



Affordable Housing Fund

Guide to registering an interest in the first funding round of the Affordable rental pathway

20/07/2022

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| RoI released: | 20 Jul 2022 |
| Deadline for Questions: | 15:00 01 Aug 2022 |
| Deadline for Applications: | 15:00 24 Aug 2022 |

Te Tūāpapa Kura Kāinga

Ministry of Housing and Urban Development



SECTION 1: Key information



1.1 Context

- a. This Registration of Interest (RoI) is an invitation to suitably qualified providers to submit an Application to register their interest in funding from the Affordable Housing Fund (AHF) for Community Affordable Rentals funding round one.
 - b. This process is a two stage process consisting of an initial RoI followed by a closed Request for Proposals (RFP).
 - c. Applications will be assessed against our requirements and as stipulated within this document.
 - d. Providers who's applications are successful will be invited to submit a substantive proposal from the 14 September 2022 to 21 January 2023.
 - e. The requirements and evaluation criteria for future funding rounds may differ from funding round one for Community Affordable Rentals.
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1.2 Our timeline

- a. Here is our timeline for this RoI.
 - Deadline for Questions: 15:00 on 1 August 2022
 - **Deadline for Applications: 15.00 on 24 August 2022**
 - Applicants advised of outcome by: 14 September 2022
 - **Request for Proposals opens: 14 September 2022**
 - Applicant debriefs from: 14 September onwards
 - b. All dates and times are dates and times in New Zealand.
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1.3 How to contact us

- a. All enquiries must be directed to our Point of Contact. We will manage all external communications through this Point of Contact.
 - b. **Our Point of Contact**
 - **Address:** ahf@hud.govt.nz
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1.4 Developing and submitting your Application

- a. For resources on tendering go to: www.procurement.govt.nz/providers.
 - b. You must use the Application platform as advised to you.
 - c. If anything is unclear or you have a question, ask us to explain. Please do so before the Deadline for Questions. Contact our Point of Contact as stated above.
 - d. You must complete and sign the declaration which you can download from our secure application platform. The signed declaration must be emailed to our point of contract by the stipulated closing date of the RoI above.
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1.5 Address for obtaining access to the Application platform

- a. Providers must email the following address to request access to the Application platform:
ahf@hud.govt.nz
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- b. Applications sent by post or fax, or hard copy delivered to our office, will not be accepted.
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1.6 Our ITP Process, Terms and Conditions

- a. **Offer Validity Period:** In submitting an Application, the Provider agrees that their Application will remain open for acceptance by the Ministry for six (6) calendar months from the Deadline for Applications.
- b. The Rol is subject to the Rol Process, Terms and Conditions (shortened to Rol-Terms) provided by [MBIE](#).
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SECTION 2: Our Requirements

2.1 What we require

We are seeking to fund projects/developments that deliver community affordable rentals to the housing supply market, which can be standalone projects or part of mixed tenure developments (developments that contain a mix of public housing, progressive home ownership, affordable rentals, etc).

We will be seeking to engage with not-for-profit providers (Community Housing Providers, local councils, Iwi or Māori organisations, churches and other not-for-profit entities) that have the requisite capability and capacity as an organisation and as a housing provider for developing and delivering housing and the ongoing management and maintenance of housing developments.

Providers will need to be able to demonstrate that there is a real need for community affordable rentals in the project location and that they have an active waiting list to fill the community affordable rentals. We will be interested in their target cohorts for the projects and their reasoning as to why they are seeking to aid this target cohort. To enable the assessment of our requirements the funding process will be structured in a two stage approach.

Stage One (RoI) will require Providers to demonstrate the requisite capability and capacity as an organisation and that they can deliver and operate the proposed project, along with the key features of their project. Providers will be required to demonstrate or confirm that their project meets the eligibility criteria.

