



COMMERCIAL TERM SHEET V2 – FOR PROCUREMENT UNDER THE FLEXIBLE FUND¹

Explanatory Note: This document is provided for feedback. Example contract wording is provided for most Key Terms. This wording will form the basis of the Agreement you will sign if your application is successful and any subsequent development proposal(s) are approved by HUD. A draft of the Agreement will be made available once feedback on the Term Sheet has been considered and a final version of the Agreement will be incorporated in the Stage Two Application Pack received by Preferred Delivery Partners.

You may notice a difference in language and tone from existing new supply agreements with HUD. Last year HUD trialed moving to shorter simpler contracts written in plain English with some providers and is now rolling that approach out to the wider sector.

#	Key Term	Social Housing	Affordable Rental Housing
Services			
<i>Overview: Homes must meet compliance standards, be appropriate for renting, have property head leases if not owned by you, and be allocated and managed in line with agreed terms.</i>			
1.	Services	<p>You will:</p> <ul style="list-style-type: none"> (a) arrange for the development of the Homes or for their purchase or lease; (b) ensure the Homes are completed as soon as is reasonably practicable and in any event are available for tenanting under the Residential Tenancies Act 1986 no later than the Due Date; (c) ensure that all completed Homes: 	<p>You will:</p> <ul style="list-style-type: none"> (a) arrange for the development of the Homes or for their purchase or lease; (b) ensure the Homes are completed as soon as is reasonably practicable and in any event are available for tenanting under the Residential Tenancies Act 1986 no later than the Due Date; (c) ensure that all completed Homes:

¹ Please note that draft contract wording is provided as part of this Term Sheet. Several of the terms featured will be captured in an Appendix (or equivalent) called "General Terms and Conditions" in the Agreement. The General Terms and Conditions have been drafted to cover housing plus other services HUD may purchase (Services) from you in the future.

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		<ul style="list-style-type: none"> (i) match the location and typology descriptions in Schedule [1]; (ii) have a Code Compliance Certificate under the Building Act 2004; (iii) be suitable for tenancing under the Residential Tenancies Act 1986; (iv) be the subject of a properly executed head lease for the period for which the Home is contracted under Schedule [1], if not owned by you; and (v) be operated in accordance with Schedule [x]: Management of Homes and Tenancies, and the Housing Option. <p>Due Date will be set out in relation to each Project, in the Schedule [1].</p> <p><u>Substantive change:</u> Wording has been tightened to clarify deadlines to meet HUD requirements regarding the delivery of these Homes.</p>	<ul style="list-style-type: none"> (i) match the location and typology descriptions in the Schedule [1]; (ii) have a Code Compliance Certificate under the Building Act 2004; (iii) be suitable for tenancing under the Residential Tenancies Act 1986; (iv) be the subject of a properly executed head lease for the period for which the Home is contracted under Schedule [1], if not owned by you; and (v) be operated in accordance with Schedule [x]: Management of Homes and Tenancies, and the Housing Option. <p>Due Date will be set out in relation to each Project, in the Schedule [1].</p>
2.	Management of Homes and Tenancies	<p>Schedule 3A Social Housing - Management of Homes and Tenancies (appended as Appendix 1 to this Commercial Term Sheet)</p> <p><u>No substantive changes:</u> Provider requirements are the same; contract language is now clearer and more concise.</p>	<p>Schedule 3B - Affordable Rentals - Management of Homes and Tenancies (appended as Appendix 2 to this Commercial Term Sheet)</p>

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		Some information is moving to the Operational Guidelines.	
Term and Termination			
<i>Overview: Homes will be contracted for up to 25 years with HUD having a right to terminate for default, early with compensation, the Provider having a right to terminate in respect of a Home if it becomes Uninsurable, and with both HUD and the Provider having right to terminate where an Extraordinary Event means a party cannot perform an obligation for 6 or more months.</i>			
3.	Term	<p>Up to 25 years subject to termination (Early Termination, termination for default, where an Extraordinary Event has occurred and/or where a Home is Uninsurable).</p> <p><u>Substantive change:</u> Homes will now all be contracted for up to 25 years regardless of whether they are owned or leased, and a new term has been introduced which allows a provider to terminate the Agreement in respect of a Home which is Uninsurable (see term below).</p>	Up to 25 years subject to termination (Early Termination, termination for default, where an Extraordinary Event has occurred and/or where a Home is Uninsurable).
4.	Early Termination during Operations Phase and associated Compensation – note Early Termination	<p>HUD may terminate this Agreement early, in full or in part, by giving at least 70 Business Days' notice. Provided you have not breached the Agreement, HUD will pay you compensation for the early termination.</p> <p>If HUD terminates the Agreement early in full or in part, you may retain any Upfront Funding already paid to you for the affected Homes. Additionally, HUD will pay you the total of the</p>	<p>HUD may terminate this Agreement early, in full or in part, by giving at least 70 Business Days' notice. Provided you have not breached the Agreement, HUD will pay you compensation for the early termination.</p> <p>If HUD terminates the Agreement early in full or in part, you may retain any Upfront Funding already paid to you for the affected Homes. Additionally, HUD will pay you the total of the</p>

