changes the amount of spending incurred in the current forecast period. This impacts the operating balance in the short term and net core Crown debt.
- I am recommending to Cabinet that \$46.7 million of operating funding allocated through Budget 2020 from outside the current forecast period be brought forward to enable up to \$55.5 million of early stage Operating Supplement payments to be available to CHPs by June 2024.
- Under the Public Finance Act 1989, pre-payments are a form of lending and therefore require further sign-off from the Minister of Finance.
- Subject to Cabinet's agreement of this proposal, I will seek approval from the Minister of Finance to make these payments under the Public Finance Act 1989, ensuring the payments meet the public interest test.
- In August I am meeting with CHP sector representatives and subject to Cabinet and the Minister of Finance's approval, will discuss this additional funding tool with them.



# Briefing

<b>Approval to make early-stage payments of the Operating Supplement to support Public Housing delivery</b>			
<b>Date:</b>	2 August 2021	<b>Security level:</b>	In Confidence
<b>Priority:</b>	High	<b>Report number:</b>	BRF20/21071038

<b>Action sought</b>		
	<b>Action sought</b>	<b>Deadline</b>
Hon Grant Robertson <b>Minister of Finance</b>	Agree to the recommendations in this briefing exercising powers in accordance with the Public Finance Act 1989	5 August
Hon Dr Megan Woods <b>Minister of Housing</b>	Agree to the recommendations in the briefing	5 August

<b>Contact for discussion</b>				
<b>Name</b>	<b>Position</b>	<b>Telephone</b>		<b>1<sup>st</sup> contact</b>
Naomi Stephen-Smith	Manager, Market and Supply Responses	04 832 2433	s 9(2)(a)	✓
Amanda Lewis	Senior Advisor, Market and Supply Responses	04 832 2464		

<b>Other agencies consulted</b>
The Treasury

## Minister's office to complete

<input type="checkbox"/> Noted <input type="checkbox"/> Seen <input type="checkbox"/> Approved <input type="checkbox"/> Needs change <input type="checkbox"/> Not seen by Minister <input type="checkbox"/> Overtaken by events <input type="checkbox"/> Declined <input type="checkbox"/> Referred to (specify)  <hr/>	<b>Comments</b>          
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**Date returned to HUD:**

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## Briefing

### Approval to make early-stage payments of the Operating Supplement to support Public Housing delivery

**For:** Hon Grant Robertson, Minister of Finance  
Hon Dr Megan Woods, Minister of Housing

**Date:** 2 August 2021

**Security level:** In Confidence

**Priority:** High

**Report number:** BRF20/21071038

#### Purpose

1. To seek the Minister of Finance's approval, in accordance with section 65L of the *Public Finance Act 1989* (PFA), for the provision of early-stage Operating Supplement funding for registered Community Housing Providers (CHPs), including specific agreement to:
  - a. make early-stage payments of the Operating Supplement (where CHP proposals for public housing meet the agreed criteria set out in this briefing) which we consider may be a form of lending as defined in the PFA, and
  - b. delegate decision-making responsibility for individual project payments to the Secretary to The Treasury, with approval for the Secretary to The Treasury to further delegate decision-making authority to Te Tūāpapa Kura Kāinga – the Ministry of Housing and Urban Development (HUD).
2. The Minister of Housing has a meeting with CHPs on 11 August 2021. The sector has a high level of interest in funding setting changes to support public housing delivery and is aware the Minister has been considering early-stage funding. The Minister of Housing's ability to discuss the availability of this funding depends on decisions being made on the recommendations in this briefing.

#### Executive summary

3. In July 2021, Cabinet agreed to bring forward funding from Budget 2020 to provide up to \$55.525 million of Operating Supplement funding to CHPs in early-stage payments for delivery by 30 June 2024 [SWC-21-MIN-0106].
4. The Operating Supplement is a funding subsidy paid to Kāinga Ora – Homes and Communities (Kāinga Ora) and CHPs in addition to the Income-Related Rent Subsidy for eligible new build public housing places. New build places are only eligible where they are contributing to an overall increase in supply.
5. Bringing forward payments of a portion of the Operating Supplement will enable additional flexibility in the funding settings and help to address the barriers CHPs face in accessing capital for new build public housing developments. This will enable CHPs to better support the delivery of the Public Housing Plan 2021-2024 and deliver public houses in priority locations and/or bespoke responses for target cohorts, in some cases at a faster pace and larger scale than could otherwise be achieved.
6. s 9(2)(h)

7.

8. HUD has established processes and criteria that CHPs must meet to be able to progress public housing proposals for any funding (Operating Supplement and Income-Related Rent Subsidy). This includes ensuring proposals meet both additionality criteria and value for money standards. HUD also has experience of providing upfront funding to successfully deliver a range of projects in the past.
9. In addition to existing criteria, HUD will only consider CHP proposals to bring forward a portion of Operating Supplement funding where:
- the proposal is Build-to-Own (as opposed to Build-to-Lease) or contributes to CHP balance sheet growth
  - all other funding sources have been explored by the CHP and utilised as appropriate.
10. HUD is confident that existing measures will sufficiently mitigate the risks associated with the provision of payments in this manner. A suite of documentation is entered into to support the funding and protect the Crown's interests, as well as regular monitoring and reporting functions that track CHP delivery.

### Recommended actions

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11. It is recommended that you:

	Minister of Finance	Minister of Housing
1. <b>Note</b> that on 12 July 2021, Cabinet agreed to bring forward \$46.747 million allocated through Budget 2020 (initiative 12760) from outside the current forecast period to make up to \$55.525 million of early-stage payments of the Operating Supplement to Community Housing Providers to deliver the current Public Housing Plan 2021-2024.	<i>Noted</i>	<i>Noted</i>
2. <b>Note</b> that early-stage payments of the Operating Supplement will support Community Housing Providers to overcome barriers to finance and will be particularly beneficial to smaller CHPs, including a number of Māori CHPs.	<i>Noted</i>	<i>Noted</i>
3. <b>Note</b> that subject to agreement to the recommendations in this briefing, the Minister of Housing will announce details on the availability of early-stage payments of the Operating Supplement at a meeting with Community Housing Providers on 11 August 2021.	<i>Noted</i>	<i>Noted</i>
4. <b>Note</b> that Cabinet agreed to establish a non-departmental capital appropriation as required by section 65P of the <i>Public Finance Act 1989</i> .	<i>Noted</i>	<i>Noted</i>
5. <b>Note</b> that Cabinet noted that providing early-stage Operating Supplement funding to Community Housing	<i>Noted</i>	<i>Noted</i>

	Minister of Finance	Minister of Housing
Providers has an impact on net core Crown debt in the near term as it involves bringing cash payments forward.		
6. <b>Note</b> that officials consider that these prepayments may constitute lending as defined in the <i>Public Finance Act 1989</i> .	<i>Noted</i>	<i>Noted</i>
7. <b>Note</b> that under section 65L of the <i>Public Finance Act 1989</i> the Minister of Finance may, on behalf of the Crown, lend if it appears to the Minister to be necessary or expedient in the public interest to do so.	<i>Noted</i>	<i>Noted</i>
8. <b>Agree</b> that HUD officials report back to the Minister of Housing and the Minister of Finance by June 2022 on the public housing supply contracts secured by this funding.	<i>Agree/Disagree</i>	<i>Agree/Disagree</i>
<i>Public Finance Act 1989 approvals (Hon Grant Robertson, Minister of Finance)</i>	<b>Minister of Finance</b>	<b>Minister of Housing</b>
9. <b>Note</b> that officials consider that payments of early-stage Operating Supplement to Community Housing Providers are necessary or expedient in the public interest.	<i>Noted</i>	<i>Noted</i>
10. <b>Agree</b> that payments of early-stage Operating Supplement to Community Housing Providers are necessary or expedient in the public interest.	<i>Agree/Disagree</i>	
11. <b>Agree</b> to provide payments of up to \$55.525 million to Community Housing Providers under section 65L of the Public Finance Act 1989.	<i>Agree/Disagree</i>	
12. <b>Agree</b> to delegate to the Secretary to The Treasury your powers in sections 65L, 65O and 65Q of the <i>Public Finance Act 1989</i> to implement your approval in recommendation (11) for individual proposals for the payment of early-stage Operating Supplement, where proposals meet the criteria summarised in this report, including signing any agreements on behalf of the Crown, making and receiving payments, taking security, and doing all other acts or things required to exercise or perform the Crown's rights and obligations under or in relation to each of the payments.	<i>Agree/Disagree</i>	

**Minister of  
Finance**

**Minister of  
Housing**

13. **Approve** the Secretary to The Treasury sub-delegating the powers referred to in recommendation (12) above to the Chief Executive of Te Tūāpapa Kura Kāinga – the Ministry of Housing and Urban Development, and approve the further sub-delegation to officials as set out below:

*Approved/  
Not approved*

<b>Whole of life cost (\$)</b>	<b>Delegated authority</b>
Up to 5 million	Manager Housing Supply, HUD
Up to 20 million	Deputy Chief Executive Housing Supply, Response and Partnerships, HUD
Over 20 million	Chief Executive, HUD

14. **Sign** the attached instrument of delegation.

*Agree/Disagree*

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Naomi Stephen-Smith  
**Manager, Market and Supply  
Responses**

..... / ..... / .....

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Hon Grant Robertson  
**Minister of Finance**

..... / ..... / .....

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Hon Dr Megan Woods  
**Minister of Housing**

..... / ..... / .....

## Background

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12. The Public Housing Plan 2021-2024 (PHP) was released in January 2021 setting out the Government's intentions to supply an additional 6,000 public and 2,000 transitional housing places. Kāinga Ora – Homes and Communities (Kāinga Ora) leads the delivery of the PHP taking a deliberate, place-based approach that aligns with MAIHI (the Māori and Iwi Housing Innovation Framework for Action), and collaborating with partners in the community to develop and implement joined-up local solutions where the need for public housing is urgent. MAIHI supports kaupapa Māori and whānau-centred approaches to enable delivery for Māori by Māori.
13. In December 2020, Te Tūāpapa Kura Kāinga – the Ministry of Housing and Urban Development (HUD) officials provided advice to the Minister of Housing on the role of Community Housing Providers (CHPs) in delivering the PHP. HUD officials recommended changes to funding settings because the ability of some CHPs to deliver new builds was being constrained by market rent settings and CHPs' ability to borrow.
14. The Minister of Housing agreed to:
  - a. change the public housing rent setting process to enable all providers to receive a rent that is aligned with the private market through the Income-Related Rent Subsidy
  - b. allow for the provision of staged operating funding in limited circumstances.
15. On 12 July 2021, Cabinet agreed to bring forward funding from Budget 2020 to provide up to \$55.525 million of Operating Supplement funding to CHPs in early-stage payments [SWC-21-MIN-0106]. Cabinet noted providing early-stage Operating Supplement funding to CHPs may be a form of lending under the Public Finance Act 1989 (PFA) and approval from the Minister of Finance was required.
16. Early-stage payments are likely to be of particular interest to new and/or smaller CHPs, including a number of Māori CHPs, that have limited equity to secure financing against. As an indication of what this proposal could deliver, initial assessment of current opportunities by HUD identified six CHP projects (approximately 200 places) in priority locations that could have increased viability with early-stage funding. These opportunities otherwise might not progress, or take longer. HUD will be able to provide greater certainty around the number of additional projects that can be delivered once the availability of early-stage funding can be discussed with the sector.
17. Between 2015 and 2018 a similar type of funding arrangement was used to approve 28 projects delivering 496 new build places, with a government contribution of \$100.2 million. Twenty one of the projects have been delivered with the remaining seven under construction.

### Approval and delegation under the Public Finance Act 1989

18. Section 65L of the PFA empowers the Minister of Finance to authorise lending to a person or organisation if it appears to be 'necessary or expedient in the public interest' to do so, and to lend on any terms and conditions that the Minister of Finance sees fit.
19. Early-stage payments of the Operating Supplement involves bringing forward a portion of funding to the development or construction phase. It would otherwise be paid to the CHP together with the Income-Related Rent Subsidy from the time the property is tenanted for the duration of the contract with HUD (typically 25 years).<sup>1</sup> Early-stage payments do not change the overall level of Operating Supplement funding that a CHP development would otherwise

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<sup>1</sup> The Operating Supplement is a funding subsidy paid in addition to the Income-Related Rent Subsidy for eligible new build public housing places. It is calculated as a percentage of market rent and paid under current settings once a public housing place is tenanted for the duration of the contract. The amount of Operating Supplement required varies by location, with a higher percentage generally required in locations with lower market rents, up to the percentage cap.

receive but changes the timing in order to incentivise new build-to-own public housing developments at a faster pace.

20.

s 9(2)(h)

21.

## **CHPs will need to meet criteria in order to be eligible to receive early-stage Operating Supplement payments**

22. HUD is committed to working in a progressive partnership with CHPs to identify and progress opportunities that complement delivery of new public housing by Kāinga Ora, in line with the approach set out in the PHP. HUD proposes to consider applications for early-stage payments where CHP proposals meet the criteria described below.

### **CHPs must demonstrate additionality for a new build proposal to progress**

23. The Minister of Housing has agreed a set of additionality criteria, requiring CHPs to demonstrate how a proposal complements delivery by Kāinga Ora [BRF20/21010855 refers]. At least one of the additionality criteria must be demonstrated for a CHP new build proposal to progress to the formal application and evaluation stage for any public housing funding. The additionality criteria are:
- a. **Where a CHP owns or has access to land for development:** this needs to be land already owned by a CHP or land that is made available by another organisation, for example a parent entity, subsidiary group, or other partner. Land owned by developers may be considered on a case by case basis.
  - b. **Locations where Kāinga Ora has a limited presence or development pipeline:** consideration will be given to proposals for developments in the focus areas detailed in the PHP.
  - c. **Opportunities which provide bespoke housing solutions to meet the needs of individuals, families and whānau:** this may include opportunities where CHPs can provide bespoke housing solutions for groups, with an emphasis on whānau Māori, Pacific families and people requiring accessible or multi-generational homes. Proposals will need to demonstrate how the specific needs of a target group can be met by considering housing typology, proximity to appropriate amenities or services and other factors which would enable positive housing outcomes for the target group.
  - d. **Innovative delivery models:** for example, a portfolio-based arrangement could be considered an innovative delivery model if it puts in place financing for several projects at once and if this financing is in advance of land being identified. Proposals that do not meet the above additionality criteria but are considered otherwise innovative or exceptional will be referred to the Minister of Housing for approval.

### **Further key criteria must be met for early-stage payments of the Operating Supplement**

24. CHPs will need to demonstrate that a proposal meets both of the following:
- a. the project is build-to-own (as opposed to build-to-lease) or contributes to CHP balance sheet growth
  - b. all other funding sources have been explored by the CHP and utilised as appropriate.

25. When determining the amount of Operating Supplement to bring forward, HUD will assess the CHP's financial modelling over the life of the contract to ensure long-term viability is not compromised. HUD will use project milestones to ensure early-stage payments are aligned with the development's progress.
26. Based on existing CHP capability, capacity and pipelines, proposals already known in the opportunities register and experience delivering this type of funding through the 2016 Auckland Request for Proposals, officials anticipate that this funding will support a range of projects that demonstrate additionality and build the sector.
27. We do not expect the limited amount (\$55.525 million) to be absorbed by a few large scale projects delivered by larger, more established CHPs given they are more likely to be able to access finance and the criteria requires all other funding sources to be explored and exhausted first.
28. This funding is more likely to support smaller CHPs to deliver small to medium scale developments, where the CHP can access some of the funding required from banks or other sources (including other Crown sources) but requires a top-up to get a development over the line. CHPs will still require an Operating Supplement throughout the contract term to be financially sustainable. Therefore, in developing proposals, HUD will work with CHPs to consider the appropriate portion of the Operating Supplement sought in the development stage and the cash flow required across the term of the contract.

### **All proposals are subject to a Value for Money evaluation process**

29. Every proposal for public housing funding is assessed under HUD's existing 'Value for Money Framework' on a rolling basis as they are received. The framework and approval process have been designed within the parameters of the Government procurement 'Rules of Sourcing'.<sup>2</sup>
30. The framework is designed to assess the value of a CHP's proposal in detail across four key criterion:
  - a. **Ability to deliver:** explores whether the CHP has the ability to manage delivery, including risks, roles and responsibilities. CHPs need to identify key milestones and outline its approach to property management, maintenance and tenancy management.
  - b. **Fit for purpose:** ensures the proposal is of high quality and incorporates good design principles and practices. It also explores how the proposal can achieve wider outcomes such as social, environmental and community benefits. CHP's should also show that it is affordable to run, managed to last and innovative.
  - c. **Financial viability:** looks for assurance that the required funding arrangements are in place, including the provision of development costings, the Cash Flow Model and a detailed project plan showing that financing and other ongoing money flows can be managed.
  - d. **Price:** assesses the Net Present Value of proposals to enable a like for like comparison of proposals with different terms and funding structures.
31. An evaluation team assesses each project based on the main criteria summarised above and weightings. At the end of the process the team assigns each project a preliminary "Value for Money" score. Other factors that are considered include the project's alignment to Government policy, placed-based housing supply and demand (including Kāinga Ora's pipeline of supply) and any project specific risks.
32. The evaluation team presents its results to an Evaluation Panel, which reviews the application and score and makes a final funding decision on the project in line with HUD's

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<sup>2</sup> Information about HUD's procurement process and Value for Money Framework is available on HUD's website at <https://www.hud.govt.nz/community-and-public-housing/partnerships/partner-with-us/become-a-public-housing-partner/>

delegation policy. This assessment determines (after negotiation with a provider) the appropriate level of Operating Supplement funding, balancing the long term financial viability of a project with maximising value for money for the Crown.

## **Assessment of the proposal against the Public Finance Act 1989 public interest test**

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33. As prescribed by section 65L of the PFA, it is a matter for the Minister of Finance to decide whether it appears that it is necessary or expedient in the public interest to pay out Operating Supplement funding in early-stage payments to CHPs.

34. s 9(2)(h)

35. The Treasury will provide additional advice to the Minister of Finance separately on their analysis and assessment of this proposal against the public interest test.

### **Public Interest**

36. s 9(2)(h)

37. HUD considers the provision of these payments to be in the public interest as it will support new build public housing places that align with the supply intentions in the PHP, meet additionality criteria and would not otherwise be delivered.

38. Delivering additional public housing is a key part of the Government's response to address the housing crisis. Public housing sits alongside other responses including the Housing First programme, the Progressive Home Ownership Fund and implementing the Aotearoa Homelessness Action Plan. In addition, the Affordable Housing Fund is being designed to support CHPs and other providers to increase the supply of affordable rental housing for lower income households.

### **Necessary or expedient**

39. s 9(2)(h)

40. There is growing demand for public housing across New Zealand, with 23,687 households on the Housing Register in March 2021 (an increase of 45 percent over the last year, or 7,378 households). The increases are not evenly distributed across the country, with some areas having significantly larger increases than others, including Te Tai Tokerau, East Coast, Taranaki and Waikato.

41. The provision of early-stage payments of the Operating Supplement is a suitable response to supporting CHPs to deliver public housing. In the past, some CHPs have favoured redirects rather than delivering new build places. This approach does not lead to a net increase in housing stock and risks displacing low income households that may not be eligible for public housing.

42. A progressive partnership approach between the Government and CHPs complements Kāinga Ora delivery, increases the supply of public housing and improves outcomes for people urgently needing housing.



43. Early-stage payments of the Operating Supplement will help mitigate key barriers, particularly where a CHP finds it difficult to access the full amount of borrowing for a project. There are also other sector specific challenges such as:
  - a. the typology of the developments required for public housing do not match the highest and best use of a site
  - b. banks have concerns in relation to enforceability of security due to the reputational risk of having to terminate public housing tenancies
  - c. a CHP can be perceived to have a lack of development experience or sufficient delivery track record for banks to support it with development finance
  - d. Some CHPs lack a wider asset base which helps support bank development lending, as it provides additional assets and cashflow to be relied on beyond the development asset.