Stage Two (RFP) will require identified Providers to prepare and submit a substantive proposal that demonstrates in detail how their project/proposal aligns with the following criteria:

- **alignment with housing need:** including the intended degree of affordability, target cohort (e.g., Māori, elderly, Pacific people and those with disabilities), unmet need and suitability of the housing for the target cohort, and the relative degree of housing unaffordability and deprivation in the project location
- **pace, scale and duration of housing provision:** including project readiness, certainty, staging, number of dwellings and bedrooms expected, expected pace and scale without support, duration of provision, scalability and replicability of the business model, and the applicant's intentions for any surpluses or profits
- **contribution to the Government's broader housing and urban wellbeing objectives (social, economic, cultural, environmental):** including access to services, amenities, employment, contribution to employment and training, supporting Māori interest and

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aspirations, access to public and active transport networks, and mitigating or adapting to climate change

- **cost and risk to the Crown:** including whole of government costs per dwelling per year, any potential off-setting savings from a whole-of-government perspective, leverage of non-Government party investment, and risk exposure for the Crown.

Ability to progress proposals early

HUD may, at its discretion, also select a limited number of Proposals to be progressed early through the RFP stage, negotiation and final funding decisions by Ministers.

Contract term

This RoI will not result in any form of contract for providers.

Applicants need to make themselves aware of Affordability Requirements and the Grant Amount as detailed in Section 5: [Product Parameters for the Affordable Housing Fund](#).

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SECTION 3: Our Evaluation Approach

3.1 Important Notes

Funding round one is limited to \$50 million (GST inclusive) in conditional grants.

All costs and expenses which make up your funding request must include GST as GST cannot be claimed on rental properties.

You must meet all of the eligibility criteria for your Application to be considered.

HUD may, at its discretion, also select a limited number of Proposals to be progressed early through the RFP stage, negotiation and final funding decisions by Ministers.

3.2 Evaluation model

The evaluation model that will be used for this RoI is based on a 'pass' or 'fail' against the assessment criteria as specified.

The Ministry reserves the right to prioritise applications based on intended outcomes of the fund criteria, consideration of geographic spread, and a placed based approach.

Price **will not** be a consideration for the RoI evaluation assessment.

The Ministry reserves the right to undertake due diligence and use the results of due diligence to inform the evaluation of Applications.

3.3 Evaluation criteria

Applications will be evaluated on their merits according to the following evaluation criteria.

| CRITERION | ASSESSMENT |
|-----------------------------------|---------------------|
| 1. Provider Capability & Capacity | Pass or Fail |
| 2. Project/proposal Summary | |

3.4 Evaluation Process

The following scoring scale will be used in evaluating Proposals. Scores by individual panel members may be modified through a moderation process across the whole evaluation panel.

| DESCRIPTION | DEFINITION | RATING |
|---|---|--------|
| Excellent meets or exceeds the criterion in full and offers added value | Exceeds the requirement. Above average demonstration by the Provider of the relevant ability, understanding, experience, skills, resource and quality measures required to provide the goods / services. Response identifies factors that will offer potential added value, with supporting evidence. | 4 |
| Good | Satisfies the requirement with minor additional benefits. Demonstration by the Provider of the relevant ability, | 3 |

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| meets the criterion in full at an acceptable level | understanding, experience, skills, resources and quality measures required to provide the goods / services. Response identifies factors that will offer potential added value, with supporting evidence. | |
| Minor reservations marginally deficient | Satisfies the requirement with minor reservations. Some minor reservations of the Provider relevant ability, understanding, experience, skills, resources and quality measures required to provide the goods / services, with little or no supporting evidence. | 2 |
| Serious reservations significant issues that need to be addressed | Satisfies the requirement with major reservations. Considerable reservations of the Provider relevant ability, understanding, experience, skills, resources and quality measures required to provide the goods / services, with little or no supporting evidence. | 1 |
| Unacceptable significant issues not capable of being resolved | Does not meet the requirement. Does not comply and/or insufficient information provided to demonstrate that the Provider has the ability, understanding, experience, skills, resource and quality measures required to provide the goods / services, with little or no supporting evidence. | 0 |

A score of 3 or 4 will be considered a pass of that evaluation criterion. A score of 2 will result in us seeking further clarification before final assessment of the Application (which may result in the Application being re-assessed to have a score of 3 or 4). A score of 0 or 1 will result in the Application being rejected.

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SECTION 4: Rol Application Process and Questions

4.1 Application Process

The Application process will be conducted online via a collaborative and secure platform. Please contact our point of contact to request access.