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	cannot occur during the Delivery Phase	<p>following amounts related to the termination – noting that no cost, loss or expense may be counted more than once:</p> <ul style="list-style-type: none"> (a) any reasonable and properly incurred amounts to a Sub-contractor, as a direct result of the termination, but only to the extent that: <ul style="list-style-type: none"> (i) the sub-contract relates to your Service obligations; (ii) the sub-contract has been entered into in the ordinary course of business of a community housing provider and on reasonable commercial terms; (iii) you are liable to pay such amounts to the Sub-contractor under the express terms of the sub-contract; (iv) as at the termination date there is no event of default (however described) subsisting under the sub-contract that would entitle you to terminate that sub-contract; (v) they represent an amount no greater than one year’s verifiable net profit attributable to the provision of the relevant services under the sub-contract; 	<p>following amounts related to the termination – noting that no cost, loss or expense may be counted more than once:</p> <ul style="list-style-type: none"> (a) any reasonable and properly incurred amounts to a Sub-contractor, as a direct result of the termination, but only to the extent that: <ul style="list-style-type: none"> (i) the sub-contract relates to your Service obligations; (ii) the sub-contract has been entered into in the ordinary course of business of a community housing provider and on reasonable commercial terms; (iii) you are liable to pay such amounts to the Sub-contractor under the express terms of the sub-contract; (iv) as at the termination date there is no event of default (however described) subsisting under the sub-contract that would entitle you to terminate that sub-contract; (v) they represent an amount no greater than one year’s verifiable net profit attributable to the provision of the relevant services under the sub-contract;

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		<p>(b) redundancy payments you are legally required to make under employment contracts or law, for employees who cannot be reasonably redeployed within your group and that would not have been otherwise incurred except as a result of this termination by HUD;</p> <p>(c) other reasonably and properly incurred amounts (not covered above) incurred by you as a direct result of the termination, but only to the extent that:</p> <p>(i) the amounts relate to fulfilling your obligations, including but not limited to:</p> <ul style="list-style-type: none"> ○ ending interest rate swaps or other fixed interest deals tied to your senior debt financing of the Homes and required by termination; ○ materials or goods ordered in the ordinary course of business that can't be cancelled without incurring costs; ○ spending in the ordinary course of business in 	<p>(b) redundancy payments you are legally required to make under employment contracts or law, for employees who cannot be reasonably redeployed within your group and that would not have been otherwise incurred except as a result of this termination by HUD;</p> <p>(c) other reasonably and properly incurred amounts (not covered above) incurred by you as a direct result of the termination, but only to the extent that:</p> <p>(i) the amounts relate to fulfilling your obligations, including but not limited to:</p> <ul style="list-style-type: none"> ○ ending interest rate swaps or other fixed interest deals tied to your senior debt financing of the Homes and required by termination; ○ materials or goods ordered in the ordinary course of business that can't be cancelled without incurring costs; ○ spending in the ordinary course of business in anticipation of future service provision;

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		<p>anticipation of future service provision;</p> <ul style="list-style-type: none"> ○ your services (if any) connected to ending Home tenancies or relocating tenants before HUD's stated termination date ○ demobilisation costs including the cost of equipment used in connection with your performance of your obligations; <p>(ii) the costs are incurred under agreements that have been entered into in the ordinary course of business of a community housing provider and on reasonable commercial terms; and</p> <p>(iii) the costs do not include any costs associated with the disposal or leasing of any of the impacted Homes (including valuation, marketing or commission costs); and</p> <p>(d) the net present value (based on a discount rate equal to the Senior Debt Rate) of the Agreed Amount for an affected Home from the date of termination until the relevant Home Expiry</p>	<ul style="list-style-type: none"> ○ your services (if any) connected to ending Home tenancies or relocating tenants before HUD's stated termination date ○ demobilisation costs including the cost of equipment used in connection with your performance of your obligations; <p>(ii) the costs are incurred under agreements that have been entered into in the ordinary course of business of a community housing provider and on reasonable commercial terms; and</p> <p>(iii) the costs do not include any costs associated with the disposal or leasing of any of the impacted Homes (including valuation, marketing or commission costs); and</p> <p>(d) the net present value (based on a discount equal to the Senior Debt Rate) of the Agreed Amount for an affected Home from the date of termination until the relevant Home Expiry Date that would have otherwise been payable by HUD had this Agreement not been terminated</p>