## **Benefits**

44. CHPs play an important role in delivering the PHP in a progressive partnership with the Government. CHPs are diverse in size and structure, offering a range of housing options and specialised support services. Providers span from local iwi and charitable trusts to large scale Government-council partnerships, and are located across the country. CHPs have strong community connections, knowledge and expertise in delivering housing and support services for New Zealanders in need. The PHP intends to support CHPs to increase the supply of public housing and improve outcomes for people urgently needing housing support.
45. Bringing payments of a portion of the Operating Supplement forward to the development stage adds flexibility to the funding settings and can help to address barriers CHPs face in accessing capital.
46. Early stage funding will be particularly helpful for enabling proposals to proceed where a CHP is able to put together a portion of the development capital required but needs a top up to get a project over the line. This may be because:
  - a. the CHP owns the land but has no further equity to leverage when discussing lending with banks
  - b. the CHP could deliver more places or at a faster pace if it had additional early-stage funding.
47. As an indication of what this proposal could deliver, HUD officials identified six CHP opportunities (approximately 200 places) in priority locations that could have increased viability with early-stage funding (see paragraph 16).

## **Risks and mitigations**

48. There are risks associated with providing funding support to CHPs to deliver public housing. The most significant risk to the Crown is that the CHP is not able deliver, delivering nothing or less than what was agreed.
49. HUD will use a range of measures to mitigate risks related to early-stage funding. The following suite of documentation supports the provision of funding and protects HUD's interests:

Agreements signed by CHPs	Description
<b>New Supply Development Funding and Capacity Services Agreement</b>	<p>For the development phase of the project, this agreement documents the amount of funding approved, the breakdown of how the funding will be advanced (i.e. the amount of each instalment and when) and the milestones which must be achieved to be able to receive each instalment.</p> <p>The agreement also documents the payments and requirements for the service delivery component for a term of up to 25 years, once the new supply public housing has been delivered.</p> <p>This agreement gives HUD the right to purchase the housing in the event the CHP defaults on its external financial arrangements (i.e. mortgagee enters into possession). HUD has the option to keep the housing as public housing rather than lose the public housing places by way of mortgagee sale.</p>
<b>Registered Encumbrance</b>	<p>This instrument is registered against the record of title to each public housing place and is granted in favour of the Crown. It records the CHP's covenant to keep the new supply housing as public housing for a specified number of years. Generally the term of the encumbrance is for 25 years.</p> <p>The registration of an encumbrance has now been largely accepted by the community housing sector as one of HUD's funding requirements.</p>
<b>Financier Direct Deed</b>	<p>This is a three-way deed entered into by HUD, the CHP and the CHP's bank or financier. It documents the process to be followed in the event of enforcement (i.e. in the event of default by the CHP).</p>

50. There are also key monitoring functions that HUD will use to track the progress of each project that is awarded early-stage Operating Supplement funding. These functions are outlined below:

Monitoring undertaken by HUD	Description
Quarterly reports	Required on all new supply projects to monitor delivery and financial risks during construction phase.
Quantity Surveyors reports	HUD requires copies of Quantity Surveyors reports on all projects where early-stage/upfront funding is provided.
Project Acquittal report	At the completion of the project a summary of all costs against original budget.
Site visits and Project Control Group attendance	As required based on project size and location or risk level as determined through Quarterly and Quantity Surveyor reporting.

51. In June 2022, HUD officials will provide a report to the Minister of Finance and Minister of Housing, on the public housing supply contracts secured by this funding. In addition to this, the Minister of Housing will be provided with information on the implementation of the PHP on a quarterly basis.

### **No viable alternatives in the short term to increase CHP borrowing capacity**

52. There is no current viable alternative to the pre-payment of Operating Supplement funding without incurring additional fiscal costs and significantly delaying the implementation of the PHP.
53. There are options that could be explored in the medium to longer term to increase CHP borrowing capacity. For example, the government could provide an underwrite to lenders to enable them to provide higher levels of leverage to CHP projects. Any option is likely to have

impacts on cost to the Crown and value for money, and present varying degrees of commercial risk which would need to be carefully considered before progressing.

## Delegation and sub-delegation of powers relating to lending under the Public Finance Act 1989

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54. HUD is seeking agreement from the Minister of Finance to delegate to the Secretary to The Treasury powers in sections 65L, 65O and 65Q of the Public Finance Act 1989 to implement early-stage Operating Supplement payment where proposals meet the criteria summarised in this report, including signing any agreements on behalf of the Crown, making and receiving payments, taking security, and doing all other acts or things required to exercise or perform the Crown's rights and obligations under or in relation to each of the payments.
55. Under clause 5 of schedule 6 of the Public Service Act 2020, the Minister of Finance is able to delegate powers in sections 65L, 65O, and 65Q of the Public Finance Act 1989 to the Secretary to The Treasury. Under clause 2 of schedule 6 of the Public Service Act 2020, the Secretary to The Treasury is able to sub-delegate powers that have been delegated to them by the Minister of Finance to another public service employee, provided that sub-delegation is approved by the Minister of Finance.
56. HUD is seeking approval for the Secretary to The Treasury to sub-delegate the powers referred to above to the Chief Executive and HUD officials in line with current delegations for public housing, as set out below:

Whole of life cost (\$)	Delegated authority
Up to 5 million	Manager Housing Supply
Up to 20 million	Deputy Chief Executive Housing Supply, Response and Partnerships
Over 20 million	Chief Executive, HUD

57. s 9(2)(h)
- s 9(2)(h)
- consider the criteria and terms HUD has described in this briefing, specifically paragraph 24.
58. Previously, proposals for early-stage operating funding have been jointly approved by the Minister of Housing and the Minister of Finance. This has been practical for the extremely low number of applications involving staged funding. HUD expects to receive a much higher number of proposals as a result of this funding becoming available.

## Consultation

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59. HUD has consulted with The Treasury throughout the development of this paper.

## Next steps

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### Sector engagement and communication

60. HUD has developed a communications plan to ensure CHPs are well informed of the detail, criteria and requirements of this funding. HUD will be focussed on managing expectations within the sector, particularly regarding the type of projects likely to be eligible and the amount of funding that can be brought forward.
61. If the Minister of Finance agrees to the recommendations in this briefing, the Minister of Housing will discuss the provision of early-stage Operating Supplement funding in a roundtable meeting with a group of CHPs, Community Housing Aotearoa and Te Matapihi on 11 August 2021. HUD will provide the Minister of Housing with an event briefing for this roundtable on 3 August 2021.

62. Given the need to reach all CHPs, HUD proposes to send an email to CHPs to coincide with the roundtable meeting and provide the Minister of Housing with a press release.
63. The sector is aware that Ministers have been considering options to address the challenges some CHPs face in accessing sufficient capital for new build-to-own public housing developments. There is a risk that CHPs will be frustrated if further information on how and when they can access this funding cannot be provided at the Minister of Housing's roundtable meeting.
64. HUD will be open to discussing opportunities with CHPs as soon as an announcement is made. Given the time and resource required to progress proposals through the evaluation process, it may take a number of weeks before early-stage funding is approved for a particular project.

### **Alignment with process for remaining unallocated upfront funding**

65. In addition to the \$55.525 million approved by Cabinet on 12 July 2020 for early-stage payments, HUD has a further \$15 million of uncommitted staged operating funding available. This is the balance of funding previously allocated to a project that was cancelled following the revocation of the CHP's registration. Joint Ministers (the Minister of Housing and Minister of Finance) agreed that HUD could retain this funding and redirect it to other registered CHPs to progress public housing proposals in areas where there was minimal or no supply planned.
66. HUD will work with The Treasury to provide joint Ministers with further advice in September 2021 on how provisions in the PFA might apply to this funding, and the benefits in aligning our criteria and application and approval processes with those outlined in this briefing for early-stage Operating Supplement payments. This advice will include any forecasting and appropriation adjustments that might be required.

### **Annexes**

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67. Annex A: Instruments of Delegation

Released under the  
Official Information Act 1982

DELEGATION BY MINISTER OF FINANCE TO THE SECRETARY TO THE TREASURY TO PROVIDE EARLY-STAGE PAYMENTS OF OPERATING SUPPLEMENT TO COMMUNITY HOUSING PROVIDERS

1. Delegation

I, the Honourable Grant Murray Robertson, MINISTER OF FINANCE, delegate to the Secretary to The Treasury (and any person acting in that position from time to time) under clause 5 of schedule 6 of the Public Service Act 2020, the powers in section 65L, 65O and 65Q of the Public Finance Act 1989 including, but not limited to, the authority to enter into lending arrangements, give notices, make and receive payments, take securities, and do all other acts or things required to exercise or perform the Crown's rights and obligations in relation to any lending for the purpose of providing early-stage payments of Operating Supplement to Community Housing Providers for specific proposals, subject to the conditions below.

2. Conditions

The exercise of the delegated authority must be consistent with the following criteria:

- a. The Community Housing Provider's proposal complements delivery of new public housing by Kāinga Ora – Homes and Communities (Kāinga Ora) by demonstrating additionality. At least one of the additionality criteria must be demonstrated:
  - o a Community Housing Provider owns or has access to land for development
  - o the proposal is in a location where Kāinga Ora has a limited presence or development pipeline
  - o the proposal will provide bespoke housing solutions to meet the needs of individuals, families and whānau
  - o the proposal represents an innovative delivery model.
- b. The proposal is for a Build-to-Own development (as opposed to Build-to-Lease) or contribute to balance sheet growth.
- c. All other funding sources have reasonably been explored by the Community Housing Provider and utilised as appropriate.
- d. The proposal is assessed under Te Tūāpapa Kura Kāinga – the Ministry of Housing and Urban Development's value for money framework and is approved for funding.

The early-stage payments of Operating Supplement to Community Housing Providers referred to in this delegation may not exceed \$55.525 million in aggregate.

The exercise of the powers must be consistent with all legal requirements including those in the Public Finance Act 1989. In particular, the Secretary to The Treasury, and any person exercising any powers under a sub-delegation (including any person acting in those positions from time to time), must consider whether lending is necessary or expedient in the public interest, when exercising the power in section 65L of the Public Finance Act.

3. Consent to sub-delegation

I consent to the sub-delegation of all or any of the authority and powers delegated in this instrument, to the Chief Executive of Te Tūāpapa Kura Kāinga – the Ministry of Housing and Urban Development (and any person acting in that position from time to time).

4. Consent to further sub-delegation

I also consent to the further sub-delegation by the Chief Executive of Te Tūāpapa Kura Kāinga – the Ministry of Housing and Urban Development, of all or any of the authority and powers delegated in this instrument, to certain Te Tūāpapa Kura Kāinga – the Ministry of Housing and Urban Development officials within existing financial delegations (and to any persons acting in those positions from time to time), as detailed in the table below:

Whole of life cost (\$)	Delegated authority
Up to 5 million	Manager Housing Supply
Up to 20 million	Deputy Chief Executive Housing Supply, Response and Partnerships
Over 20 million	Chief Executive, Te Tūāpapa Kura Kāinga – the Ministry of Housing and Urban Development

## 5. Term of delegation

This delegation comes into effect on the date of signing and continues in force until it is revoked (in full or in part) in writing.

**SIGNED** by the Honourable Grant Murray Robertson  
as **MINISTER OF FINANCE**

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**Signature**

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**Date**

*Made under the authority of clause 5 of schedule 6 of the Public Service Act 2020*

## SUB-DELEGATION BY THE SECRETARY TO THE TREASURY TO PROVIDE EARLY-STAGE PAYMENTS OF OPERATING SUPPLEMENT TO COMMUNITY HOUSING PROVIDERS

### 6. Background

On August 2021, the Minister of Finance delegated to the Secretary to The Treasury (and any person acting in that position from time to time) the powers in section 65L, 65O and 65Q of the Public Finance Act 1989 including, but not limited to, the authority to enter into lending arrangements, give notices, make and receive payments, take securities, and do all other acts or things required to exercise or perform the Crown's rights and obligations in relation to any lending for the purpose of providing early-stage payments of Operating Supplement to Community Housing Providers for specific proposals, subject to the conditions stated therein.

### 7. Sub-Delegation

I delegate to the Chief Executive of Te Tūāpapa Kura Kāinga – the Ministry of Housing and Urban Development (and to any person acting in that position from time to time) the powers in section 65L, 65O and 65Q of the Public Finance Act 1989 including, but not limited to, the authority to enter into lending arrangements, give notices, make and receive payments, take securities, and do all other acts or things required to exercise or perform the Crown's rights and obligations in relation to any lending for the purpose of providing early-stage payments of Operating Supplement to Community Housing Providers for specific proposals, subject to the conditions below.

### 8. Conditions

This sub-delegation must be exercised consistently with the delegation from the Minister of Finance.

The exercise of the delegated authority must be consistent with the following criteria:

- e. The Community Housing Provider's proposal complements delivery of new public housing by Kāinga Ora – Homes and Communities (Kāinga Ora) by demonstrating additionality. At least one of the additionality criteria must be demonstrated:
  - o a Community Housing Provider owns or has access to land for development
  - o the proposal is in a location where Kāinga Ora has a limited presence or development pipeline
  - o the proposal will provide bespoke housing solutions to meet the needs of individuals, families and whānau
  - o the proposal represents an innovative delivery model.
- f. The proposal is for a Build-to-Own development (as opposed to Build-to-Lease) or contribute to balance sheet growth.
- g. All other funding sources have reasonably been explored by the Community Housing Provider and utilised as appropriate.
- h. The proposal is assessed under Te Tūāpapa Kura Kāinga – the Ministry of Housing and Urban Development's value for money framework and is approved for funding.

The early-stage payments of Operating Supplement to Community Housing Providers referred to in this sub-delegation may not exceed \$55.525 million in aggregate.

The exercise of the powers must be consistent with all legal requirements including those in the Public Finance Act 1989. In particular, any person exercising any powers under this sub-delegation (including any person acting in those positions from time to time) must consider whether lending is necessary or expedient in the public interest, when exercising the power in section 65L of the Public Finance Act.



## 9. Consent to sub-delegation

I consent to the further sub-delegation of all or any of the authority and powers delegated in this instrument, to certain Te Tūāpapa Kura Kāinga – the Ministry of Housing and Urban Development officials within existing financial delegations (and to any persons acting in those positions from time to time), as detailed in the table below:

Whole of life cost (\$)	Delegated authority
Up to 5 million	Manager Housing Supply
Up to 20 million	Deputy Chief Executive Housing Supply, Response and Partnerships
Over 20 million	Chief Executive, Te Tūāpapa Kura Kāinga – the Ministry of Housing and Urban Development

## 4. Term of sub-delegation

This sub-delegation comes into effect on the date of signing and continues in force until either it is revoked (in full or in part) in writing or the delegation from the Minister of Finance is revoked or expires (in full or in part), whichever occurs earlier.

Signed by Caralee McLiesh as Secretary to The Treasury:

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**Signature**

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**Date**

*Made under the authority of clause 2 of schedule 6 of the Public Service Act 2020*



## Aide-memoire

Community Housing Provider Round Table Wednesday 11 August			
<b>Date:</b>	4 August 2021	<b>Security level:</b>	In Confidence
<b>Priority:</b>	Medium	<b>Report number:</b>	AMI20/21070595

Information for Minister(s)	
Hon Dr Megan Woods <b>Minister of Housing</b>	For your information.
Hon Poto Williams <b>Associate Minister of Housing (Public Housing)</b>	For your information.
Hon Peeni Henare <b>Associate Minister of Housing (Māori Housing)</b>	For your information.
Hon Marama Davidson <b>Associate Minister of Housing (Homelessness)</b>	For your information.

Contact for discussion			
Name	Position	Telephone	1 <sup>st</sup> contact
Anne Shaw	Deputy Chief Executive, Housing Supply, Response and Partnerships	s 9(2)(a)	✓
Bronwyn Hollingsworth	Kaiaki, Housing Supply, Response and Partnerships	04 862 2592	

Other agencies consulted

### Minister's office to complete

<input type="checkbox"/> Noted <input type="checkbox"/> Seen <input type="checkbox"/> Approved <input type="checkbox"/> Needs change <input type="checkbox"/> Not seen by Minister <input type="checkbox"/> Overtaken by events <input type="checkbox"/> Declined <input type="checkbox"/> Referred to (specify)  <hr/>	<b>Comments</b>          
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Date returned to HUD:

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## Aide-memoire

### Community Housing Provider Round Table Wednesday 11 August

**For:** Hon Dr Megan Woods, Minister of Housing

**Copy to:** Hon Poto Williams, Associate Minister of Housing (Public Housing)  
Hon Peeni Henare, Associate Minister of Housing (Māori Housing)  
Hon Marama Davidson, Associate Minister of Housing (Homelessness)

**Date:** 4 August 2021                      **Security level:** In Confidence

**Priority:** Medium                              **Report number:** AMI20/21070595

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#### Purpose

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1. To provide Housing Ministers with information to support you at your meeting with the community housing sector.

#### Meeting details

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2. You are meeting with Community Housing Provider (CHP) leaders on 11 August from 4.30 – 5.30pm in EW room 2.1.
3. Attendees include Community Housing Aotearoa (CHA) and Te Matapihi, alongside a range of representatives from different CHPs. **Annex A** sets out the people invited to attend the meeting, and the CHP that they represent.
4. This is a select group intended to represent the diversity of the CHP sector, in terms of size, operating model, and include Māori, iwi, and Pacific CHPs.
5. Minister Henare, Minister Williams and Minister Davidson will also be attending the meeting.

#### Overview of the last roundtable

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6. You met with CHPs on 27 January where you discussed the Public Housing Plan 2021-2024 (PHP21) and the role of CHPs in delivering public housing. The approach under the PHP21 to focus on new builds to increase New Zealand's overall housing stock and deliver in a range of locations where there is significant need, were part of the discussion.
7. CHPs who attended this discussion were interested in understanding their role in delivering new build public housing, including how they would complement delivery by Kāinga Ora Homes and Communities. Working with yourself and the CHPs, Te Tūāpapa Kura Kāinga, Ministry of Housing and Urban Development (HUD) developed more detailed guidance for CHPs on their role and we published this information on our website in July.
8. Attendees were also updated about guidance on appropriate rent setting levels for CHPs and early-stage operating funding were discussed as ways to enable CHPs to deliver public housing.
9. Most of the attendees for this event also attended the roundtable in January, including representatives from Emerge, The Salvation Army, Kāhui Tū Kaha, Accessible Properties

Limited, Monte Cecilia, and others. This is the first event that Haumaru Housing have been invited to attend.

## **Framing the discussion with Community Housing Providers**

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10. You have indicated that you would like to use the roundtable to begin to discuss what a progressive partnership for government and CHPs would look like.
11. We recommend that an agenda for the roundtable discussion could contain:
  - a. Reaffirming the CHPs' important role in providing public housing, recognising progress made by CHPs
  - b. Announcing early-stage Operating Supplement funding, and discussing other ways Government is supporting the CHP sector to deliver housing and build their portfolio
  - c. Facilitating discussion on the purpose and principles of a progressive partnership between Government and the community housing sector
  - d. Highlighting other partnership opportunities in areas such as affordable housing and progressive home ownership
  - e. Committing to next steps by CHPs and Government.
12. Some potential questions and answers that you could use for various issues that may be raised are included as **Annex B**.