The eligibility criteria and questions have been provided as part of this document to enable you to determine your suitability to the funds needs and requirements.

4.2 Rol Eligibility Criteria and Questions

Each provider must meet all of the following eligibility criteria before their application will be considered for evaluation on its merits.

Round One Eligibility Criteria

- The provider must be a not-for-profit organisation with relevant expertise in housing development and management
- The project/proposal must deliver new-build affordable rentals targeting households who cannot afford a market rent, even for a modest home. The households would also be either ineligible, or low priority, for public housing. Households with incomes not exceeding the median gross household incomes for the project location
- The project/proposal must have a specific parcel of land identified and include a pathway to owning, leasing or occupying the land
- The project/proposal must have a minimum size threshold of 10 dwellings for Auckland and Wellington or five (5) dwellings for the rest of Aotearoa
- The project/proposal must be located in one of the following geographic locations: Auckland, Wellington metro, Tauranga-Western Bay of Plenty, Rotoura, Napier-Hastings or Nelson-Tasman
- Acknowledge that proceeding with the Rol application the RFP project/proposal must contain a detailed plan to show:
 - It is financial sustainable should support be secured through the fund (in line with the term sheet)
 - How it will remain affordable for the proposed tenants over the timeframe for which the project is proposed to be provided to the target cohort and in line with the product parameters
- The provider must have the ability to submit a substantive proposal in full no later than 21 January 2023, should your application to the Rol be successful and you are invited to submit a substantive proposal in Stage Two (closed RFP).
- Confirm that they have not received funding from either the Land for Housing fund administered by HUD or the Land Programme fund administered by Kāinga Ora to purchase the land associated with the project/proposal for affordable rentals.

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Part A: Provider Capability and Capacity

(only to be completed by entities that HUD has not worked with in the past)

Overview of your organisation and its current activities

1. Please provide an overview of your organisation, including:
 - a. Organisational structure, including parent and subsidiary entities.
 - b. The number of years in operation for each parent and subsidiary entity
 - c. Its sources of revenue and expenditure
 - d. What is your organisations object or purpose as stated in its empowering documents?
 - e. Is social / affordable housing a key focus area for your entity? If social / affordable housing is not currently a key focus area for your organisation, please outline the reasons it is planning to move into this activity?
 - f. An overview of your housing operations, including dedicated roles and responsibilities, reporting lines up to CEO, portfolio scale and type. Please also detail any strategic plans you have for your housing operations.
 - g. An overview of the income and expenditure for the management and provision of housing assets for your housing portfolio.
 - h. Your experience delivering (developing and managing) affordable rentals in the past.
 - i. Description of the role of any umbrella organisation arrangements if applicable?
 - j. Your organisation's key governance and management structures, policies, and procedures, including decision making and delegated financial authorities. Please list all relevant policies and related relevant procedures.

Part B: Project/proposal summary

2. Please provide a brief description of your proposed development (including zoning), and the outline the status of any construction arrangements that in place. Please describe the build type (commercial conversion, turnkey properties, design and build etc).
3. Please state your project location including the full address of your proposed development site inclusive of the LINZ record of title identifier number.
4. Please state the number of affordable rental houses proposed. Please provide a breakdown by bedroom number and typology i.e. standalone / terraced / apartment in your response. Are you demolishing any units as part of this development, if yes, how many. Please outline in your response what the operational purpose of the demolished units was (e.g. rental units, social/public housing).

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5. Please outline your identified target cohort and briefly explain why you are focusing on this cohort? Please confirm that you have an active waiting list.
6. Please outline the amount (GST inclusive) of funding you are seeking, noting that we anticipate that less than 50% of project costs (land, infrastructure & construction) will be funded. Your response should itemise costs per category where known and your response should clearly indicate any estimates.
Project Costs are defined in the term sheet as: This can include costs related to land, infrastructure, pre-development (including professional services) and house construction build costs, project support costs and feasibility studies where these are directly attributed to the build of this housing. It excludes ongoing operating costs, standalone pre-development costs of other projects (e.g. feasibility studies), contributions to organisational overheads, or any costs associated with wrap-around support services.
7. What will your contribution (equity and debt financed) be to the project. Please indicate if your source of funding is reliant on you being successful in receiving funding.
8. Please describe how you plan to maintain the affordability levels for the occupants over the term? This should include your approach to setting and updating rents.
9. Do you have a signed contract to acquire or do you have a plan to acquire the land, if you are not the legal owner? If no:
 - a. what do you need to do before you can sign an Acquisition contract?
 - b. when do you expect to sign an Acquisition contract?
 - c. If you are not acquiring the land please outline your pathway to leasing or occupying the land.
10. Please state the proposed start date and end date, inclusive of key events eg, purchase land, prepare the land and infrastructure, or physical construction works start etc. Outline how dependent these dates are on you receiving funding.
11. Please provide a summary of your approach and experience to tenancy management. Please state if you shall carry out this activity or contract for this activity.
12. Please provide a summary of your approach and experience to asset management. Your response should include an outline on how you plan or contract for the following areas:

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- a. Responsive maintenance including type of repairs, standards for response times and quality assurance processes
- b. Planned and cyclical maintenance including schedules of planned maintenance, replacements etc.
- c. Planning/budgeting for capital upgrades
- d. Maintenance to be undertaken by suitably qualified trades people
- e. Property / Asset Management Manual / Handbook or documented policies and procedures relating to setting and regularly reviewing property standards.

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SECTION 5: Product Parameters for the Affordable Housing Fund

5.1 Proposed Product Parameters

| | REQUIREMENT FOR GRANT PRODUCT - ROUND ONE |
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| Tenure Type | New affordable rental housing (see affordability requirements below.) |
| Eligible Applicants | <p>Not for profit organisations including:</p> <ul style="list-style-type: none">• Registered CHPs• Councils• Rōpū (Māori and iwi organisations)• Churches• other organisations. <p>In addition, not for profit consortia are also eligible. These organisations will be required to demonstrate the required capacity and capability to develop, maintain and operate affordable rental housing. This demonstration will be informed by robust due diligence.</p> |
| Eligible Projects | <p>The intention is to create new supply of affordable privately owned rental housing. This could include:</p> <ul style="list-style-type: none">• developing new homes• purchasing turnkey homes off the plans• commercial conversions and redevelopment (to a like new standard and meeting or exceeding all relevant requirements). <p>Generally, only net new units will be considered in terms of funding outcomes. However, if previously units have not been operating as affordable rental housing this will be considered on a case-by-case basis. This consideration would include whether the condition of the home would preclude it from being rented.</p> |
| Location | <p>Round one is targeted at the following major urban areas and regional centres:</p> <ul style="list-style-type: none">• Auckland• Tauranga-Western Bay• Rotorua |

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| | <ul style="list-style-type: none">• Wellington Urban Area¹• Napier-Hastings and• Nelson-Tasman. |
| Land Type | Projects must have a specific parcel of land identified and include a pathway to owning, leasing, or occupying the land (e.g., already own, or have a conditional contract or purchase option). This includes developments on Whenua Māori. |
| Other Eligibility Requirements | Applicants must provide information on intentions around ensuring the proposal: <ul style="list-style-type: none">• Is financially sustainable for the provider• Will remain affordable for the target households. |
| Affordability Requirements | <p>Round one is focused on ‘Community Affordable Housing’, which requires consideration of:</p> <ul style="list-style-type: none">• Who the target tenants are• The amount of rent to be paid. <p><i>Who the target tenants are</i></p> <p>We are targeting the provision of homes for:</p> <ul style="list-style-type: none">• Those who cannot afford a market rent, even for a modest home. They would also be either ineligible, or low priority, for public housing.• Households with incomes not exceeding the median gross household incomes for the area. <p>Note: This annual household income is to be verified before the tenants sign the tenancy agreement.</p> <p><i>The amount of rent paid</i></p> <p>Rents must be affordable for the household and should reflect a number of factors, including:</p> <ul style="list-style-type: none">• The household income• The number of dependants |

¹ For purposes of the Fund, Wellington Urban includes: Wellington, Porirua, Lower Hutt, Upper Hutt and Kāpiti Coast. This was previously called Wellington Metro but the name has been changed to align with the term used in our first home products. They cover the same area.