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		<p>Date that would have otherwise been payable by HUD had this Agreement not been terminated early by HUD <u>less</u> the present value of 80% of the Market Rent for the affected Home over the same period.</p> <p>To determine the Market Rent for a Home, HUD will, at its cost, obtain a market rent valuation for the Home from a suitably experienced registered valuer.</p> <p><u>Substantive change:</u> As there is now no OS, (d) provides a new compensation mechanism that takes into account the Agreed Amount and future cashflows at an affordable rent rate.</p>	<p>early by HUD <u>less</u> the present value of 80% of the Market Rent for the affected Home over the same period.</p> <p>To determine the Market Rent for a Home, HUD will, at its cost, obtain a market rent valuation for the Home from a suitably experienced registered valuer.</p>
5.	Required Accreditation	<p>Class 1 Social Landlord</p> <p><u>No substantive changes:</u> Provider requirements are the same.</p>	<p>No accreditation required, however due diligence will be carried out on entities who apply.</p>
6.	Termination for Default	<p>HUD may terminate this Agreement:</p> <p>(a) with immediate effect, by giving notice to you, at any time if:</p> <p>(i) you have been given notice by CHRA or Te Kāhui Kāhu that it is revoking any Required Accreditation;</p>	<p>HUD may terminate this Agreement:</p> <p>(a) with immediate effect, by giving notice to you, at any time if:</p> <p>(i) HUD reasonably considers that you have become or are likely to become, insolvent or bankrupt;</p> <p>(ii) you are subject to the appointment of a liquidator, receiver, manager or</p>

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		<ul style="list-style-type: none"> (ii) HUD reasonably considers that you have become or are likely to become, insolvent or bankrupt; (iii) you are subject to the appointment of a liquidator, receiver, manager or similar person in respect of any of your assets; (iv) you have ceased to carry on operations or business (or a material part of them) in New Zealand; <p>(b) on 30 Business Days' notice (having previously given you an opportunity to remediate the issue in accordance with clause [x].[x]) if any one or more of the following events or circumstances has occurred:</p> <ul style="list-style-type: none"> (i) you are materially in breach of any obligation, or a condition or warranty, under this Agreement; (ii) you have provided HUD with information in connection with or under this Agreement that (whether intentionally or not) is materially incorrect or misleading, and/or omits material information; (iii) you are involved in any material misrepresentation or any fraud; 	<p>similar person in respect of any of your assets;</p> <ul style="list-style-type: none"> (iii) you have ceased to carry on operations or business (or a material part of them) in New Zealand; <p>(b) on 30 Business Days' notice (having previously given you an opportunity to remediate the issue in accordance with clause [x].[x]) if any one or more of the following events or circumstances has occurred:</p> <ul style="list-style-type: none"> (i) you are materially in breach of any obligation, or a condition or warranty, under this Agreement; (ii) you have provided HUD with information in connection with or under this Agreement that (whether intentionally or not) is materially incorrect or misleading, and/or omits material information; (iii) you are involved in any material misrepresentation or any fraud; (iv) you (or any of your personnel or contractors) are subject to a Conflict of Interest which cannot be managed to HUD's satisfaction. <p>HUD will notify you if it believes a Termination Event set out in clause [x].[x](b)(i)-(iv) has</p>

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		<p>(iv) you (or any of your personnel or contractors) are subject to a Conflict of Interest which cannot be managed to HUD’s satisfaction.</p> <p>HUD will notify you if it believes a Termination Event set out in clause [x].[x](b)(i)-(iv) has occurred and will require you to remedy the event or circumstance within 20 Business Days (or any longer period agreed with you) after that notice has been provided by HUD.</p> <p>Note: HUD may require you to repay a portion of any Upfront Funding in the event of termination of this Agreement because of default by you.</p> <p>No substantive changes: Provider requirements are the same; contract language is now clearer and more concise.</p>	<p>occurred and will require you to remedy the event or circumstance within 20 Business Days (or any longer period agreed with you) after that notice has been provided by HUD.</p> <p>Note: HUD may require you to repay a portion of any Upfront Funding in the event of termination of this Agreement because of default by you.</p>
7.	Termination for Extraordinary Event	<p>In the event of an Extraordinary Event the parties may agree to suspend any specified obligations for an agreed period, or if a party is unable to perform its obligations under this Agreement:</p> <p>(a) for 6 months or more, where the Services involve housing; or</p> <p>(b) 20 Business Days or more, where the Services do not involve housing,</p> <p>the other party may, by notice, terminate the Agreement on 30 Business Days’ notice.</p>	<p>In the event of an Extraordinary Event the parties may agree to suspend any specified obligations for an agreed period, or if a party is unable to perform its obligations under this Agreement:</p> <p>(a) for 6 months or more, where the Services involve housing; or</p> <p>(b) 20 Business Days or more, where the Services do not involve housing,</p> <p>the other party may, by notice, terminate the Agreement on 30 Business Days’ notice.</p>