## **Reaffirming the role of Community Housing Providers**

13. CHPs have an important role to play in delivering public housing and have strong community connections, knowledge, and expertise in delivering housing which provides warm, safe, dry homes for vulnerable New Zealanders.
14. This is clearly demonstrated by the number of new public housing places CHPs have delivered – and are continuing to deliver.
15. Between July 2018 and June 2021 CHPs have delivered 4,059 (56%) of public housing places. 1171 (28.5%) of these have been new builds. This proportion has increased over the period, with 37% of CHP supply being new build in 2020/21. A further 698 new build places have been contracted to be delivered between July 2021 and June 2022 as part of the Public Housing Plan 2018-22.
16. For delivery against the Public Housing Plan 2021-24, CHPs are already contracted to deliver 383 places, across almost all regions in the two years between July 2022 and June 2024. Further opportunities for just over 7,000 places are under investigation. Though not all of these will progress to contracting, the number of places being delivered is expected to grow and increasingly reflect the previously agreed changes to settings for delivery of public housing.
17. Since the last roundtable HUD has provided guidance to the sector to enable implementation of these setting changes, including introduction of additionality criteria, and changes to Rent Maxima and Operating Supplement to support CHP delivery of new public housing through the Public Housing Plan 2021 – 2024. (Detail of these setting changes is included in **Annex C**).
18. These changes may take some time to bed in, and some CHPs have said they have outstanding questions including the impact of ending redirects from the private market, and what the additionality criteria mean in practice. Further information on these issues is included below. Officials will continue to work closely with the sector in supporting them to implement these changes.
19. Total funding, that has been provided for CHPs to deliver public housing since 2013/14 and some further stats on CHP delivery is at **Annex D**.

## Announcement of early-stage Operating Supplement

20. Your letter to CHPs sent on 27 May (**Annex E**) acknowledged that access to capital can be a barrier to new build-to-own CHP developments. You noted you expected to be able to provide CHPs with more information on the availability of early-stage funding in the coming months.
21. In July, Cabinet agreed to bring forward funding from Budget 2020 to provide up to \$55.525 million of Operating Supplement funding to CHPs in early-stage payments to support delivery of the PHP21 [SWC-21-MIN-0106]. Cabinet agreement was required to bring forward payments as this has an impact on net core Crown debt in the near term.
22. The Minister of Finance or a delegate must also be satisfied that the payments are in the public interest: HUD has sought approval from the Minister of Finance to delegate authority to HUD to make payments to HUD [BRF20/21071038 refers].
23. Subject to the Minister of Finance approving early-stage payments of the Operating Supplement, we suggest that you announce details of this funding at the CHP roundtable meeting. Decisions from the Minister of Finance are due on 5 August.
24. Suggested talking points on the availability of early-stage Operating Supplement funding are attached at **Annex F**, including information on funding criteria and next steps.
25. Your announcement will be followed by direct stakeholder communications to all CHPs and a press release, focusing on the important role Government sees CHPs playing in building new public housing and how early-stage Operating Supplement funding will enable us to be flexible and help address barriers CHPs face when progressing new developments.

## Discussion of other partnership opportunities

26. Government has highlighted to the sector that it wants to support the sector to grow and build portfolios that allow them to retain assets for the longer term. As well as a preference for build to own public housing, there are other opportunities to deliver housing across the housing continuum, specifically affordable rentals and progressive home ownership. CHPs have expressed an interest in working with Government to understand and utilise all housing options to ensure their sustainability and a balanced housing portfolio to respond to whānau for the longer term.
27. Further partnership opportunities could be discussed at a high level, with the potential for detailed discussions at later roundtables:
  - a. New and innovative funding and financing models: For example, Community Finance are already working with CHPs and HUD to identify and fund public housing developments. In Auckland, ACC is partnering with CORT Community Housing to fund, build and manage 100 new public homes.
  - b. In the coming year there will be further opportunities for CHPs to partner across a range of HUD programmes to deliver across the housing continuum. This includes the Residential Development Response Fund, progressive home ownership and Whai Kāinga Whai Oranga funding. CHPs have told us that they are keen to be involved particularly in the delivery of affordable housing that addresses the gap between public housing and home ownership for first home buyers.
  - c. CHPs would like more information on locations and types of delivery that are complementary to Kāinga Ora, who could be invited to a later roundtable. This would also provide an opportunity for CHPs to discuss potential partnership opportunities with Kāinga Ora.
28. Further talking points on Community Finance, ACC/CORT, Whai Kāinga Whai Oranga, Residential Development Response Fund and progressive home ownership are provided in **Annex G**.

## **Outlining thinking on principles for a progressive partnership**

29. The progressive partnership concept was first introduced in a letter sent on 27 May to the CHPs that attend the roundtable. It was described as a refreshed approach focused on: demonstrating additionality criteria, a preference for Build to Own developments, limited redirects to focus on new supply and changes to funding settings to enable more CHP delivery.
30. Facilitating a discussion now on the principles of a progressive partnership opens the discussion with CHPs who can then have an opportunity to reflect on the purpose and principles of the partnership, and for officials to engage further with the wider CHP community.
31. CHPs are not a homogenous group, and it will be difficult to get an agreement that satisfies all CHPs. As mentioned above, they have outstanding concerns with the settings announced for the Public Housing Plan. Further information on CHP reaction to some of the recently announced changes to settings can be found in paras 38-47 below.

### *Purpose of the partnership and an indication of principles*

32. The Public Housing Plan 2021-24 is clear that the Government is seeking a deliberate, place-based and kaupapa Māori approach, and will focus on greater collaborative partnerships between the HUD, Kāinga Ora, iwi and Māori, Community Housing Providers, local government and the construction industry.
33. To support this, you have suggested the Government and CHPs formalise their partnership through an agreement, which may take the form of a charter.
34. A discussion of principles for this progressive partnership could focus on how the Government and CHPs work together.
35. While the principles should be developed over the coming months, you might like to provide an indication of what these could be. We propose:
  - a. Government has a role in supporting the sector to increase new build public housing, this could be through facilitating engagement and partnership with Kāinga Ora, banks and other financial organisations.
  - b. CHPs can continue to grow and build their asset base, to be in a good place to continue to build public housing supply and work across the housing continuum
  - c. That any partnership arrangement is consistent with any existing agreements, including Te Tiriti o Waitangi
  - d. Engagement between partners that is:
    - Transparent and Honest – sharing information as early as possible
    - Collaborative - commitment to regular updates
    - Our engagements will be purposeful, inclusive, timely and respectful
    - Operating under a mutual level of trust - understanding that information and recommendations shared are sensitive and confidential.
36. There is potential to shape and refine some of the messages on principles during the week before the roundtable. This will give you time to consider further what could be included. HUD also have upcoming engagements with CHPs that could provide some further insight.

### *Seeking CHP feedback*

37. You could ask CHPs at the roundtable for any initial thoughts but reiterate that officials will be in contact with the wider CHP sector to develop these ideas over the coming months.

## Other Issues that CHPs may raise with you

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### CHP concerns with previously announced Public Housing Plan 2021-24 setting changes

*CHPs would like to know Government's expectations for their proportion of new supply*

38. CHPs are keen to understand what proportion of the 6000 public housing places the Government wants them to deliver. However, we have deliberately moved away from percentages to a place-based approach with CHPs complementing Kāinga Ora delivery.
39. The split of delivery will vary from place to place, depending on Kāinga Ora presence. In Auckland and Christchurch Kāinga Ora has a stronger pipeline and presence, compared to areas such as Tauranga and the East Coast.
40. Even in places where Kāinga Ora has a stronger pipeline, there may still be a need for the type of tailored, bespoke services that CHPs are able to offer. The recently announced additionality criteria demonstrate how CHPs can complement Kāinga Ora delivery.
41. In the coming months, officials will work with CHPs and Kāinga Ora to understand what the share of delivery will look like in each region and territorial authority. A priority will be to ensure a good pipeline of activity in the focus areas in the PHP21.
42. s 9(2)(j) [REDACTED] Since the detailed additionality criteria and other setting changes were announced to CHPs at the beginning of July, no applications have been declined. Discussions continue to be held with a view to identifying how existing opportunities might be adapted to meet the additionality criteria. Further, in the last month:
  - a. 6 projects (98 places) have been contracted to be delivered against the Public Housing Plan 2018-22
  - b. 2 projects (70 places) have been contracted to be delivered against the Public Housing Plan 2021-24.
43. s 9(2)(f)(iv) [REDACTED]

### *Ending redirects from the private market*

44. Several CHPs have highlighted concerns resulting from the change in approach to redirects.
45. Te Waipounamu, a CHP network based in the South Island, have indicated that stopping redirects makes it difficult for them to source suitable housing for people with specific (e.g., mental health) needs.
46. HUD have committed to form a small working group of CHPs to understand in greater detail the complexities of redirects and the potential impact these changes may have on CHPs and the people they support, and to consider the next steps needed. We will provide advice to you on these implications.
47. It is intended that this working group will meet before 11 August. We will update you as necessary on the outcome of that meeting.

### **Supporting Māori and Pacific CHPs**

48. The PHP21 takes a place based and MAIHI approach to identify and prioritise the delivery of public housing and to deliver solutions that meet the immediate and long-term needs of vulnerable individuals, whānau and communities.
49. To support these outcomes, HUD expects early-stage funding to be of interest to the sector including Māori and Iwi, and Pasifika CHPs as a pathway to enabling capability and capacity growth within their organisations and portfolios to improve housing outcomes within their respective communities.

50. Whai Kāinga, Whai Oranga is an initiative established by HUD and Te Puni Kōkiri which will invest in Māori housing through capability building and, repairs, infrastructure, and supply projects. The investment will enable housing delivery and capability support in the short term, while also taking a longer-term approach by supporting iwi and Māori partners to deliver regional housing programmes spanning the housing continuum.

51. s 9(2)(f)(iv)

s 9(2)(j)

## Next steps

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55. There may be some areas that you want to request further information from CHPs on following the meeting. Officials will follow up with your office on this, if necessary, to help with facilitation. This could include further discussion of the proposed principles and purpose of the partnership agreement.

56. You will receive further detail on announcement of early-stage Operating Supplement.

## Annexes

Annex A: List of Invited Community Housing Providers

Annex B: Potential Questions and Answers

Annex C: Detail of setting changes already made

Annex D: CHP delivery and funding provided for CHPs to deliver public housing

Annex E: Letter to CHPs of 27 May 2021

Annex F: Talking points on Early-stage payments of the Operating Supplement

Annex G: Talking points on other partnership opportunities and information on Community Finance



## Annex A: List of Invited Community Housing Providers

Provider Name	Contact	Position	RSVP (Y/N)	Attended January roundtable
Te Rūnanganui o Ngāti Porou	Anne Huriwai	Chief Executive	Yes	Yes
Kāhui Tu Kaha Limited	Barbara Browne	Chief Executive	Yes	Yes
Compass Housing Limited	Bernadette Pinnell	General Manager	Yes	Yes
Monte Cecilia	Bernie Smith	Chief Executive	Yes	Yes
Ōtautahi Community Housing Trust	Cate Kearney	Chief Executive	Yes	Yes
Community Housing Aotearoa	Chris Glaudel	Acting CEO	Yes	Yes – Previous CEO, Scott Figenshow, attended.
	Victoria Crockford			
Haumaru Housing	Gabby Clezy	CEO	Yes	No
Ngāti Hine Health Trust	Geoff Milner	Chief Executive	Yes	Yes
Accessible Properties Limited	Greg Orchard	Chief Executive	Yes	Yes
Emerge Aotearoa	Hope Simonsen	National Housing Manager	Yes	Yes
Tauranga Community Housing Trust	Jacqui Ferrel	General Manager	Yes	No
Te Āhuru Mōwai Limited Partnership	James Te Puni		Yes	Yes – Lisa Bishop, Community and Partnerships Manager attended.
Te Matapihi	Jen Deben	Lead Advisor	Yes	Yes
Christchurch Methodist Central Mission	Jill Hawkey	Executive Director	Yes	Yes
The Salvation Army New Zealand Trust	Major Campbell Roberts	Director	Yes	Yes
CORT	Peter Jeffries	Chief Executive Officer	Yes	Yes
Penina Trust	Roine Lealaialoto	Chief Executive	Yes	Yes
Manawa	TBC		No RSVP yet	No
Otangarei Papakāinga Limited	Martin Kaipō	Chief Executive Officer	No RSVP yet	Yes
	William Kaipō	Programme Manager		
Te Rūnanga o Kirikiriroa	Yvonne Wilson	Housing Manager	Yes	Yes

## Annex B: Potential Questions and Answers

Question	Potential Answer
<p><b>Build-to-own:</b> Why has Government focussed on Build-to-own delivery rather than Build-to-lease opportunities?</p>	<p>This approach will help to strengthen CHP ability to develop more housing in the future by owning a long-term asset. It also ensures that places funded by Government are more likely to be retained longer-term as public housing.</p>
<p><b>Additionality criteria:</b> What are the key focus areas included in the Public Housing Plan?</p>	<p>HUD would be keen to see proposals for developments in any of the PHP focus areas. These are:</p> <ul style="list-style-type: none"> <li>• Far North Te Taitokerau</li> <li>• Hamilton Kirikiriroa</li> <li>• Tauranga</li> <li>• Rotorua</li> <li>• Gisborne Tairāwhiti</li> <li>• Napier Ahuriri</li> <li>• Hastings Heretaunga</li> <li>• Whanganui</li> <li>• Palmerston North Papaioea</li> </ul> <p>Proposals that are complementary to delivery by Kāinga Ora, where they have limited delivery plans, or where delivery is not until a later date than what the CHP could achieve are also of interest to HUD.</p>
<p><b>Additionality criteria:</b> How will HUD assess whether a project is providing housing for a specific group?</p>	<p>The government is looking for opportunities where CHP's can provide more bespoke housing solutions for groups such as Māori, Pacific families, youth or where opportunities can demonstrate they meet a certain need for individuals or households who would not otherwise be as well catered for through Kāinga Ora delivery.</p> <p>Suitable proposals could include:</p> <ul style="list-style-type: none"> <li>• a housing typology designed for a particular group, e.g. accessible properties, or larger housing to accommodate multi-generational families.</li> <li>• A development containing elements designed to meet the needs of the specific group.</li> <li>• Provision of targeted services to meet the needs of specific groups.</li> </ul>
<p><b>Accessibility and Universal Design:</b> How is HUD supporting accessible and universal design outcomes?</p>	<p>When constructing new build supply, HUD recognises the need to tailor our design approach to meet a diverse range of household needs, including for individuals and whānau who require accessible homes.</p> <p>We support and encourage proposals that meet accessibility and universal design standards, and we look forward to partnering with you to provide homes that meet the needs of all New Zealanders.</p> <p>Read more about standards for accessible homes on the Office for Disability Issues website.</p>

<p><b>Redirects:</b></p> <p>The property a CHP is considering for a redirect supports a priority location for the Public Housing Plan but is not a new build property, will this be considered?</p>	<p>Redirects are existing houses brought into public housing through lease by CHPs.</p> <p>As the PHP has a focus on new build supply, HUD will consider redirects from the private market only in limited circumstances. Redirects will be considered where they:</p> <ul style="list-style-type: none"> <li>• Support priority programmes such as Housing First, Rapid Rehousing and Creating Positive Pathways, or for other Homelessness Action related initiatives</li> <li>• Enable redevelopment in the short term.</li> </ul>
<p><b>Redirects:</b></p> <p>Can existing redirect properties be relisted when they become vacant?</p>	<p>Existing redirects will be able to be relisted when they become vacant and existing leases will be able to be renewed in line with current practices. This will enable continuity of housing for people, particularly those who require a bespoke solution that supports them to live within the community.</p>
<p><b>National Policy Statement on Urban Development</b></p> <p>What is the National Policy Statement?</p>	<p>The purpose of National Policy Statement on Urban Development (NPS-UD) is to ensure local authorities enable development capacity for housing and business —through their land-use planning and infrastructure — so that urban areas can grow and change in response to the needs of their communities.</p> <p>To do this growth, councils are required to:</p> <ul style="list-style-type: none"> <li>• monitor their markets for housing and business land</li> <li>• assess the development capacity against projected demand</li> <li>• if there's insufficient development capacity, respond in their plans to enable more capacity to grow.</li> </ul>
<p><b>Government Policy Statement on Housing and Urban Development</b></p> <p>What is the Government Policy Statement?</p>	<p>The Government Policy Statement on Housing and Urban Development (GPS-HUD) will communicate the long-term vision for our housing and urban development system, and how Government will work with others to make it happen.</p> <p>The GPS-HUD is intended to provide a shared vision and direction across housing and urban development, to guide and inform the actions of all those who contribute.</p> <p>It will set out how Government and other parts of the housing and urban development system will work together to realise this vision.</p> <p>The GPS-HUD will shape future:</p> <ul style="list-style-type: none"> <li>• government policy</li> <li>• investment</li> <li>• programmes of work.</li> </ul> <p>The first GPS-HUD will be published by 1 October 2021 and reviewed at least every three years.</p>
<p><b>Why doesn't the Government offer capital grants to CHPs?</b></p>	<p>This isn't something that can be done in the short term. Providing early-stage payments of the operating supplement could be implemented more quickly to support the delivery of the PHP, without needing any additional funding or regulatory change.</p> <p>Officials will monitor and report back to me on the effectiveness of early-stage payments at delivering new build public housing.</p> <p>If necessary, I am open to considering other funding tools and settings which could provide effective longer-term solutions.</p>

## Annex C: Detail of setting changes already made

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### Changes to settings for Public Housing delivery that have been announced since the last roundtable

HUD has recently published information for CHPs on setting changes you have previously agreed. There is continued interest in understanding additionality and concerns with redirects. The key changes announced included:

- a. **Additionality:** criteria to be used by CHPs to demonstrate how their proposal complements delivery of new supply public housing by Kāinga Ora. This approach will support the focus on state-led delivery of public housing. Additionality criteria are:
  - i. Where a CHP owns or has access to land for development
  - ii. Locations where Kāinga Ora has a limited presence or development pipeline
  - iii. Opportunities which provide bespoke housing solutions to meet the needs of individuals, families and whānau
  - iv. Innovative delivery models (e.g. innovative funding or financing arrangements)
- b. **Build-to-own developments:** The preference is that new supply of public housing is delivered as build-to-own. This approach will help to strengthen CHP ability to develop more housing in the future by owning a long-term asset, while ensuring that places funded by Government are more likely to be retained longer-term as public housing.
- c. **Redirects:** It has been signalled to CHPs that from 1 October 2021, redirects of properties leased from the private market will no longer be approved; however, HUD will be able to continue accepting redirects in exceptional circumstances. This change supports the Government's preference that predominantly new build public housing be delivered through the Public Housing Plan 2021-2024.
- d. **Rent setting:** The rent maxima have been removed and replaced with a principles-based approach to assessing market rent. This will enable better alignment to private market rents and improve the feasibility of potential CHP development opportunities.
- e. **Operating supplement:** The operating supplement percentage cap has increased to 100 percent of market rent in regional centres and smaller areas that typically experience lower rents. This will enable the delivery of new supply public housing in a range of locations that might otherwise not have been financially viable due to low market rents.