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| | <ul style="list-style-type: none">• Household costs• The market rent for a similar house in a similar area. We would expect the rent to be less than 80% of median market rent for the type of property at the start of the project. <p><i>Minimum Affordability Period</i> The fund aims to support the delivery of long-term rental housing. Ongoing affordability to the target households and provider must be demonstrated. We will seek a minimum affordability period of 15 years (and will monitor projects for this length of time). However, expectations on length of affordability will be dependent on the Crown's investment.</p> <p>Duration of provision is also one of the evaluation criteria. As the target organisations for round one are not-for-profits, we expect that many organisations will seek to deliver units that offer some level of affordability in perpetuity.</p> |
| Project Costs | <p>Costs relating to the purchase and/or development of affordable rental housing. This can include costs related to:</p> <ul style="list-style-type: none">• land• infrastructure• pre-development (including professional services) and• the house construction/vertical build• project support costs• feasibility studies where these can be directly attributed to the build of this housing. <p>It excludes:</p> <ul style="list-style-type: none">• ongoing operating costs• standalone pre-development costs of other projects (including feasibility studies) or• any costs associated with wrap-around support services. <p>Costs should be stated inclusive of GST (if any).</p> <p>To clarify, costs will also reflect the value of the land. This includes valuing leasehold, including whenua Māori.</p> |
| Grant Amount | <p>The fund is designed to help leverage other resources including the equity contribution of the applicant and borrowing from banks and other financial institutions/investors. There must be a solid case for the need for this funding. We will provide tools to help applicants show that need.</p> |

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| | <p>Therefore, while we would expect to be funding less than 50% of the project costs, this will vary based on several factors including:</p> <ul style="list-style-type: none">• The project costs• House construction and land costs in the region• Value for money• The minimum term of affordability• The proposed rent levels• The number of people/whānau that will live in the homes.• Other sources of borrowing/investment. |
| Funding from other sources. | <p>Projects may receive funding from other government programs (eg Infrastructure funding from the Infrastructure Acceleration Fund or Whai Kainga Whai Oranga, or other programs of Te Puni Kokiri), but projects would be evaluated from an “All of Crown” investment perspective.</p> <p>We welcome proposals for new affordable rental housing that are part of mixed-income developments, including developments with public housing. For mixed-income developments, we would only expect to support the costs attributed to the affordable rental housing portion of the project.</p> <p>As these homes are not public housing, applicants would not be able to receive the Income Related Rent Subsidy (IRRS)/ Operating Supplement (OS) for them.</p> |
| Scale Requirements | <p>Minimum size threshold of ten dwellings in Auckland and Wellington Urban and five dwellings in the rest of New Zealand. Where units have been demolished, only net new units will be considered when calculating the threshold.</p> |
| Payment | <p>Paid out over milestones – First on signing of agreements, last on receipt of CCC.</p> |
| Repayment / Security | <p>This is a (conditional) grant, not a loan. Repayment would only be triggered if formal conditions of repayment are triggered e.g. sale for use other than provision of affordable housing to target cohort. HUD does not want an unnecessary controlling or impeding interest in the property owned by the Provider.</p> |
| Monitoring | <p>Time period for monitoring aligned to minimum affordability period.</p> |

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| Exclusions | Not open to organisations purchasing or leasing (or having purchased or leased) the land from Kāinga Ora or the Crown as part of other housing programmes (e.g. through the Kāinga Ora Land Programme, or Land for Housing). These funds have separate funding to support affordable housing provision. |
| Design Standards | <p>Legal requirements such as the Building Code, the Residential Tenancies Act and Regulations (including Healthy Homes requirements) apply. No other minimum standards are proposed for round one. This will allow a greater range of proposals and models.</p> <p>Assessment criteria will encourage proposals which offer more in terms of quality and suitability of housing (e.g. accessibility, universal design, energy efficiency, inter-generational living arrangements). In our assessment of proposals, we will be looking for value for the investment made. We will use the public housing design standards and bank requirements to inform our assessment.</p> |
| Other Requirements | <p>Insurance requirements and potentially some wider Ts & Cs around management, governance etc. (requirements may vary for regulated/non-regulated providers (eg registered CHPs).</p> <p>As this is supporting affordable privately owned rental housing, the Residential Tenancies Act does apply.</p> |

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