## Annex D: CHP delivery and funding provided for CHPs to deliver public housing

### CHP Delivery of Public Housing by Financial Year

	FY 18/19	FY 19/20	FY 20/21
<b>Redirects</b>	815	972	1101
<b>New Builds</b>	140	375	656
<b>Te Ahuru Mowai transfer<sup>1</sup></b>			(895)
<b>Total</b>	<b>955</b>	<b>1407</b>	<b>1757 (ex Te Ahuru Mowai)</b>

### Funding

57. The following table includes all funding to CHPs to deliver public housing, and includes IRRS, OS and any upfront funding:

	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Income Related Rent Subsidy	\$0.074m	\$1.334m	\$16.970m	\$57.276m	\$74.753m	\$92.504m	\$112.873m	\$156.063m
Staged Operating Funding Payments	-	-	-	\$6.459m	\$10.196m	\$29.878m	\$30.045m	\$9.912m
<b>Total</b>	<b>\$0.074m</b>	<b>\$1.334m</b>	<b>\$16.970m</b>	<b>\$63.735m</b>	<b>\$84.949m</b>	<b>\$122.382m</b>	<b>\$142.918m</b>	<b>\$165.975m</b>

<sup>1</sup> Properties in Eastern Porirua transferred to the CHP from Kāinga Ora

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## **Annex F: Talking points on Early-stage payments of the Operating Supplement**

- This government has agreed to offer early-stage payments of the Operating Supplement to support CHPs to deliver the Public Housing Plan 2021-2024.
- We are bringing forward up to \$55.525 million from Budget 2020 over two years. This is not additional funding – instead it introduces flexibility to bring the timing of payments forward. It allows a portion of Operating supplement funding that would otherwise be paid out over the length of a contract to be paid in the development and construction stage of a new build project where eligibility criteria are met.
- CHP projects will be eligible for early stage funding where one or more of the additionality criteria are met. This will support CHPs to develop public housing where you have access to land, in locations where Kāinga Ora has a limited development pipeline, or where a bespoke housing solution can be provided for a particular cohort or group.
- As well as meeting the additionality criteria, to be eligible:
  - projects must be build-to-own developments, and
  - all other sources of funding must have been considered and exhausted. This includes banks and other sources of Crown funding.
- This change will enable developments to progress that otherwise would not be viable. For example, where a CHP has a portion of the development capital required for a new build development but needs a top-up to get over the line.
- I expect that early-stage Operating Supplement payments will be of particular interest to newer and/or smaller CHPs which lack the asset base required to access all the capital required for a build-to-own development.
- If you have a build-to-own project that meets the additionality criteria and might benefit from early-stage operating supplement funding, please get in contact with HUD to discuss it.
- I realise the challenges some CHPs face in accessing the capital required for build-to-own developments will still exist after the current Public Housing Plan has been delivered. Officials will monitor and report back to me on the effectiveness of early-stage payments at delivering new supply. If necessary, I am open to extending the availability of early-stage operating supplement payments beyond 2024 and considering other funding tools and settings which could provide effective longer-term solutions.

## **Annex G: Talking points on other partnership opportunities and information on Community Finance**

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### **Innovative Finance**

#### *Community Finance*

- Community Finance was established in 2019 with capital from five key stakeholders: The Lindsay Foundation, The Tindall Foundation, The Matua Foundation, Christian Savings, and the Wilberforce Foundation. It provides low cost finance to CHPs to build new, safe and affordable homes.
- Bonds are only open to 'Wholesale Investors' as definition under the Financial Markets Conduct Act 2013. Bond proceeds are transferred through the platform to qualifying borrowers called "Project Providers". A Project Provider, such as a CHP, must be able to provide sufficient security to support the loan, meet a commercially standard credit assessment, be appropriately managed, and demonstrate strong governance. Loans are set to match the term of the bonds so that, at the expiry of the bond, the loan can either be refinanced or investments rolled over for a fresh term.
- The Salvation Army Community Bond is the first project by Community Finance. It is a total investment of \$40 million to finance three public housing developments in Auckland (in Royal Oak, Westgate and Flatbush). This will deliver 118 new, warm, dry and secure houses for families without homes.
- The Community Bond is a fixed interest, 5-year impact investment yielding 2.30% per annum. It delivers investors a sound investment return and social impact. Investors in this project include Foundation North and Generate KiwiSaver Scheme.

#### *CORT and ACC Partnership*

- ACC is partnering with CORT Community Housing to fund, build and manage 100 new public homes in Auckland. ACC has agreed to invest \$50 million to initiate the joint venture and CORT will oversee the development and management of the new high-quality dwellings. The approved public housing developments will be supported by the Income Related Rent Subsidy for up to 25 years.
- This joint venture provides a framework that other long-term investors and CHPs may wish to use.
- The joint venture between ACC and CORT means a new company will be formed, with each organisation owning half of the shares. The company will build the developments, and CORT will lease the properties off it and take responsibility for the houses and tenants.
- The 100 properties funded by the joint venture will be spread across the city in 10 to 20 unit blocks. Each of the developments, once underway, were expected to take between 18 months and two years to complete.

### **Other Partnership Opportunites**

#### *Whai Kāinga, Whai Oranga*

- Whai Kāinga, Whai Oranga is a cross-agency initiative (Te Puni Kōkiri and Te Tūāpapa Kura Kāinga) investing in Māori housing through capability building, repairs, infrastructure and supply projects.
- This investment will build on existing Māori housing programmes, including the MAIHI investment funds He Taupae, He Taupua and He Kūkū Ki Te Kāinga that have supported Māori CHPs.
- This investment will enable much-needed housing delivery and capability support in the immediate term, but this investment will also take a longer-term approach by supporting iwi and Māori partners to deliver regional housing programmes spanning the housing continuum.



- More detail on how Māori and iwi developers can access Whai Kāinga Whai Oranga investment, including infrastructure investment, will be announced later this month.

### *Residential Development Response Fund*

- As you know, we announced earlier this year that the purpose of the Residential Development Response Fund will shift from supporting construction to supporting the delivery of more affordable housing options.
- We are still working on the detailed design of the Fund. I appreciate Community Housing Aotearoa's willingness to engage with my officials as we develop this.
- While Cabinet is still to make decisions on the design of the Fund, it is likely that the Fund will have a significant focus on supporting the increased supply of new-build affordable rentals for those who can afford a modest market rent as well as those who cannot.
- We see this as a clear area of need. Households who cannot afford to pay a market rent are facing the most acute rent stress and this is manifesting in significant growth in demand for public housing, and increased rates of homeless and crowding.
- We know that CHPs have something to offer in this space and look forward to future engagement on this.

### *Progressive Home Ownership*

- The current PHO providers are all registered CHP's. To receive funding, organisations must become an approved PHO provider and submit a plan for how they will deliver their PHO scheme. They can do this by responding to an Invitation to Participate in their chosen pathway.
- Approved PHO providers take a 15-year loan from the Government, then partner with individuals, families and whānau to help them access home ownership opportunities through arrangements such as shared ownership, rent to buy, or leasehold.
- Organisations can access the Progressive Home Ownership Fund (PHO) to establish or expand their progressive home ownership programmes through two dedicated pathways:

#### **Provider Pathway:**

- i. The Provider pathway enables organisations to access funding for their progressive home ownership programmes to help individuals, families and whānau in their communities achieve independent home ownership.
- ii. An Invitation to Participate in the Provider pathway of the PHO Fund will be released up to four times per year, for five weeks each time. The first round opened 12 May and closed 16 June.

#### **Te Au Taketake:**

- iii. Te Au Taketake (Iwi and Māori pathway) provides dedicated funding for Iwi and Māori organisations to develop or expand their progressive home ownership programmes, supporting better housing outcomes for whānau Māori.
- iv. Iwi and Māori organisations can choose to respond to the Invitation to Participate in Te Au Taketake or the Invitation to Participate in the Provider pathway.
- v. They can respond to the Invitation to Participate in Te Au Taketake at any time, rather than during funding rounds offered through the Provider pathway.

# Funding setting changes to unlock opportunities for Public Housing across New Zealand

## Current funding settings will challenge Budget 2020 delivery expectations as they do not reflect the costs to build.

### Existing settings will:

- not enable growth in delivery in priority regional locations where there is high need
- continue to focus delivery in main centres (especially Auckland and Christchurch)
- see providers struggle with the scale of new builds expected, with CHP supply dominated by leased or redirected properties from the existing market.

## A combination of changes will support delivery by Kāinga Ora and CHPs in priority locations highlighted in the Public Housing Plan

The recommended package of changes work together to support a higher level of delivery in regions with high need, alongside continuing delivery in the main centres.

The changes we would expect to see are:

- improved responsiveness to demand through incentivising supply in priority locations and for certain typologies; including delivering for and by iwi and Māori
- flexibility of funding tools to help fund development costs of new supply
- a more consistent approach for Kāinga Ora and CHPs.

## Expected impact of changes:

- Kāinga Ora will be able to deliver in a wider range of locations, and to better meet demand for specific housing typologies
- CHPs will be able to deliver more new builds and in a greater range of delivery locations to support Kāinga Ora delivery.

The proposed changes can be made immediately, without legislative or regulatory changes and will provide incremental improvements in delivery.

Achieving transformational, more sustained delivery will require fundamental changes. As we track progress on delivery of the PHP, we will consider further changes e.g. regulatory shifts, capacity and capability support, and facilitating partnership opportunities with Kāinga Ora.

## Proposed funding settings changes that can be managed within Budget 2020 allocated funding

### Funding and financing for new supply

Predominantly enables Kāinga Ora

#### Operating Supplement (OS)

##### Proposed change:

- Higher OS percentage cap for net new supply outside of main centres for both Kāinga Ora and CHPs
- Flexibility in limited situations for HUD to approve:
  - a percentage of OS above the cap
  - OS for Kāinga Ora projects in Auckland

##### Enables:

- Delivery by Kāinga Ora and CHPs in locations outside main centres that have lower market rents (alongside continuing delivery in main centres)
- Kāinga Ora delivery of a mix of typologies in suburbs across Auckland

#### EXAMPLES OF IMPACT

##### Higher percentage of OS available - Kaitaia redevelopment

Kāinga Ora is in the feasibility stage for a project to build 13 new public houses and demolish five (net increase of 8). Low market rents and industry constraints leading to higher costs suggest that the OS required will be over the 90% cap. Broader social outcomes (e.g. construction skills development programme) are not able to be factored in. The OS cap and a lack of flexibility in the system means the project may not progress to business case stage.

##### Flexibility for HUD to approve OS for Kāinga Ora projects in Auckland - Papatoetoe redevelopment

A Kāinga Ora proposal to build two 4+ bedroom homes with accessibility features to replace one existing house does not achieve the required returns. Challenges include less intensive use of site (compared to using site for smaller units) and lower market rents relative to other areas in Auckland. Extending OS eligibility would incentivise a mix of typologies in suburbs across Auckland.

Predominantly enables CHP

#### Development Funding & Finance

##### Proposed change:

- Staged operating funding for CHPs as an alternative to having it spread over the contract term to help overcome borrowing constraints and deliver in priority locations
- Using leasing opportunities, such as direct leasing, where this makes most sense, including exploring new leasing arrangements that could enable asset ownership for CHPs over time

##### Enables:

- Delivery of new builds in a range of locations with high need by CHPs to support Kāinga Ora delivery over the next five years

#### EXAMPLE OF IMPACT

##### Increased supply in a range of locations through greater ability to borrow

CHPs do not receive any funding (either IRRS or OS) until a house is complete and a tenant has moved in. This means many must borrow significant amounts upfront to deliver new build public housing, particularly where market rents are also low.

Some have reached their borrowing threshold, others are borrowing at higher interest rates which means they are either not able to deliver new builds or are very limited in the range or locations where they can deliver (i.e. those with high market rents). Staged funding would allow some CHPs to raise the necessary borrowing to delivering in a greater range of locations.

Staged funding may support Māori CHPs to increase housing supply on whenua Māori by mitigating some of the existing borrowing constraints.

### Funding for ongoing operational costs

Predominantly enables CHP

#### Income Related Rent Subsidy (IRRS)

##### Proposed Change:

- Remove out of date 2016 market rent maxima for CHPs and replace them with HUD guidance on rent setting to align with the private rental market and address the inconsistent approach for CHPs and Kāinga Ora

##### Enables:

- Delivery of new builds in a range of locations with high need by CHPs to support Kāinga Ora delivery over the next five years

#### EXAMPLE OF IMPACT

##### Increased supply in a range of locations - Dunedin

Current rent maxima for CHPs in Dunedin for 1 bedroom properties is \$275 per week with some CHPs finding construction costs are more expensive than in Auckland. An independent rent assessment for similar properties came back at \$430 per week.

Replacing the rent maxima with guidance which more accurately reflects actual market rents will allow for more new build delivery in many places where rent maxima do not make new builds viable.

## Emma McCone

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**From:** Amanda Lewis  
**Sent:** Wednesday, 30 June 2021 12:53 pm  
**To:** Amy Harrison - Parliament; Susan Jacobs  
**Cc:** Emma McCone; Anne Shaw; Brad Ward; Naomi Stephen-Smith; Bronwyn Hollingsworth; Hilary Eade; Janet Harris; Ministerial Services  
**Subject:** RE: IREQ20/21060976. RE: BRF20/21050980 Draft Cabinet Paper: Staged operating funding to support public housing delivery

**Categories:** Minister's Office

Kia ora Amy

Here is our response to feedback from Hon Davidson on the early-stage operating funding Cabinet paper.

Please let Emma and I know if you have any further questions.

Nga mihi,  
Amanda

### Response to Hon Davidson feedback on early-stage operating funding Cabinet Paper

The minister did find the numbers in the paper itself a little difficult to follow, what the \$44mil net core debt enables for CHP engagement in PH delivery. Para 10 and 35 suggests that the 44mil will be used to progress these 6 opportunities (it seemed unclear if this was as a starter or an example of what this money will unlock).

#### HUD response

- HUD amended the Cabinet paper to clarify that the six projects in paragraphs 10 and 35 are an example of what could be delivered with the funding.
- It is difficult to predict exactly how many projects or places will be a direct result of this new funding tool, in part because it will depend on the size of projects and the amount of early-stage Operating Supplement funding required. Our assessment of current known opportunities is provided in the Cabinet paper to give an indication of its impact.
- Funding will be allocated as proposals come in and are assessed. We anticipate that upon announcement of this funding, some new CHP proposals will be presented where they are now feasible for the CHP. The \$55.525 million of funding is a cap and spending will be approved for projects on a case-by-case basis (where they meet criteria) until funding is exhausted.

Noting the background section outlines (in para 12.2) Pacific peoples but the paper doesn't explicitly talk to Pasifika CHPs and pathways for addressing Pacific people's needs and the capacity across the country to meet these needs nor some of the challenges facing larger and/or intergenerational living. Minister is supportive of the approach in para 36 – 38 and the clear commitment to particularly Māori, she would like to see some explicit commitment to Pasifika and/or some context provided where capacity and capability build is required for certain CHPs and/or cohorts.

#### HUD response

- Delivering for specific cohorts, including Pacific Peoples, is a focus area of the Public Housing Plan. Proposals to provide bespoke housing responses for Pacific Peoples, as for Māori, will meet the additionality criteria and can be considered for early-stage funding where this is required for a project to be viable.
- Penina Trust became a registered CHP in March 2017 and is the only registered Pacific CHP (although there are other CHPs with experience working with Pacific peoples, such as Airedale Property Trust). Penina operates in Auckland and provides 20 public housing places, with further properties under construction. Penina also provides 116 transitional housing places.
- The Ministry for Pacific Peoples is leading work to increase the number of Pacific organisations able to deliver improved housing to Pacific families and communities. This includes supporting organisations to build their capability to become registered Community Housing Providers.

Para 19 re additionality criteria - the Minister wonder if any of the four points are weighted more or less or if CHPs proposals will be assessed case by case?

#### HUD response

- In the final version of the Cabinet paper, we have clarified the criteria and process for assessing proposals.
- At least one of the additionality criteria must be demonstrated in order for a CHP new build proposal to progress to the formal application and evaluation stage for any public housing funding.
- Additionality criteria can be demonstrated where a CHP:
  - has available land for public housing that could be progressed at pace
  - can provide housing for a specific cohort group or bespoke responses for different housing needs (including for example delivering solutions with a kaupapa Māori approach, or properties for people with accessibility needs)
  - can provide housing in a location where Kāinga Ora has a limited presence or development pipeline
  - has an innovative delivery model.
- There is no weighting on the four criteria. HUD officials will assess proposals to determine whether at least one of the criteria are met. Any proposals that are deemed to offer something innovative will require approval by the Minister of Housing.
- Further criteria will apply where a CHP is seeking early-stage payments to ensure this funding is used to achieve positive housing outcomes that could not be achieved in any other way.
- Criteria for early-stage payments will include:
  - the project must be a build to own development; and
  - the project must deliver new build housing that could not otherwise be delivered in the places where they are most needed, through other sources of funding (i.e. HUD will need to be satisfied all other funding options have reasonably been explored by the CHP).
- Meeting the criteria for early-stage funding will not guarantee that a proposal progresses. The criteria will work in tandem with HUD's existing new supply evaluation framework to ensure Crown funding supports projects which are suitable for public housing, have appropriate delivery risk mitigations in place, are financially viable throughout the contract period and where the cost is appropriate for nature of the project.

Will there be incentives/support to CHPs to develop accessible homes to support disabled communities and whānau?

#### HUD response

- A CHP proposal to deliver new build properties suitable for people with accessibility issues or disabilities will meet the additionality criteria (i.e. providing a bespoke response).
- This enables the proposal to proceed to the formal evaluation stage for funding.
- If the provider seeks early-stage funding, this will be considered where HUD is satisfied that all other options for accessing development funding have been explored and there are no alternative options.

**Amanda Lewis** ([She/her](#))

Senior Policy Advisor | Market and Supply Responses

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He kāinga ora, he hapori ora - our purpose is thriving communities where everyone has a place to call home.

Please note that I work a half day on Wednesdays.

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**From:** Amy Harrison <Amy.Harrison@parliament.govt.nz>

**Sent:** Tuesday, 29 June 2021 6:02 pm

**To:** Emma McCone <Emma.McCone@hud.govt.nz>; Susan Jacobs <Susan.Jacobs@parliament.govt.nz>

**Cc:** Amanda Lewis <Amanda.Lewis@hud.govt.nz>; Anne Shaw <Anne.Shaw@hud.govt.nz>; Brad Ward <Brad.Ward@hud.govt.nz>; Naomi Stephen-Smith <Naomi.Stephen-Smith@hud.govt.nz>; Bronwyn Hollingsworth <Bronwyn.Hollingsworth@hud.govt.nz>; Hilary Eade <Hilary.Eade@hud.govt.nz>; Janet Harris <Janet.Harris@parliament.govt.nz>; Ministerial Services <Ministerial\_Services@hud.govt.nz>

**Subject:** RE: IREQ20/21060976. RE: BRF20/21050980 Draft Cabinet Paper: Staged operating funding to support public housing delivery

Hi Emma,

Hon Davidson's office have just come back with some feedback/questions.

Our office has said we don't need to make any changes to the paper but they do want answers to the questions she asks and some additional information on the specific areas she enquires about.

The feedback is as follows;

Minister Davidson is really supportive of this paper and approach, particularly where there is an acknowledgement that CHPs seeking to deliver for specific cohort groups, for example Māori and Pacific Peoples, fall into the category of smaller, newer providers who lack the necessary asset base and cash flows to source capital for build-to-own developments.

The minister did find the numbers in the paper itself a little difficult to follow, what the \$44mil net core debt enables for CHP engagement in PH delivery. Para 10 and 35 suggests that the 44mil will be used to progress these 6 opportunities (it seemed unclear if this was as a starter or an example of what this money will unlock).

Noting the background section outlines (in para 12.2) pacific peoples but the paper doesn't explicitly talk to pasefika CHPs and pathways for addressing pacific people's needs and the capacity across the country to meet these needs nor some of the challenges facing larger and/or intergenerational living. Minister is supportive of the approach in para 36 – 38 and the clear commitment to particularly Maori, she would like to see some explicit commitment to pasefika and/or some context provided where capacity and capability build is required for certain CHPs and/or cohorts.

A couple of additional questions the Minister had;

- Para 19 re additionality criteria - the Minister wonder if any of the four points are weighted more or less or if CHPs proposals will be assessed case by case?
- Will there be incentives/support to CHPs to develop accessible homes to support disabled communities and whānau?

When you send the paper over, can you include in the email some content that addresses her two specific queries in the bullet points as above, some information to clarify the numbers and some content to address her comment on Pasefika CHPs.

Happy to discuss with you tomorrow.

Thanks,

Amy

**Amy Harrison** (she/her)

Private Secretary (Housing)

[Amy.Harrison@parliament.govt.nz](mailto:Amy.Harrison@parliament.govt.nz) | Mobile: s 9(2)(a)

**Office of Hon Dr Megan Woods**

**Minister of Energy and Resources | Minister of Research, Science and Innovation | Minister of Housing | Associate Minister of Finance**

Private Bag 18041 | Parliament Buildings | Wellington 6160 | New Zealand

Office Phone: +64 4 817 8705 Email: [m.woods@ministers.govt.nz](mailto:m.woods@ministers.govt.nz)

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**From:** Amy Harrison

**Sent:** Monday, 28 June 2021 2:10 PM

**To:** 'Emma McCone' <[Emma.McCone@hud.govt.nz](mailto:Emma.McCone@hud.govt.nz)>; Susan Jacobs <[Susan.Jacobs@parliament.govt.nz](mailto:Susan.Jacobs@parliament.govt.nz)>

**Cc:** Amanda Lewis <[Amanda.Lewis@hud.govt.nz](mailto:Amanda.Lewis@hud.govt.nz)>; Anne Shaw <[Anne.Shaw@hud.govt.nz](mailto:Anne.Shaw@hud.govt.nz)>; Brad Ward <[Brad.Ward@hud.govt.nz](mailto:Brad.Ward@hud.govt.nz)>; Naomi Stephen-Smith <[Naomi.Stephen-Smith@hud.govt.nz](mailto:Naomi.Stephen-Smith@hud.govt.nz)>; Bronwyn Hollingsworth <[Bronwyn.Hollingsworth@hud.govt.nz](mailto:Bronwyn.Hollingsworth@hud.govt.nz)>; Hilary Eade <[Hilary.Eade@hud.govt.nz](mailto:Hilary.Eade@hud.govt.nz)>; Janet Harris <[Janet.Harris@parliament.govt.nz](mailto:Janet.Harris@parliament.govt.nz)>; Ministerial Services <[Ministerial\\_Services@hud.govt.nz](mailto:Ministerial_Services@hud.govt.nz)>

**Subject:** RE: IREQ20/21060976. RE: BRF20/21050980 Draft Cabinet Paper: Staged operating funding to support public housing delivery

Hi Emma,

Two pieces of feedback so far;

- MOF is supportive of doing something to move CHPs forward and maintain momentum. The additionality criteria for accessing early stage payments should be tweaked to target new builds that could not otherwise be delivered *in the places where they are most needed*.
- The other piece of feedback was just around rephrasing the purpose of this paper. The proposal section notes that the purpose of the paper is to provide early stage payments, but the office requested that it be clearer that the purpose of the paper is really about better suppling the CHP sector to deliver new public housing by providing early stage payments. Essentially, a reframing of the paper so that instead of focusing on the debt increase, it's about the outcomes it is looking to achieve.

Happy to discuss further.

Thanks,

Amy

**Amy Harrison** (she/her)

Private Secretary (Housing)

[Amy.Harrison@parliament.govt.nz](mailto:Amy.Harrison@parliament.govt.nz) | Mobile: s 9(2)(a)

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**From:** Emma McCone [<mailto:Emma.McCone@hud.govt.nz>]

**Sent:** Wednesday, 23 June 2021 5:13 PM

**To:** Susan Jacobs <[Susan.Jacobs@parliament.govt.nz](mailto:Susan.Jacobs@parliament.govt.nz)>; Amy Harrison <[Amy.Harrison@parliament.govt.nz](mailto:Amy.Harrison@parliament.govt.nz)>

**Cc:** Amanda Lewis <[Amanda.Lewis@hud.govt.nz](mailto:Amanda.Lewis@hud.govt.nz)>; Anne Shaw <[Anne.Shaw@hud.govt.nz](mailto:Anne.Shaw@hud.govt.nz)>; Brad Ward <[Brad.Ward@hud.govt.nz](mailto:Brad.Ward@hud.govt.nz)>; Naomi Stephen-Smith <[Naomi.Stephen-Smith@hud.govt.nz](mailto:Naomi.Stephen-Smith@hud.govt.nz)>; Bronwyn Hollingsworth <[Bronwyn.Hollingsworth@hud.govt.nz](mailto:Bronwyn.Hollingsworth@hud.govt.nz)>; Hilary Eade <[Hilary.Eade@hud.govt.nz](mailto:Hilary.Eade@hud.govt.nz)>; Janet Harris <[Janet.Harris@parliament.govt.nz](mailto:Janet.Harris@parliament.govt.nz)>; Ministerial Services <[Ministerial\\_Services@hud.govt.nz](mailto:Ministerial_Services@hud.govt.nz)>

**Subject:** IREQ20/21060976. RE: BRF20/21050980 Draft Cabinet Paper: Staged operating funding to support public housing delivery

Kia ora Susan,

As requested, we've prepared responses to Treasury's feedback. As an FYI, we've also met with Treasury this week and have discussed in more detail how we will approach the briefing to MoF which will enable payments to be made under the Public Finance Act.

Let us know if anything here is unclear or you would like further information.

**Question one**

TSY is concerned about the proposal's ability to meet the *necessary or expedient in the public interest* test the PFA requires you to consider in making such payments. This is because CHP borrowing in these circumstances would already be secured/de-risked through guaranteed Government cashflow, and it is not clear what is preventing CHPs from borrowing in that context.

**HUD Response**

CHPs find it difficult to access borrowing primarily because they lack the equity or asset base required for bank lending. There are also sector specific challenges such as:

- the typology of the developments required for public housing do not match the highest and best use of a site
- banks have concerns in relation to enforceability of security due to the reputational risk of having to terminate IRRS tenancies
- CHPs are perceived to have a lack of development experience or sufficient delivery track record for banks to support them with development finance.
- CHPs lack a wider asset base which helps support bank development lending, as it provides additional assets and cashflow to be relied on beyond the development asset.

There are options that could be explored to increase CHP borrowing capacity, for example the government could provide an underwrite to lenders to enable them to provide higher levels of leverage to CHP projects. Any option is likely to have impacts on cost to the Crown and value for money, and present varying degrees of commercial risk which would need to be carefully considered before progressing.

### **Question two**

\$20 million was ring-fenced for upfront funding for CHPs in December 2019 but this apparently remains unspent. So TSY recommends you ask Minister Woods whether upfront funding really is the key challenge here and if so, what barriers have been identified to getting the 2019 funding out the door.

### **HUD response**

Te Tūāpapa Kura Kāinga has been cautious when discussing upfront funding with CHPs due to its limited availability. However, in combination with early-stage funding it would create a critical mass which will make conversations and allocation decisions easier.

Equity discussions usually take place at an early stage of a project's development before significant capital has been invested by the CHP in planning and design for a development that may not be funded. Two projects were considered in late 2020 by Ministers for upfront funding.

The table below provides detail on two specific projects where upfront funding has been committed, including some from the ring-fenced amount. We have worked with CHPs on ways to use the funding in situations like this.

s 9(2)(j)

Several projects have previously been delivered by CHPs using upfront funding. Between June 2015 and 2018 there was flexibility in funding that enabled CHPs to access up to 50% of operating supplement as upfront funding. 28 projects were approved for 496 places, with the government contributing \$100.2m of capital. All but five projects accessed the maximum of 50% OS upfront. 21 of these projects have been delivered, with the remaining seven under construction.

### **Question three**

The additionality criteria proposed at para 19 are also quite permissive. TSY suggests tightening these up so that they focus on proposals that meet all of these criteria: (a) result in new developments that otherwise would not have gone ahead at the same speed or scale; (b) lead to builds in areas where they are most needed; (c) result in builds where KO cannot provide housing; and (d) could not achieve better outcomes through leasing. This should help with the *necessary or expedient* test as above.

### **HUD response**

At least one of the additionality criteria must be demonstrated in order for a CHP new build proposal to progress to the formal application and evaluation stage for any public housing funding. A further set of criteria will apply where a CHP is seeking early-stage payments.

The criteria for early stage payments will include:

- the project must be a build to own development



- the project must deliver new build housing that could not otherwise be delivered through other sources of funding (i.e. HUD will need to be satisfied all other funding options have reasonably been explored by the CHP).

HUD will outline the criteria for early-stage funding in further detail following Cabinet approval. These criteria will work in concert with HUD’s existing new supply evaluation framework to ensure early-stage funding can be used to achieve positive housing outcomes that could not be achieved in another way. HUD will include further detail on this in the briefing to the Minister of Finance on exercising his powers under the Public Finance Act to make early-stage payments.

Ngā mihi,

**Emma McCone** (*she/her*)

Policy Advisor | MARKET & SUPPLY RESPONSES

Place-based Policy and Programmes

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Official Information Act 1982

**From:** Susan Jacobs <[Susan.Jacobs@parliament.govt.nz](mailto:Susan.Jacobs@parliament.govt.nz)>

**Sent:** Monday, June 21, 2021 9:27:04 AM

**To:** Emma McCone <[Emma.McCone@hud.govt.nz](mailto:Emma.McCone@hud.govt.nz)>; Amy Harrison - Parliament <[amy.harrison@parliament.govt.nz](mailto:amy.harrison@parliament.govt.nz)>;

Brad Ward <[Brad.Ward@hud.govt.nz](mailto:Brad.Ward@hud.govt.nz)>; Anne Shaw <[Anne.Shaw@hud.govt.nz](mailto:Anne.Shaw@hud.govt.nz)>

Cc: Amanda Lewis <[Amanda.Lewis@hud.govt.nz](mailto:Amanda.Lewis@hud.govt.nz)>; Naomi Stephen-Smith <[Naomi.Stephen-Smith@hud.govt.nz](mailto:Naomi.Stephen-Smith@hud.govt.nz)>; Bronwyn Hollingsworth <[Bronwyn.Hollingsworth@hud.govt.nz](mailto:Bronwyn.Hollingsworth@hud.govt.nz)>; Hilary Eade <[Hilary.Eade@hud.govt.nz](mailto:Hilary.Eade@hud.govt.nz)>; Janet Harris <[Janet.Harris@parliament.govt.nz](mailto:Janet.Harris@parliament.govt.nz)>; Ministerial Services <[Ministerial\\_Services@hud.govt.nz](mailto:Ministerial_Services@hud.govt.nz)>

**Subject:** RE: BRF20/21050980 Draft Cabinet Paper: Staged operating funding to support public housing delivery

Hi team,

We passed this onto MoF's office as an FYI last week. MOF read this paper over the weekend along with some points raised by TSY.

He is supportive of moving CHP projects forward but asked to pass along the TSY feedback, copied below, and seek answers to the questions raised.

- TSY is concerned about the proposal's ability to meet the *necessary or expedient in the public interest* test the PFA requires you to consider in making such payments. This is because CHP borrowing in these circumstances would already be secured/de-risked through guaranteed Government cashflow, and it is not clear what is preventing CHPs from borrowing in that context.
- \$20 million was ring-fenced for upfront funding for CHPs in December 2019 but this apparently remains unspent. So TSY recommends you ask Minister Woods whether upfront funding really is the key challenge here and if so, what barriers have been identified to getting the 2019 funding out the door.
- The additionality criteria proposed at para 19 are also quite permissive. TSY suggests tightening these up so that they focus on proposals that meet all of these criteria: (a) result in new developments that otherwise would not have gone ahead at the same speed or scale; (b) lead to builds in areas where they are most needed; (c) result in builds where KO cannot provide housing; and (d) could not achieve better outcomes through leasing. This should help with the *necessary or expedient* test as above.

For the first two, MoF is keen to get an understanding of what is preventing CHPs from lending against govt cashflows and what barriers there were in getting the earlier funding out the door. For the last one, he is keen to know if the proposed additionality criteria raise any issues.

It would be great to get an email which answers these questions by **COP Wednesday** so that we can respond to MoF ahead of the consultation closing.

Brad/Anne – FYI ahead of officials.

Cheers,

Susan

**Susan Jacobs** (she/her)

Private Secretary (Housing)

[Susan.Jacobs@parliament.govt.nz](mailto:Susan.Jacobs@parliament.govt.nz) | 04 817 8320 | s 9(2)(a)

**Office of Hon Dr Megan Woods**

**Minister of Energy and Resources | Minister of Research, Science and Innovation | Minister of Housing | Associate Minister of Finance**

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**From:** Emma McCone [<mailto:Emma.McCone@hud.govt.nz>]

**Sent:** Tuesday, 15 June 2021 1:38 PM

**To:** Amy Harrison <[Amy.Harrison@parliament.govt.nz](mailto:Amy.Harrison@parliament.govt.nz)>; Susan Jacobs <[Susan.Jacobs@parliament.govt.nz](mailto:Susan.Jacobs@parliament.govt.nz)>

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**Subject:** BRF20/21050980 Draft Cabinet Paper: Staged operating funding to support public housing delivery

Kia ora Amy and Susan,

Attached our draft Cabinet paper *Staged operating funding to support public housing delivery*, and cover briefing. Hard copies in the bag to come over shortly.

Looking forward to any feedback. As noted in the briefing, we'll begin working on the joint briefing to MoF now and be ready to have this all signed off before the Minister meets with CHPs in August.


Ngā mihi,

**Emma McCone** (*she/her*)

Policy Advisor | MARKET & SUPPLY RESPONSES

Place-based Policy and Programmes

[emma.mccone@hud.govt.nz](mailto:emma.mccone@hud.govt.nz) | Phone: 04-830 6992

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He kāinga ora, he hapori ora - our purpose is thriving communities where everyone has a place to call home.

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## Notes from workshops with CHPs on public housing funding settings

29 July and 31 July 2020

### Attendance at Wellington workshop, 29 July 2020

#### CHPs

Bernie Smith, Monte Cecelia  
Peter Jeffries, CORT Community Housing  
Toa Faneva, Te Rūnanga o Whaingaroa  
Bernadette Pinnell, Compass  
Dan Harrison, Mahitahi  
Jim Gallen, Link People  
Cate Kearney, Ōtautahi CHT  
Greg Orchard, Accessible Properties

#### CHA

Scott Figenshow  
Chris Glaudel

#### HUD

Helen Potiki  
Anne Shaw  
Julia Pearce  
Alicia Taylor  
Fiona Fitzgerald, CHRA  
Jonathon Fraser  
Elizabeth Richards  
Andrew Plant  
Amanda Lewis

### Attendance at online workshop, 31 July 2020

#### CHPs

Barbara Browne, Kāhui Tū Kaha  
Hope Simonsen, Emerge Aotearoa  
Jill Hawkey, Methodist Mission  
Fiona Hamilton, Link People  
Anne Huriwai, Te Runanga o Ngāti Porou  
Jensen Webber, Ngāti Hine Health Trust

#### Te Matapihi

Jen Deben

#### CHA

Scott Figenshow

#### HUD

Helen Potiki  
Fiona Fitzgerald, CHRA  
Alicia Taylor  
Andrew Plant  
Amanda Lewis

### Summary of key themes

#### Current settings

- Funding settings need to be right for public housing to address the differences with the private market.
- Further tools are needed to support growth and expansion into new geographic locations.
- New providers and smaller providers face particular challenges under current settings given size and experience.
- Challenges of negotiating individual deals with HUD were noted including the costs, lack of standardised contracts and reference points to support providers in negotiations.

### **Market rent limits**

- Changes to the maxima would be welcomed and would allow additional public housing projects to progress.
- Replacing the maxima with guidelines have the advantage of removing the need for updating the maxima on an ongoing basis and will allow public housing rents to reflect rents in the private market.
- Guidelines would need to cover how market rent is indexed to bond data and allow rents to be set at levels above LQ rent.

### **Upfront funding**

- This change would also be welcomed; it would help to address the significant costs providers face ahead of properties being tenanted.
- It was noted that the sector needed to know the number/percentage of places that would be able to access payments upfront, in order to understand the impact.
- If upfront funding were to be made available in limited circumstances, the criteria would need to be clear to avoid uncertainty for providers.
- The impact on ongoing payments to providers would need to be considered (i.e. decrease in cashflow for operating costs and maintenance).

### **Medium to longer term work**

- The following areas were identified:
  - funding tools suited to different phases (development and operating public housing)
  - further funding tools to reduce the need for private debt (e.g. bonds)
  - tools to better support growth – tools through the SHU Fund resulted in significant growth of the sector
  - capacity grants and development grants
  - use of the regulatory framework as it was intended
  - allowing a public house to transition into another type of housing as household circumstances change, allowing the household to stay in their home
  - cost based rent setting model
  - opportunities to partner and collaborate, including with Kāinga Ora.

## General comments

### Wellington workshop, 29 July

- Roles of the different Housing Ministers: Minister Woods is the lead Minister, Minister Faafoi is responsible for public housing, Minister Mahuta for Maori housing, and Minister Twyford for urban development. Advice on funding settings will be provided to Ministers Woods and Faafoi. The Minister of Finance is involved in decisions with financial impacts.
- Partnering opportunities with CHPs and Kainga Ora was raised: HUD and CHA are looking into opportunities to enable partnering.
- Clear expectations for the sector around the split of delivery of additional places: the new public housing plan will provide clarity, although HUD acknowledges the need for some flexibility to respond to market and demand changes. The funding changes will support options around the split of provision.
- Is HUD looking to make changes to enable CHPs to deliver 30% of additional places? HUD noted we can only work on assumptions today. There would need to be flexibility to enable approaches that are appropriate for different locations.
- Kainga Ora new builds purchased directly off developers have a wider impact e.g. on first home buyers: HUD will keep working on getting information at a more granular level.
- Need to consider a CHP role beyond public housing e.g. impact on construction sector, employment etc.
- Whole of government cost should be considered (homelessness, emergency and transitional housing etc) including wider social and personal costs.
- There is no housing strategy or provider strategy – need for greater clarity around who does what in the housing market and how its paid for.
- Release of the 2020 Public Housing Rent Setting report on HUD's website was acknowledged.

### Online workshop, 31 July

- Funding tools for new supply – HUD clarified that the IRRS is intended to cover operating costs, and not to enable new supply.
- Developments outside Auckland are low, which reflects previous funding settings.
- Is the IRRS capped? Government agreement is needed around increasing the number of public housing places.
- The Public Housing Plan reflects demand at the time it was produced, but quickly becomes out of date – there needs to be a process for refreshing the Plan so it remains current.
- It would be helpful to understand more about areas where targets are being met, including whether these are areas with both a Kainga Ora and CHP presence.
- It would be good for the new public housing plan to acknowledge the Māori whānau and Pasifika families in public housing.
- A strategic approach to delivering the new public housing plan would be to take on board the different requirements of different communities (e.g. communities establishing their own CHPs).
- The new public housing plan could integrate the Homelessness Action Plan goals and remove silos where responses are kept separate.



### **Current settings**

1. What are the key challenges to delivering new build public housing under current funding settings?
2. Under current settings, what role would CHPs be able to play in delivering the additional 6,000 places funded through Budget 2020?

### **Group one (Amanda's notes)**

- Key challenges include those discussed today – market rent maxima and access to funding at the early stage of a development.
- In Wellington providers haven't been able to meet owner/landlord expectations due to maxima.
- Lack of upfront funding is a particular constraint for new players – there is no provision for capability or growth grants.
- Funding tools need to be the right ones for public housing – the private market has some fundamental differences.
- Tools need to be appropriate for both the development/build phase when risk can be higher, and the long-term phase of operating as public housing.
- A challenge is the need for each deal to be negotiated individually with HUD – the lack of reference points for negotiations with HUD was noted.
- Without changes to funding settings, reliance on redirects and leases will remain.
- A challenge remains around end of contracts.
- Ability to address demand is constrained in particular areas (e.g. those without historic investment).
- CHPs have demonstrated scalability and capability to grow under certain settings in the past (e.g. the SHU Fund resulted in 1,000 new builds and enabled growth of the CHP sector.)
- There is no longer term view for the CHP sector; a long term sustainable model.
- Collaboration and partnership opportunities were identified as areas for further work.

### **Group two (Julia's notes)**

- At least some of the 3000 "shovel ready" projects can be delivered under the current settings. But all require further work.
- Māori Housing Providers need capital, but there can be challenges around the level of trust in providing this since these organisations don't necessarily have a track record/experience to fall back on.
- HUD needs to respond to providers in real time, and not be focussed on prioritising across the country. If proposals are viable they should be accepted.
- There can be a high cost to negotiating a contract with HUD, particularly for smaller providers and those partnering to build. This is due to the contracting framework (standardised contracts have not been rolled out across all CHPs). The legal costs in particular can be significant for providers.
- The costs of putting together a development are high e.g. designers, engineers, architect, planners etc. Could there be a cost recovery mechanism for this? Some CHPs already build this cost into the development costs.
- Moving into new areas is expensive (i.e. setup costs, hiring new staff). Funding settings don't recognise this.
- Māori providers often don't want to expand their provision outside of their region, but funding settings don't necessarily recognise this.

### **Market rent limits (maxima)**

3. What are the benefits of replacing the maxima with rent setting guidelines?
4. What difference will this make in practice? Will it enable additional projects to proceed?
5. Are there any issues from the provider perspective that HUD needs to be aware of?

### **Group one (Amanda's notes)**

- Guidelines remove the need for ongoing updates to the maxima, and will create a more dynamic process that better reflects real time private market rents.
- The proposed change will make a huge difference; it will help additional new build projects to progress as well as redirects (rent settings can mean redirects are currently turned away).
- Guidance will need to cover how market rent is indexed to MBIE bond data and how to deal with situations where bond data can be skewed for certain typologies.
- Providers will need guidance around and access to data/information to help with rent setting negotiations and provide reference points.

### **Group two (Julia's notes)**

- This is a good change to make, it is much needed and will be appreciated by CHPs. Rents are not sufficient currently and more projects will get across the line as a result.
- Some CHPs currently aren't able to take up new supply opportunities because the rents are too low to make a transaction viable.
- Some challenges may be around:
  - QV assessments of value are not cheap and sometimes aren't that useful.
  - LQ rent isn't really appropriate, especially for new builds (wear and tear, risk and insurance are quite different, plus many are wanting to build to higher quality).
  - Less mature providers are more likely to struggle in having organise valuations etc if this is required in the new regime.
- Will these changes flow through to existing contracts?
- Rents agreed in contracts get out of date really quickly, they don't change for the first five years of a contract.

### **Online group**

- There was support for the change as maxima have been a barrier for CHPs.
- The change was welcome in terms of new builds and build to lease opportunities.
- The guidance will be important and CHPs would like to be involved.
- There are some suggestions around the guidance in the Public Housing Rent Setting report.

### **Providing the operating supplement (OS) in upfront payments**

6. What are the benefits of providing the OS in upfront payments?
7. What difference will this make in practice? Will this enable additional projects to proceed?
8. Are there any issues from the provider perspective that HUD needs to be aware of?

#### **Group one (Amanda's notes)**

- Sector needs to know the percentage/number of places that UF would be available for – otherwise it is very difficult to comment on the impact it would have.
- Providing some OS upfront means that less is paid through ongoing payments across the life of the contract. The impact on weekly payments to cover operating costs (maintenance etc) will need consideration.
- The impact on cash flow could create problems; the flipside is that decreasing debt servicing can free up cash flow.
- Smaller and larger CHPs will have different issues – need to consider CHPs with lower asset bases.

#### **Group two (Julia's notes)**

- The change provides pseudo-equity and this is a good thing.
- It's difficult to say what the level of delivery increase would be as organisations need to know the funding available and to run it through their projects register.
- There is currently no funding provided until a property is tenanted, but providers face significant overheads. The changes would address this issue.
- The size of the funding pool available through Budget 2020 is significant.
- If the funding is available only in certain circumstances, this will create additional uncertainty for providers in developing and putting forward projects.

#### **Online group**

- It will be very helpful for CHPs to receive funding ahead of receiving the IRRS and OS when the property is tenanted.
- It will reduce the need for a deposit, which can be a challenge for a number of CHPs.

## Medium to longer term changes

9. If the short-term changes are approved, what other changes to funding settings should HUD be considering in the medium-to-long term and why?

### Group one (Amanda's notes)

- Funding tools need to be fit for these different purposes:
  1. Tenancy management
  2. Managing the asset
  3. Development and delivery of new supply.
- Funding tools for new supply need to consider how to reduce reliance on private debt (with risks around interest rate increases)
- Bonds, or borrowing at lower rates through government mechanisms
- Need to consider whole of government cost perspective
- Use of the regulatory framework as intended:
  1. Holding housing in perpetuity
  2. The appropriate protections and level of oversight
- Changes that allow the subsidy to follow the tenant/household e.g. allowing public housing to transition as household circumstances change to maintain stability (into affordable rental or home ownership)
- Need to consider how CHPs can be supported to grow. This applies both to new CHPs and support for established CHPs to expand into new locations. There were tools in the past through the SHU fund. Appropriate funding tools could include capacity grants, development grants, start-up funding for FTEs or a development director.

### Group two (Julia's notes)

- It is important to kick off work on the medium to longer term funding settings now so that advice can go up after the election.
- Capital funding is important for Māori providers.
- Capacity funding is also important for many providers, including Māori providers.
- Capital availability isn't the only way for CHPs to grow their provision, we should explore the other options available that will facilitate delivery.
- Need to have a viable alternative to delivery by Kāinga Ora.
- A cost-based rent setting model would be more cost-effective and provide greater certainty to providers.
- CHPs need a commitment from the government to do whatever it takes to deliver new public housing supply.
- Greater ability for CHPs to collaborate with Kāinga Ora would be a priority.
- Some level of standardisation would be helpful for providers e.g. in contracting processes, and also in the planning/delivery of houses. This would save every organisation from having to develop their own set of these things.

### Online group

- Reinstating capital grants, alongside the proposed changes, would make a real difference and should be signalled to Ministers as something to progress.
- While the proposed short-term changes are positive, there is still a need for longer term changes to be considered, including to activate supply in the regions.
- There is a need for further tools for new CHPs and those with small balance sheets.

- What will the criteria for receiving upfront funding look like? This is likely to be linked to regions with minimal or no supply (due to low market rents or other issues) although this will be worked through in more detail if Ministers agree to the proposed change.
- An area for further work is around understanding more about locations where Kāinga Ora is not delivering new supply.
- A further area for work is multiply owned Māori land which can't be leveraged in the same way.
- The regulatory approach needs to be appropriate to CHPs of different sizes. Fiona (CHRA) noted the minimum standards within a regulated sector. There are other options with no registration requirements (e.g. papakāinga housing through TPK). CHRA is reviewing the application process with a view to making improvements.

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High level summary of CHP engagement feedback	
Upfront Funding	<ul style="list-style-type: none"> <li>• General preference for OS ongoing rather than upfront. Allows for rent increases and works out better financially for CHPs.</li> <li>• However, where access to finance is difficult, broad preference to have OS upfront than not go ahead with a development.</li> <li>• Suggestion that sector should be given the option to choose what works best for them.</li> <li>• Some are still able to borrow cheaply, leveraging existing assets, while others are having to relying on secondary finance, which is typically more expensive.</li> <li>• Upfront funding could help with establishment costs of getting a presence in a new place</li> </ul>
Market Rent	<ul style="list-style-type: none"> <li>• Market rent is an issue in several places, such as Hamilton, Tauranga, Dunedin, Lower Hutt, Masterton, and Invercargill. Some parts of Auckland can also be challenging, such as higher priced areas. Projects often need above 90% OS to be viable, some as high as 120%.</li> <li>• This is particularly an issue as construction costs are similar across the country.</li> <li>• Market rent often works well for smaller properties, but for larger homes CHPs are not able to recover the cost of build them due to size and land requirements.</li> <li>• Noted that public housing tenants can have higher needs and therefore higher risk. Market rent in private market doesn't reflect this.</li> <li>• Noted that Bond data is not always reliable depending on the makeup of bonds. In some cases, bonds may all be from one building which could inflate or deflate the market rent.</li> <li>• Noted that rents can quickly get out of date from contract agreement to moving tenants in, which can start CHPs on the backfoot.</li> <li>• For some CHPs costs are tied to CPI, not to rent increase. So can end up out of pocket where CPI increases faster.</li> <li>• Kāinga Ora more frequent reviews give it an advantage over CHPs.</li> </ul>
Leasing	<ul style="list-style-type: none"> <li>• Broadly speaking, CHP ownership is preferred to leasing. Helps grow scale, less risky, and more secure.</li> <li>• A general concern that significant benefits go to developers/investors and that CHPs are not left with the asset at the end of the lease.</li> <li>• However, with lack of equity or access to finance, some have done more leasing in recent years.</li> <li>• Leasing can be difficult with requirements of public homes that aren't always matched by what the private sector builds.</li> <li>• Varied preference for length of leases, some prefer longer leases, other shorter to reduce refurbishment requirements.</li> <li>• HUD termination clauses for public housing places makes it difficult as CHPs may have termination penalties for their leases.</li> </ul>
Moving into other locations	<ul style="list-style-type: none"> <li>• Some see need from people in current locations that would like to address first. Some desire to not spread too thinly.</li> <li>• Need scale to move to locations far from existing infrastructure. There are costs to setup that HUD could look to help fund. Upfront funding could help with those costs. For CHPs with wide presence, this is not as much of a barrier.</li> <li>• Market rent is also the issue for some CHPs.</li> </ul>
Future changes to explore	<ul style="list-style-type: none"> <li>• Beyond the CHA paper on long-term solutions:</li> <li>• Support for larger homes.</li> <li>• Government playing financier role or assisting with access to finance (such as an underwrite or endorsing CHPs)</li> <li>• Partnering with Kāinga Ora to access Crown land, build to lease to CHPs, or offer discount homes or land</li> <li>• Exploring options for improving leasing arrangements for CHPs</li> <li>• Better communication, clarity, and certainty with CHPs on funding approach and direction</li> <li>• Ensure multiple models for public housing are viable for CHPs</li> <li>• Review capacity contracts as there is a cost involved in interacting with them.</li> <li>• Capital grants to assist with capability and capacity of the sector</li> <li>• Desire to form long-term partnerships with developers and CHPs to bring down costs</li> </ul>

### **Public housing rent maxima are outdated and can constrain CHP supply**

49. CHPs play an important role in delivering the additional public housing places funded through Budget 2018. Going forward, CHPs can complement Kāinga Ora in delivering the scale of public housing sought in a range of locations, and to cohorts that CHPs have specific expertise to deliver to effectively.
50. However, the way market rent is calculated for CHPs is constraining their ability to deliver new build public housing. Market rent for CHPs is limited by rent maxima. The maxima are set out in the 2018 Public Housing Plan but were initially set in 2016. As the maxima have not been updated since 2016, they have not kept up with actual rents across the country. The maxima do not apply to Kāinga Ora, which has its own rent setting process based on market valuations of benchmark properties.
51. Not receiving a true market rent for potential new build public housing makes it difficult for CHPs to get the development economics to stack up. For example, in Dunedin the current rent maxima for a one-bedroom property is \$275 per week, while an independent rent assessment for similar properties came back at \$430 per week.

### **Proposal 4: Replace rent maxima with guidance on rent setting**

52. HUD recommends removing the rent maxima from the new Public Housing Plan and replacing it with guidance to be developed by HUD. The guidance will draw on the approach Kāinga Ora takes to set rents, include reference to bond data, enable private market rent valuations, and factor in the quality and amenities of a public house. This would result in a more consistent approach for Kāinga Ora and CHPs and enable CHPs to be more responsive to demand for public housing.



# Briefing

**Supporting material for detailed discussion about the Community Housing Provider public housing opportunities register**

<b>Date:</b>	20 April 2021	<b>Security level:</b>	In Confidence
<b>Priority:</b>	Medium	<b>Report number:</b>	BRF20/21040918

**Action sought**

	Action sought	Deadline
Hon Dr Megan Woods <b>Minister for Housing</b>	Discuss the content of this briefing and its attachment with officials	21 April 2021

**Contact for discussion**

Name	Position	Telephone	1 <sup>st</sup> contact
Anne Shaw	Deputy Chief Executive, Housing Supply, Response and Partnerships	s 9(2)(a)	✓
Andrew Plant	Manager Housing Supply, Housing Supply, Response and Partnerships		
Bronwyn Hollingsworth	Kaiaki, Housing Supply, Response and Partnerships	04 832 2592	

**Other agencies consulted**

--

**Minister's office to complete**

- Noted
- Seen
- Approved
- Needs change
- Not seen by Minister
- Overtaken by events
- Declined
- Referred to (specify)

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**Comments**

**Date returned to HUD:**

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# Briefing

## Supporting material for detailed discussion about the Community Housing Provider public housing opportunities register

**For:** Hon Dr Megan Woods, Minister for Housing

**Date:** 20 April 2021

**Security level:** In Confidence

**Priority:** Medium

**Report number:** BRF20/21040918

### Purpose

1. The slides attached to this note provide information to support a discussion with officials on 21 April 2021 on projects in the Community Housing Provider (CHP) public housing opportunities register.

### Recommended actions

2. It is recommended that you:
  1. **Note** the attached slides contain information to support a detailed discussion on the CHP public housing opportunities register and related recommendations

*Noted*

Anne Shaw  
**Deputy Chief Executive, Housing  
Supply Response and Partnerships**

20/4/21

Hon Dr Megan Woods  
**Minister for Housing**

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## Supporting material for detailed discussion about the Community Housing Provider public housing opportunities register

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3. At the Housing Officials meeting on 12 April, you agreed to a deep dive on the CHP public housing opportunities register. You also asked for information on potential proposals for staged operating funding.
4. The attached slides contain detailed information on the opportunities in the CHP public housing opportunity register to support this session, which is scheduled for 21 April 2021.
5. Specifically, the slides:
  - a. Provide a breakdown of the **opportunities on the register** and whether they are likely to be supported or not, given previously agreed criteria and scenarios discussion (slide 3). We have only included those opportunities that have sufficiently advanced for us to assess (2,453 of the approximately 6,000 proposals on the opportunities register).
  - b. Provide detail on **projects that have already been subject to significant engagement** (slide 2)
  - c. Seek your direction on **CHP opportunites that do not clearly meet the previously agreed criteria**. Scenarios have been provided to support this discussion. These scenarios reflect real world proposals that are in the opportunities register, but for which applying previously agreed CHP delivery criteria does not necessarily result in a clear-cut decision (slides 4,5, and 6)
  - d. Provide an indication of the projects we have identified that may be suitable for **staged funding** (slide 8). This is an early indication of what mat be suitable. We expect CHPs will bring more opportunities forward when they have clarity about what early stage funding can support.
6. The slides also contain information on some next steps, including how we will provide visibility of progress with these opportunities.
7. Throughout the slides, the direction we are seeking is indicated for each of the scenarios.  
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### Annexes

9. Annex 1: Detailed discussion on Community Housing Provider public housing opportunities register



**Te Tūāpapa Kura Kāinga**  
Ministry of Housing and Urban Development

# Annex 1: Detailed discussion on Community Housing Provider public housing opportunities register

BRF20/21040918



**Te Tūāpapa Kura Kāinga**  
Ministry of Housing and Urban Development

New Zealand Government



## We are seeking your direction on CHP opportunities that do not clearly meet agreed criteria

- You have previously agreed the conditions that new CHP supply should meet, through the principles of the Public Housing Plan. These include:
  - Additionality, and
  - Where leasing is appropriate.
- Current decisions on what is complimentary Kāinga Ora delivery is based on their intentions only, it will take time to build the pipeline. In some of these areas CHPs will have access to land and be able to move sooner.
- This criteria has provided a good level of clarity to assess whether existing proposals on the CHP opportunity register should be progressed.
- But there a number of CHP proposals where the assessment to progress is less clear-cut when considering the criteria against each other. We would like to test these with you.

### Previously agreed criteria for CHP supply

Public Housing Plan	Demonstrating additionality criteria	Approach to Leasing
<p>The expectation is that this delivery will be:</p> <ul style="list-style-type: none"><li>• Predominantly <b>new builds</b></li><li>• <b>State led</b>, with providers complementing delivery by Kāinga Ora</li><li>• Where there is <b>significant need</b>, particularly in the regions, informed by a <b>place based</b> and <b>MAIHI</b> framework for action approach</li></ul>	<ul style="list-style-type: none"><li>• Where a CHP is able to <b>leverage land</b> to progress development at pace/scale</li><li>• In locations where <b>Kāinga Ora has limited presence</b></li><li>• Where a CHP will <b>target a particular cohort</b> group (e.g. Māori families or Pacific families)</li><li>• Where a project demonstrates an <b>innovative delivery model</b> e.g. ACC/CORT style agreement</li></ul>	<p>For leasing to be considered it should:</p> <ul style="list-style-type: none"><li>• <b>Meet at least one of the additionality criteria</b>; AND</li><li>• Where a CHP or other provider is <b>unable to deliver Build to Own</b> models; AND</li><li>• Consideration should also be given to the regional needs and pipeline; OR</li><li>• There may also be circumstances where a unique opportunity is made possible through leasing arrangements and there is a good reason to consider that proposal</li></ul>

### Testing these criteria with current opportunities

- On the following slides we have provided scenarios that describe some of these less clear-cut opportunities, examples of the relevant projects, and the implications of these decisions.
- We have only included proposals that have been sufficiently progressed for us to assess (2,453 of the approximately 6,000 places on the opportunities register). (Note that none of these places can be considered secured until due-diligence and contracting has been completed.)

### Key questions to consider whilst reviewing the scenarios

- There are several opportunities proposed in areas where Kāinga Ora already has a presence or a strong pipeline. CHP opportunities may be able to deliver sooner, or to a specific cohort. What level of oversupply (against Public Housing Plan targets) are you comfortable with to secure these types of benefits?
- Are you comfortable with Build to Lease opportunities where they form part of a wider strategy, for example supporting a specific cohort, or where the proposal would enable a CHP to grow? Noting that any lease agreements would also look to take a regional and provider 'portfolio' view, to ensure the majority of supply is through CHP's retaining ownership in order to build CHP asset base. Over time, this will likely lead to further ability to deliver more housing.

### Keeping you updated on the Public Housing pipeline and opportunities

- As previously agreed, we will seek your approval, on an ad-hoc basis, for exceptional or innovative proposals that do not otherwise meet the additionality criteria.
- We plan to update you on the pipeline, progress against the Public Housing Plan and new opportunities each quarter.



## Projects that we recommend we progress as have they have been significantly progressed, but do not meet the additionality criteria

- As we mentioned at last week's officials meeting, we have a number of projects that have already been subject to significant engagement that do not meet any of the additionality criteria agreed for CHP public housing developments. This involves around 6-12 months of work by the CHP and HUD.
- We recommend that we continue to progress these projects, given the investment that has already been undertaken and the reputational and relationship risks of dropping out at this stage.
  - Only 4 projects are in Auckland (41 places).
  - 1 project in Christchurch (18 places).
  - 1 project in Wellington (19 places).
  - 4 projects comprising of 141 places are in locations with limited delivery plans (Hastings, Whangarei, Dunedin, Invercargill).
- In addition there are a further 4 projects (64 places) being progressed in Auckland as part of the s 9(2)(f)(iv) which we would also recommend we continue to progress.
- As previously discussed, we can provide a quarterly report on progress of these opportunities.

Provider Name	Address	City / Town / Suburb	Region	Property Type	Planned Total	Opportunity Status
s 9(2)(f)(iv)						
			s 9(2)(f) South	Lease	16	Proposal in Progress
			Auckland – South	Lease	17	Proposal in Progress
			Auckland – South	Lease	4	Proposal in Progress
			Auckland – West	Lease	4	Proposal Received
					<b>41</b>	
			Canterbury	Lease	18	Under Evaluation
			East Coast	Lease	32	Proposal in Progress
			Northland	Lease	59*	Opportunity
			Southern	Lease	36	Proposal in Progress
			Southern	Lease	14	Proposal in Progress
			Wellington	Build to Own	19	Under Evaluation
					<b>178</b>	
<b>Total</b>					<b>219</b>	

s 9(2)(f)(iv)

- In addition the s 9(2)(f) places are:

Provider Name	Address	City / Town / Suburb	Region	Property Type	Planned Total	Opportunity Status
s 9(2)(f)(iv)						
			Auckland - South	Lease	15	4-Proposal in Progress
			Auckland - West	Lease	15	5-Opportunity
			Auckland - West	Lease	22	5-Opportunity
			- West	Lease	12	4-Proposal in Progress
<b>Total</b>					<b>64</b>	



## What does the new PHP criteria mean for the opportunities register and the CHP supply of public housing?

- HUD have assessed the opportunities on the register for whether they meet the agreed criteria. The following tables show a breakdown of which projects:
  - Meet the agreed criteria, and which we will continue to investigate with a view to contracting those that meet the usual conditions for delivery of public housing supply;
  - Clearly do not meet the criteria, and will not be progressed without a change to the proposal (e.g. conversion to Build to Own);
  - May meet the criteria, depending on direction given on scenarios in the following slides.

PHP target:	6,000
<b>s 9(2)(f)(iv)</b>	
CHP Opportunities Register:	2,453

Table A: Projects that meet agreed criteria  
s 9(2)(f)(iv)

[Redacted content for Table A]

Table B: Projects that do not currently meet the agreed criteria  
s 9(2)(f)(iv)

[Redacted content for Table B]

Table C: Projects where we would like your direction in the following slides  
- If you agree all the following scenarios, these projects would move into Table A

[Redacted content for Table C]

**NOTE:**

All proposals that are to be progressed will still be subject to the usual due diligence before a decision is made to move to contracting.

**TABLE A**

This list includes the 13 projects on slide 2 which have already been significantly progressed, or are part of the

s 9(2)(f)

(i)

**TABLE B**

We could explore the potential for these to be delivered in a different way, though this would not be guaranteed.

For example:

• s 9(2)(f)(iv)

- Could be contracted as Transitional Housing, and potentially could be converted to Public Housing at a later stage

- If the provider is able to convert a lease project to a Build to Own, including through access to staged funding where the criteria for this would be met

• s 9(2)(f)(iv)



**Table C: Projects where we would like your direction**

**Delivery in Auckland**



- The following scenarios describe the situation in Auckland where Kāinga Ora has a significant presence, and a well-developed pipeline.
- Here, CHP proposals could deliver on broader outcomes, such as for specific cohorts, or enabling CHP's to grow, but are likely to result in over-supply against the Public Housing Plan targets.
- Working with Kāinga Ora we would seek to ensure that delivery across the CHPs and Kāinga Ora minimises potential for oversupply.

Potential scenarios	Examples of proposals that match these scenarios	Discussion/Questions
<p><b>Scenario 1a: Build to Own in Auckland, where the only additionality is CHP able to leverage own land</b></p> <ul style="list-style-type: none"> <li>• <b>Build type:</b> Build to Own opportunity, with no funding required</li> <li>• <b>Additionality:</b> Yes, but only that the CHP is able to leverage land that they own</li> </ul> <p><b>Number of projects/places:</b> 5 projects (129 places)</p>	s 9(2)(f)(iv)	<ul style="list-style-type: none"> <li>• There are a small number of Build to Own projects where the only additionality is that CHPs have land to leverage. Progressing these would help build the CHP asset base.</li> <li>• <b>Are you comfortable that HUD progress Build to Own opportunities in Auckland that only leverage land that CHPs own but do not deliver other additionality (5 projects 129 places)?</b></li> <li>• There are a further 12 Build to Own projects (356 places) that deliver to specific cohorts, or innovative models, which HUD will progress (and can be found in Table A): s 9(2)(f)(iv)</li> </ul>
<p><b>Scenario 1b: Build to Lease opportunity in Auckland that supports a specific cohort</b></p> <ul style="list-style-type: none"> <li>• <b>Build type:</b> New Build to Lease opportunity that we cannot convert to Build to Own</li> <li>• <b>Additionality:</b> Proposal is smaller scale and supports a specific cohort</li> </ul> <p>Also consider proposals that do not meet additionality but may help grow the CHP capacity or capability</p> <p><b>Number of projects/places:</b> 10 Build to Lease projects (103 places) deliver to target cohorts in Auckland</p>	s 9(2)(f)(iv)	<ul style="list-style-type: none"> <li>• These opportunities can deliver tailored, bespoke services, complementary to the scale that Kāinga Ora are delivering</li> <li>• We would seek to convert these to Build to Own where possible.</li> <li>• Otherwise, we would want to progress only opportunities that :                         <ul style="list-style-type: none"> <li>– Support specific cohorts, (10 projects, 103 places), including s 9(2)(f)(iv)</li> <li>– Smaller projects that support the broader portfolio strategy of a CHP s 9(2)(f)(iv)</li> </ul> </li> <li>• <b>Are you comfortable with this approach?</b></li> <li>• There are currently 19 Build to Lease opportunities (507 places) across Auckland which we would not progress in their current form.</li> </ul>

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Table C: Projects where we would like your direction

Delivery in Wellington and Christchurch



- The following scenarios describe the situation in Wellington and Christchurch where Kāinga Ora has a significant presence, and a well-developed pipeline. The potential for over-supply is less pronounced than in Auckland.
- Here, again, CHP proposals could deliver on broader outcomes, such as for specific cohorts, or enabling CHP's to grow.
- Working with Kāinga Ora we would seek to ensure that delivery across the CHPs and Kāinga Ora minimises potential for oversupply.

PHP target (WLG+ CHCH): 880-1180  
s 9(2)(f)(iv)

Potential scenarios	Examples of proposals that match these scenarios	Discussion/Questions
<p><b>Scenario 2a: Build to Own in Christchurch or Wellington where the only additionality is CHP able to leverage own land</b></p> <ul style="list-style-type: none"> <li>• <b>Build type:</b> Build to Own opportunity, with no funding required</li> <li>• <b>Additionality:</b> Yes, but only that the CHP is able to leverage land that they own</li> </ul> <p>Also consider proposals that do not meet additionality but may help grow the CHP capacity or capability</p> <p><b>Number of projects/places:</b> 4 projects (128 places) where only additionality is land</p>	s 9(2)(f)(iv)	<p>The following are similar to discussion for Auckland, though there is less risk of oversupply</p> <ul style="list-style-type: none"> <li>• Are you comfortable that HUD can progress all Build to Own opportunities in Wellington or Christchurch that only leverage land that CHPs own but do not deliver other additionality (4 projects, 128 places)?</li> <li>• There are a further 4 Build to Own projects (59 places) that deliver to specific cohorts, or innovative models, which HUD will progress (and can be found in Table A):</li> </ul>
<p><b>Scenario 2b: Build to Lease opportunity in Christchurch or Wellington that supports a specific cohort or help grow CHPs</b></p> <ul style="list-style-type: none"> <li>• <b>Build type:</b> New Build to Lease opportunity that we cannot convert to Build to Own</li> <li>• <b>Additionality:</b> Proposal is smaller scale and supports a specific cohort</li> </ul> <p>Also consider proposals that do not meet additionality but may help grow the CHP capacity or capability</p> <p><b>Number of projects/places:</b> 3 projects (68 places) support a specific cohort, or help grow the CHP.</p>		<ul style="list-style-type: none"> <li>• Are you comfortable that we take the same approach as for Build to Lease opportunities in Auckland? i.e.                             <ul style="list-style-type: none"> <li>- Convert to Build to Own where possible. Otherwise:</li> <li>- Projects that support specific cohorts, (2 projects, 53 places)</li> <li>- Smaller projects that support the broader portfolio strategy (small numbers to be confirmed).</li> </ul> </li> <li>• As Kāinga Ora develops its pipeline in these areas HUD would progress only those leases that offer additionality or support a strategic approach</li> </ul>

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**Table C: Projects where we would like your direction**

**Delivery in Public Housing Plan focus locations**



- The following scenarios describe proposals in priority locations, where Kāinga Ora may have less of a presence or are still to build pipeline.
- CHP proposals in these areas, may bring supply on sooner, but may have no additionality (other than that the CHP owns the land), or only be possible through a lease which cannot be converted to a Build to Own.
- Priority areas are: Far North, Hamilton, Tauranga, Rotorua, Gisborne, Napier, Hastings, Whanganui and Palmerston North.
- We understand that Kāinga Ora have a reasonable pipeline in Hamilton and Tauranga. This will be a factor in considering whether to progress opportunities in these areas.
- We are seeking approval to progress *all* lease and Build to Own proposals in priority locations given the demand in these areas.

Potential scenarios	Example proposal	Discussion/Questions
<p><b>Scenario 3a: Progress all Build to Own proposals in priority areas</b></p> <ul style="list-style-type: none"> <li>• Kāinga Ora have limited presence or pipeline</li> <li>• <b>Build type:</b> New Build</li> <li>• <b>Additionality:</b> May be present or not</li> </ul> <p><b>Number of projects/places:</b></p> <ul style="list-style-type: none"> <li>• 12 Build to Own projects (193) places</li> </ul>	<p>s 9(2)(f)(iv)</p>	<ul style="list-style-type: none"> <li>• We have assumed that in focus areas, we will progress <i>all</i> Build to Own opportunities, even where Kāinga Ora has a presence, and is developing a strong pipeline. These projects can be found in Table A.</li> <li>• <b>Are you comfortable that we progress all Build to Own opportunities in focus areas?</b></li> </ul>
<p><b>Scenario 3b: Progress all Build to Lease opportunities in priority areas</b></p> <ul style="list-style-type: none"> <li>• Kāinga Ora have limited presence or pipeline</li> <li>• <b>Build type:</b> New Build to Lease opportunity that we cannot convert to Build to Own</li> </ul> <p><b>Number of projects/places:</b></p> <ul style="list-style-type: none"> <li>• 15 lease projects (254 places) in PHP focus locations</li> </ul>		<ul style="list-style-type: none"> <li>• <b>Are you comfortable, given the demand in PHP focus locations, that we progress <i>all</i> build to lease opportunities in these areas, if they cannot be converted to Build to Own?</b></li> <li>• As Kāinga Ora develops its pipeline in these areas HUD would progress only those leases that offer additionality or support a strategic approach</li> </ul>

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## Early stage funding

- You have also asked for us progress with projects that could be suitable for staged funding. \$55m of staged funding is available to enable Build to Own opportunities.
- Subject to negotiations on level of funding at a project level, this could deliver between 250 and 450 places.
- We have provided below some examples of projects that may be suitable for early stage funding. These proposals are still at an early stage of development. We would expect further opportunities to be identified in time, when CHPs have clear direction on what early stage funding is available.
- We will progress these opportunities, subject to the following:
  - Engagement with the sector on criteria and process for staged funding.
  - Discussion between yourself and the Minister of Finance on an increase in net core Crown debt of up \$55.0m over four years due to providing early stage funding.
- We will keep you informed of progress as these opportunities develop.

### Criteria for staged funding

- For a proposal to receive staged funding it must meet at least one of the additionality criteria.

s 9(2)(f)(iv)

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Slide 7





## Aide-memoire

<b>Talking Points: Discussion on how the banks can support Government housing objectives</b>			
<b>Date:</b>	3 May 2021	<b>Security level:</b>	In Confidence
<b>Priority:</b>	Medium	<b>Report number:</b>	M/EB20/21030125

<b>Information for Minister(s)</b>	
Hon Dr Megan Woods <b>Minister of Housing</b>	For use at your meeting with the CEOs of the major NZ trading banks at 11 am on 6 May 2021

<b>Contact for discussion</b>				
Name	Position	Telephone		1 <sup>st</sup> contact
Naomi Stephen-Smith	Manager, Market & Supply Responses	04 832 2433	s 9(2)(a)	✓
Emma McCone	Policy Advisor	04 830 6992	-	

<b>Other agencies consulted</b>
Nil.

### Minister's office to complete

<input type="checkbox"/> Noted <input type="checkbox"/> Seen <input type="checkbox"/> Approved <input type="checkbox"/> Needs change <input type="checkbox"/> Not seen by Minister <input type="checkbox"/> Overtaken by events <input type="checkbox"/> Declined <input type="checkbox"/> Referred to (specify)  <hr/>	<b>Comments</b>          
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**Date returned to HUD:**

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## Aide-memoire

### Talking points: Discussion on how banks can support Government housing objectives

**For:** Hon Dr Megan Woods, Minister of Housing

**Date:** 3 May 2021

**Security level:** In Confidence

**Priority:** Medium

**Report number:** M/EB20/21030125

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#### Purpose

1. You have requested a meeting with representatives of the major New Zealand trading banks to discuss how they can support the Government's housing objectives.
2. This meeting is a good opportunity to recognise the banks role in supporting home ownership initiatives. You may also want to use the meeting as an opportunity to gain insight into policy effectiveness and seek feedback on opportunities and barriers within the current government policies.

#### Meeting details

3. At 11.00 – 11.45 am on Thursday 6 May 2021 from 11.00 – 11.45am, you are meeting in Beehive room 7.4EW with leaders of the following banks:
  - a. ANZ – Antonia Wilson (CEO)
  - b. ASB – Vittoria Shortt (CEO, via Zoom)
  - c. BNZ – Sam Perkins (Chief Risk Officer)
  - d. KiwiBank – Steve Jurkovich (CEO)
  - e. TSB – Donna Cooper (CEO)
  - f. Westpac – David McLean (CEO, via Zoom)
4. Other attendees include:
  - a. New Zealand Banking Association (NZBA) representatives.
  - b. Te Tūāpapa Kura Kāinga – Ministry of Housing and Urban Development (HUD) Chief Executive Andrew Crisp.
  - c. Kāinga Ora – Homes and Communities (Kāinga Ora) General Manager Commercial Caroline McDowall.
5. Biographical information for meeting attendees is attached as Annex A.

#### Media

6. Media have not been invited to the meeting. However, you may expect that some of the discussion will be reported more widely. You may wish to indicate to the participants if there are any sensitive areas of discussion that need to be treated in confidence.

#### Key issues

7. Banks play a key role in the housing sector and have significant interests in several Government housing policies. Recent Government housing policy announcements will affect

banks' core business as they support the supply of new housing developments, and assist people into home ownership.

8. This briefing provides you with information on banks role in:

- a. **Home ownership**
- b. **Housing demand and supply**
- c. **Purpose built rentals**

9. In Annex B, we have provided you with speaking points to refer to on key topics that you or the banks may raise in the meeting.

### Home ownership

Out of Scope

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Out  
of  
Scope

[Redacted content]

## Housing demand and supply

### Key points

- The Government has put measures in place to support increased housing supply, particularly through funds such as the Housing Acceleration Fund and the refocused Residential Development Response Fund. We should expect to see increased investment from developers for new supply as a result of these measures.
- Changes were recently made to the Reserve Bank New Zealand (RBNZ) monetary policy objectives, to ensure it takes account of housing policies. The RBNZ is doing further work to understand how these changes will be implemented to support the Government's priorities.
- Community Housing Providers can play an important role in bringing on new supply. Bank lending policies can support these providers to scale up their offering.

### Increased funding for housing supply

26. **The Housing Acceleration Fund:** The Government has committed \$3.8 billion to the Housing Acceleration Fund (the Fund). The Fund aims to increase the supply of houses, particularly affordable homes for low to moderate income households (whether for rent or home ownership).
27. The Housing Acceleration Fund will also be complemented by:
  - a. the **Kāinga Ora Land Programme**, through which Kāinga Ora will be supported to borrow \$2 billion extra to scale up land acquisition to boost housing supply; and
  - b. the **refocused Residential Development Response Fund**, which will shift from supporting construction activity and jobs through COVID-19 to now focus on supporting the delivery of more affordable housing options for rent or homeownership.
28. **Infrastructure Fund component:** This was established to support a mix of Government and non-government led housing developments, including on whenua Māori. HUD will be looking to prioritise those locations facing the biggest housing supply and affordability challenges, but not exclusively.

### Residential Development Response Fund

29. The refocused Residential Development Response Fund will provide financial support for the delivery of affordable housing, for both rental and ownership, on land that is not owned by the Crown. It totals \$350 million over four years.
30. The Residential Development Response Fund was originally established to maintain residential construction activity and jobs during COVID-19, if necessary. Construction activity has held up well, so the Fund has not been needed for this purpose. However, we are still not seeing enough housing being built that is affordable for a wide range of households. The

Fund will now focus on supporting the sector to deliver more affordable housing options for rent or homeownership. More information will be available in mid-2021 on eligibility and criteria.

- 31. HUD would like the Residential Development Response Fund to support initiatives already underway, such as the Community Finance Initiative, and the commercial/development lending that banks already provide to CHPs and to aspiring homeowners.

*Community Housing Providers*

- 32. Banks support the activities of Community Housing Providers (CHPs) through the provision of property development and investment finance. Ready access to bank capital is key to CHPs' ability to deliver public housing.
- 33. Utilisation of bank finance allows CHP's to maximise the impact of their limited capital when purchasing or building houses by reducing their required equity levels and maximising the rate at which they can grow their balance sheets.
- 34. Large scale CHP holdings of residential assets represents a unique lending class to banks as it combines residential security with long term cashflows. Typical residential investment lending is subject to short term rental income streams giving rise to market risk e.g. ability to re-let a property if market conditions change.
- 35. HUD has recently amended its new supply public housing contracting arrangements to provide greater certainty to banks, however the Crown would benefit from a greater willingness from banking institutions appreciating the upside derived from a long-term Crown-backed income stream.

*Reserve Bank New Zealand Monetary Policy Remit*

- 36. The RBNZ must now assess the effect of its monetary policy decisions on the Government's policy to support more sustainable house prices, including by dampening investor demand for existing housing stock, which would improve affordability for first home buyers.
- 37. Work is underway to understand what the changes mean and how they will be implemented. HUD officials are involved in this work and will support RBNZ to ensure Government housing objectives are supported.

**Purpose built rentals**

Out of Scope

[Redacted content]

Out of Scope

[Redacted content]



## **Risks and sensitivities**

41. Attendees at this meeting will be aware of commercial and competition law obligations, meaning they can only discuss what they are doing or choices made where this information is a matter of public record. However, individual banks may make the offer to share any commercially sensitive information or commitments they may take action with you bilaterally on a separate occasion.

## **Next steps**

42. HUD will provide follow up advice if needed. Andrew Crisp will be in attendance and can report back on any questions that are unanswered in the meeting.
43. If there are any specific issues that come up in the meeting that you would like more information on, then HUD officials can follow up with banks directly. In 2019, we held individual meetings with banks to understand their individual policies better and would be able to set up another set of similar meetings.

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## Annex A: Attendee Biographies

Name	Position	Comment
<p>Antonia Watson</p> 	<p>ANZ - CEO of ANZ Bank New Zealand Limited</p>	<p>Antonia Watson is CEO of ANZ New Zealand. She has over 25 years' experience in the professional services and financial services sector in New Zealand, the United Kingdom, Australia and Hungary.</p>
<p>Vittoria Shortt</p> 	<p>ASB - CEO and Managing Director</p>	<p>Vittoria is the Chief Executive of ASB Bank Ltd. Vittoria joined ASB in 2018 after holding several senior positions within ASB's parent company, the Commonwealth Bank of Australia.</p>
<p>Steve Jurkovich</p> 	<p>KiwiBank – CEO</p>	<p>Steve joined Kiwibank in July 2018 as its Chief Executive. With over 20 years of banking experience, Steve's career to date has included senior and executive leadership positions with accountabilities across Retail, Corporate, Commercial and Rural banking as well as online and legal.</p>
<p>Donna Cooper</p> 	<p>TSB - CEO</p>	<p>Donna joined TSB as its Chief Executive Officer in July 2018. Donna has extensive finance sector experience, including roles as the Chief Executive of The Warehouse Financial Services Group, and Director and General Manager of Baycorp Holdings (NZ). These New Zealand roles followed more than a decade working internationally with American Express in the United Kingdom, New Zealand, India and Australia.</p>

<p>David McLean</p> 	<p>Westpac</p>	<p>David has been the CEO of Westpac New Zealand since February 2015. He joined Westpac in 1999, with previous roles including Head of Westpac Institutional Bank; GM of Private, Wealth and Insurance; and Managing Director of Westpac Group's New York branch.</p> <p>David has an LLB (Hons) from Wellington's Victoria University, and began his career as a lawyer in private practice.</p>
<p>Sam Perkins</p> 	<p>BNZ – Chief Risk Officer (CEO Angela Mentis declined)</p>	<p>Sam joined BNZ as Chief Risk Officer, in July 2018 and leads a team of risk specialists providing BNZ with risk leadership, oversight, analysis and insight.</p>
<p>Roger Beaumont</p> 	<p>NZ Bankers Association – CEO</p>	<p>Roger has been CEO of the NZBA for just over 2 years, having previously held roles at Westpac, ASB and MediaWorks.</p>
<p>Miles Erwin</p> 	<p>NZ Bankers Association – Government Relations Director</p>	<p>Miles ensures NZBA has strong relationships with Members of Parliament, ministerial staff, banking industry influencers, and NZBA members.</p> <p>Miles has held his role with NZBA for almost 4 years, having previously worked at Tourism New Zealand and as a Senior Press Secretary in the NZ Labour Leader's Office prior to that.</p>

## Annex B: Talking points for meeting with Banks and NZ Banking Association

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### Out of Scope

- [REDACTED]
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- Out of Scope
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[Redacted]

■ [Redacted]

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- [Redacted]
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**Housing demand and supply**

*Increased funding for housing supply*

- The Government has committed \$3.8 billion to the Housing Acceleration Fund which will support the pace and scale of house building
- You may be asked about when details of the fund will be made available.
  - Cabinet will be confirming the detailed design of the Infrastructure Fund, including eligibility and assessment criteria, by June. We expect the contestable part of the Infrastructure Fund to be open for applications shortly thereafter.
  - We anticipate being able to move quickly to support compelling applications in places where the housing and infrastructure needs are well understood, and we have established relationships with local government, iwi and others. Other places will take more time.
- You may want to ask banks to share their observations of how the increased funding to support infrastructure will be effective in delivering supply.
- Given the recent changes to RBNZ monetary policy, you may like to ask about the lending environment for residential property developers.
  - Why is lending to residential property developers not experiencing growth when increasing housing supply is of significant priority?
  - Why is house lending increasing so quickly and primarily to residential owner occupiers?

*Residential Development Response Fund and CHPs*

- We want the Residential Development Response Fund to support initiatives already underway, such as the Community Finance Initiative, and the commercial/development lending that banks already provide to CHPs and to aspiring homeowners.
- CHP's are a key partner in the delivery of the governments public housing plan and their ability to leverage bank capital is critical to support the long term development of the sector
- In regards to lending to CHPs, several lenders have expressed concern with exposure to:

- Reputational risk in the event of CHP default resulting in a need for a lender to enforce its security.
- An inability for lenders to take security over the cashflows and contracts associated with public housing – it is considered this would likely be of particular concern in areas where the housing required to meet register demand doesn't necessarily reflect typical market demand for property in an area e.g. 1 bed units in regional centres.
- There is an opportunity to improve CHP access to bank capital if these concerns can be addressed as lenders develop their understanding of the CHP sector.
  - How much lending do you provide to the Community Housing Provider sector?
  - What problems do you see that Community Housing Providers face in gaining finance to scale up their offering?
  - How should government structure its funding to support the expansion of existing funding sources for Community Housing Providers?

**Purpose built rentals**

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# Briefing

Community Housing Provider Regional Level Public Housing pipeline			
<b>Date:</b>	17 March 2021	<b>Security level:</b>	In Confidence
<b>Priority:</b>	Medium	<b>Report number:</b>	BRF20/21030886

Action sought		
	Action sought	Deadline
Hon Dr Megan Woods Minister for Housing	Indicate any feedback you may have on the Public Housing Regional Summary report Note quarterly reporting to be provided on the regional Public Housing pipeline	24 March 2021

Contact for discussion			
Name	Position	Telephone	1 <sup>st</sup> contact
Anne Shaw	Deputy Chief Executive, Housing Supply, Response and Partnerships	s 9(2)(a)	✓
Bronwyn Hollingsworth	Kaiaki, Housing Supply, Response and Partnerships	04 832 2592	

Other agencies consulted
No other agencies consulted

## Minister's office to complete

<input type="checkbox"/> Noted <input type="checkbox"/> Seen <input type="checkbox"/> Approved <input type="checkbox"/> Needs change <input type="checkbox"/> Not seen by Minister <input type="checkbox"/> Overtaken by events <input type="checkbox"/> Declined <input type="checkbox"/> Referred to (specify)  <hr/>	<b>Comments</b>           
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Date returned to HUD:

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# Briefing

## Community Housing Provider Regional level pipeline of Public Housing

**For:** Hon Dr Megan Woods, Minister for Housing

**Date:** 17 March 2021

**Security level:** In Confidence

**Priority:** Medium

**Report number:** BRF20/21030886

### Purpose

1. This note responds to your request for a regional level view of the Community Housing Provider (CHP) public housing pipeline.

### Recommended actions

It is recommended that you:

- |                                                                                            |               |
|--------------------------------------------------------------------------------------------|---------------|
| 1. <b>Indicate</b> any feedback you may have on the Public Housing Regional Summary report | <i>Yes/No</i> |
| 2. <b>Note</b> we will provide reporting on the regional pipeline on a quarterly basis     | <i>Noted</i>  |
| 3. <b>Note</b> that the information provided in this briefing is as at a point in time     | <i>Noted</i>  |
| 4. <b>Note</b> quarterly reporting will show the change between quarters.                  | <i>Noted</i>  |

Anne Shaw  
**Deputy Chief Executive, Housing  
Supply, Response and Partnerships**

17 / 03 / 2021

Hon Dr Megan Woods  
**Minister for Housing**

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## Background

2. The Government build programme is delivering a strong pipeline of public and transitional housing. Budget 2020 provided for an additional 6,000 public housing places by June 2024. The *Public Housing Plan 2021-24* outlines how many places will be delivered, and where, over the next four years.
3. Te Tūāpapa Kura Kāinga – The Ministry of Housing and Urban Development (HUD) are working with Community Housing Provider (CHPs), Kāinga Ora Homes and Communities (Kāinga Ora), Māori and Iwi, Councils and others to build the pipeline in line with the Government's aims set out in the Public Housing Plan.
4. Agencies also continue to deliver public housing places against the *Public Housing Plan 2018-22* with delivery continuing out to June 2022.
5. This draft report, showing current and planned delivery against the *Public Housing Plans 2018-22* and *2021-24* is provided to you to test for: content; and if this provides the right level of visibility of activities and; supports your regular engagement with stakeholders in the sector.
6. The information in these slides is not intended for public release, as it is at an operational and delivery level and in many cases is commercial in confidence, and before resource consents have been obtained.

## Community Housing Provider Regional level pipeline of Public Housing

7. The focus of this report is the CHP public housing pipeline at a regional level including provider specific activity, and the work that is being done to build a pipeline for the *Public Housing Plan 2021-24*. This information is as at 1 March 2021.
8. There are different models available to CHPs to bring on supply. These are as follows:

Model type	Status
Redirects: Existing houses converted to IRRS funded public housing places	Use of redirects to be stopped, with some exceptions [BRF20/21010855 refers]
New Build, asset owned by CHP	Outlined in this report
New Build, asset leased from 3rd party	
s 9(2)(f)(iv)	HUD is further exploring this option and will provide advice in due course

9. The pipeline highlights the projects delivered by:
  - a. **New Build, asset owned by CHP:** These are either Turnkey Purchases where a CHP enters into an agreement to purchase a property off plans from a developer or Build-to-Own where the CHP acquires land and develops housing in its own right.
  - b. **New Build, asset leased from 3<sup>rd</sup> party:** These are either Build-to-Lease where the CHP enters a long-term lease with a private developer or investor, or Direct-to-Lease where HUD takes on the head lease with the developer or owner and enters a sub-lease with the CHP. The asset remains in the ownership of the developer or investor at the conclusion of the lease.
10. The pipeline provided does not forecast or include redirects. Note that subject to your agreement with advice provided on 16 March [BRF20/21010855 refers]:
  - a. Redirecting housing stock from the private market will be stopped from 1 October 2021.

- b. Redirecting existing CHP stock (including stock from Council transfers or other sources) can continue at a reduced level to be set by HUD through an annual cap per provider from 1 October 2021 that takes into account supply intentions in the PHP, place-based need, and other supply opportunities.
  - c. Some public housing places currently defined as redirects should continue to be accepted where public housing places support priority programmes (such as Housing First, Rapid Rehousing and Creating Positive Pathways) and have separate IRRS funding.
11. Kāinga Ora's figures are its intentions for delivery over the period (as at January 2021), and are provided in the regional summary to give an indication of how the total pipeline of public housing in each region is shaping up. These figures were developed jointly between HUD and Kāinga Ora as part of the development of the PHP and reflect the preference for delivery to be primarily state-led.

*Key points to note*

12. As we have noted previously, agencies are on track to meet the overall *Public Housing Plan 2018-22* target for delivery of 6,400 places. In regions such as Auckland, Christchurch, Bay of Plenty and Waikato there is a strong delivery pipeline against the Plan.
13. However, there are several regions where we have a delivery shortfall. This includes some priority locations such as Northland and East Coast. While not a priority location, West Coast Tasman (including Nelson) also has a shortfall in places being delivered. We believe we will be able to close some of the gaps based on current opportunities being considered.
- s 9(2)(g)(i)
14. HUD has been working with CHPs on delivery plans and had a number of recent successes in locations that have been challenging, these include:
- s 9(2)(f)(iv)
15. As discussed with the CHP sector in your roundtable in late January, the CHP sector understand they have a key role to play in providing additionality in housing supply and complimenting Kāinga Ora's Public Housing delivery.
16. Your recent agreement to setting changes including an ability to provide staged funding in certain circumstances and changes to rent guidelines [BRF20/21010855 refers] will have a significant impact in supporting delivery where CHPs have struggled in the past.
17. The pipeline for delivery against the *Public Housing Plan 2021-24* is still at an early stage of development and places HUD progresses will be subject to how proposals align with criteria for additionality and Kāinga Ora's delivery plans. Once new setting changes are in place, HUD is confident that we can move forward with CHPs for specific cohorts in targeted locations where demand is high and address gaps in delivery plans.

**Next steps**

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18. We welcome any feedback you may have on the Public Housing Regional Summary report.
19. HUD will provide an update on the regional pipeline on a quarterly basis that will also show changes during the quarter.

## **Annexes**

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Annex A: Public Housing Regional Summary

Annex B: CHP places still due to be delivered before 30 June 2022, as at 1 March 2021 (approved or contracted)

Annex C: Delivery between 2022 and 2024

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## Annex A: Public Housing Regional Summary

The **Public Housing Regional Summary** shows delivery of public housing by Kāinga Ora - Homes and Communities, and Community Housing Providers against the Public Housing Plan 2018-2022 targets, and plans for delivery against the Public Housing Plan 2021-2024 ranges.

Regional	Current Delivery		s 9(2)(f)(iv)	Future Delivery	
	Public Housing Plan targets 2018-22	Delivered July 2018- June 20 (Kāinga Ora and CHPs)		Public Housing Plan 2021-24 ranges	s 9(2)(f)(iv)
Northland	180	80		230-380	
Auckland Super City	3550	2,432		2,140-2,670	
Waikato	330	340		540-640	
Bay of Plenty	275	193		430-450	
East Coast	330	99		340-590	
Taranaki	55	-13		80-120	
Central	180	43		210-320	
Wellington	715	305		470-690	
West Coast Tasman	200	41		210-230	
Canterbury	480	723		410-490	
Southern	105	9		150-250	
<b>National Total</b>	<b>6400</b>	<b>4252</b>		<b>6000</b>	

### Current Delivery against Public Housing Plan 2018-22

- The Government build programme is delivering a strong pipeline of safe, warm, and dry public and transitional houses. Nationally, Kāinga Ora and CHPs are on track to meet the target for delivery of public housing against the Public Housing Plan 2018-22, (6,400).
- s 9(2)(g)(i)  
Local conditions can influence our ability to increase supply and the housing we can deliver, particularly land availability, infrastructure, availability of funding, and the ability of CHPs and Kāinga Ora to scale up or develop a regional presence.
- Actual delivery against the Public Housing Plan 2018-22 may vary from information presented in the table as places under negotiation may end up contracted earlier or later than anticipated.

### Developing the CHP pipeline to complement delivery of the Public Housing Plan 2021-24

- CHP pipeline is in development; approved places presented here are actual as at March 2021. Kāinga Ora's numbers represent their intentions as collectively agreed between HUD and Kāinga Ora through the development of the Public Housing Plan 2021-24.
- In developing the CHP pipeline for the 2021-24 PHP, HUD will work closely with Kāinga Ora on their actual delivery pipeline and ensure that CHP places complement a state-led build programme.
- As you discussed in your roundtable with CHPs on 26 January, CHPs can provide additionality to Kāinga Ora, with a focus on supporting specific cohorts in locations where the need is greatest, and where Kāinga Ora has limited presence. The Public Housing Plan is taking a deliberate, place-based and MAIHI approach. We will continue working with councils, iwi and Māori, Community Housing Providers and others based in the community to develop and implement joined-up local solutions.
- Recent decisions on staged funding and rent guidelines will support the development of strong pipeline of safe, warm, dry public housing where it is most needed.
- HUD works with providers and others to develop an Opportunities Register, from which the CHP pipeline is built. Not all opportunities on the register are included here as they are still at the earliest stages of investigation. Opportunities need to be assessed to ensure that we are delivering places that align with the aims of the Public Housing Plan.

#### Notes:

**Public Housing Plan 2018-22 targets:** Given what has already been delivered or is contracted to be delivered the target of 6400 public housing places is on track to be exceeded. An additional 1600 places funded through Budget 20, but not counted as delivery against the 2021-24 Public Housing Plan, is also anticipated to be delivered given current Kāinga Ora delivery intentions.

**Refugees:** In addition to the above Kāinga Ora will deliver on their commitment to provide extra housing where refugee settlement is planned.

\* Detail on the portion of these CHP places that are still due to be delivered before June 2022 can be found in Annex B.

**Annex B: CHP places still due to be delivered before 30 June 2022, as at 1 March 2021 (approved or contracted)**

Region / Provider	TLA	New Build, asset owned by CHP	New Build, asset leased by 3rd party
<b>Northland</b>		<b>3</b>	<b>18</b>
Kahui Tu Kaha	Whangarei District		18
Whangarei Accessible Housing Trust	Whangarei District	3	
<b>Auckland Super City</b>		<b>279</b>	<b>258</b>
Accessible Properties NZ Limited	Auckland	38	
Airedale Property Trust	Auckland	9	
Auckland City Mission Housing Ltd	Auckland	80	
Bays Community Housing Trust	Auckland	2	
Community of Refuge Trust	Auckland	27	15
Compass Housing Services (New Zealand) Co Ltd	Auckland		41
Emerge Aotearoa Housing Trust	Auckland	31	41
Kāhui Tū Kaha	Auckland		53
LinkPeople Limited	Auckland		21
Mahitahi Kainga Trust	Auckland	40	
Modus Community Housing Ltd	Auckland		87
Penina Health Trust	Auckland	6	
The Salvation Army New Zealand Trust	Auckland	46	
<b>Waikato</b>		<b>0</b>	<b>0</b>
<b>Bay of Plenty</b>		<b>47</b>	<b>49</b>
Accessible Properties NZ Limited	Western Bay Of Plenty District	6	
Accessible Properties NZ Limited	Tauranga City	29	
Tauranga Community Housing Trust	Tauranga City	12	42
Tauranga Community Housing Trust	Western Bay Of Plenty District		7
<b>East Coast</b>		<b>0</b>	<b>18</b>
Te Taiwhenua o Heretaunga Trust	Hastings Districts		18
<b>Taranaki</b>		<b>0</b>	<b>0</b>
<b>Central</b>			<b>52</b>
Compass Housing Services	Palmerston North City		46
Compass Housing Services	Whanganui District		6
<b>Wellington</b>		<b>46</b>	<b>0</b>
Abbeyfield	Masterton District	4	
Airedale Property Trust	Lower Hutt City	20	
Emerge Aotearoa Housing Trust	Masterton District	22	
<b>West Coast Tasman</b>		<b>6</b>	<b>0</b>
The Nelson Tasman Housing Trust	Nelson City	6	
<b>Canterbury</b>		<b>135</b>	<b>6</b>
Christchurch Methodist Mission	Christchurch City	8	
Emerge Aotearoa Housing Trust	Christchurch City		6
Otautahi Community Housing Trust	Christchurch City	127	
<b>Southern</b>		<b>15</b>	<b>0</b>
Queenstown Lakes Community Housing Trust	Queenstown-Lake District	15	
		<b>531</b>	<b>401</b>

The places in this table are those that are contracted (or close to being contracted) for delivery between 1 January and 30 June 2022.

Some contracts will have delivery dates that span multiple financial years. Only the portion of places that will be delivered in this period is included in the table.

\*These are the first 15 units to be delivered of the 100 total approved under the ACC/CORT (Community of Refuge Trust) structure. The balance of places will be progressed through HUD's approval process, and be delivered over several years.

**Definitions**

**New Build, asset owned by CHP** includes build types: **Turnkey Purchase**: CHP enters into an agreement to purchase a property off plans from a developer. **Build to Own (BO)**: CHP acquires land and develops housing in its own right.

**New Build, asset leased from 3<sup>rd</sup> party** includes build types: **Build to Lease (BL)**: CHP enters long-term lease with private developer/investor. **Direct to Lease (DL)**: HUD takes on head lease with developer/owner and enters a sub-lease with the CHP.

**Annex C: Delivery between 2022 and 2024**

**CHP places to be delivered between 1 July 2022 to June 2024, as at 1 March 2021  
(approved or contracted)**

Region/ Provider	TLA	New Build, asset owned by CHP	New Build , asset leased by 3rd party
<b>Bay of Plenty</b>		<b>78</b>	<b>0</b>
Tauranga Community Housing Trust	Tauranga City	48	
Accessible Properties NZ Limited	Tauranga City	30	
<b>West Coast Tasman</b>		<b>0</b>	<b>40</b>
Compass Housing Services	Nelson City		40
<b>Southern</b>		<b>20</b>	<b>0</b>
The Salvation Army New Zealand Trust	Dunedin City	20	
<b>Total number of places</b>		<b>98</b>	<b>20</b>

s 9(2)(i)

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