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		<p>Neither party is liable to the other for any failure to perform its obligations under this Agreement due to an event that is beyond their reasonable control e.g. an earthquake, tsunami or other natural disaster, pandemic, or other event that could not have been prevented or overcome by taking reasonable care (an “Extraordinary Event”).</p> <p>Note: Any Upfront Funding already received by you in respect of the affected Homes, may be kept.</p> <p><u>No substantive changes: Provider requirements are the same; contract language is now clearer and more concise.</u></p>	<p>Neither party is liable to the other for any failure to perform its obligations under this Agreement due to an event that is beyond their reasonable control e.g. an earthquake, tsunami or other natural disaster, pandemic, or other event that could not have been prevented or overcome by taking reasonable care (an “Extraordinary Event”).</p> <p>Note: Any Upfront Funding already received by you in respect of the affected Homes, may be kept.</p>
8.	Termination if a Home becomes Uninsurable	<p>You will immediately notify HUD if you believe a Home is, or will soon become, Uninsurable.</p> <p>Within 10 business days of that notification, you and HUD will meet to discuss the insurability status of the Home, evaluate whether it should remain available for social housing, and determine whether there should be any changes to the terms between you and HUD.</p> <p>If you and HUD cannot agree on whether it should remain available or on what terms, You may terminate this Agreement in respect of the Home, on the greater of 20 Business Days’ notice and the period required to ensure you</p>	<p>You will immediately notify HUD if you believe a Home is, or will soon become, Uninsurable.</p> <p>Within 10 business days of that notification, you and HUD will meet to discuss the insurability status of the Home, evaluate whether it should remain available for social housing, and determine whether there should be any changes to the terms between you and HUD.</p> <p>If you and HUD cannot agree on whether it should remain available or on what terms, You may terminate this Agreement in respect of the Home, on the greater of 20 Business Days’ notice and the period required to ensure you</p>

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		<p>comply with your obligations to the affected Tenants under the Law.</p> <p>If there is any dispute as to whether a Home is Uninsurable, and if it is not resolved by discussion within 15 Business Days of the dispute being notified in accordance with [clause x.x of the General Terms and Conditions], HUD or you may require the matter to be settled by arbitration in accordance with the Arbitration Act 1996. If HUD and you cannot agree on an arbitrator within 5 Business Days of notification of the requirement for arbitration, the arbitrator will be chosen by the President of the New Zealand Law Society.</p> <p>For the purposes of the above:</p> <p>Uninsurable means in relation to a risk, either that:</p> <ul style="list-style-type: none"> • the Required Insurance is not available to you in the worldwide insurance market, with a reputable insurer; • the terms and conditions of any Required Insurance available to you in the worldwide insurance market with a reputable insurer does not adequately cover that risk; or • the insurance premium payable for insuring that risk is at such a level that the risk is not generally being insured against 	<p>comply with your obligations to the affected Tenants under the Law.</p> <p>If there is any dispute as to whether a Home is Uninsurable, and if it is not resolved by discussion within 15 Business Days of the dispute being notified in accordance with [clause x.x of the General Terms and Conditions], HUD or you may require the matter to be settled by arbitration in accordance with the Arbitration Act 1996. If HUD and you cannot agree on an arbitrator within 5 Business Days of notification of the requirement for arbitration, the arbitrator will be chosen by the President of the New Zealand Law Society.</p> <p>For the purposes of the above:</p> <p>Uninsurable means in relation to a risk, either that:</p> <ul style="list-style-type: none"> • the Required Insurance is not available to you in the worldwide insurance market, with a reputable insurer; • the terms and conditions of any Required Insurance available to you in the worldwide insurance market with a reputable insurer does not adequately cover that risk; or • the insurance premium payable for insuring that risk is at such a level that the risk is not generally being insured against

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		<p>by owners and/or operators of public or rental housing portfolios in New Zealand reasonably comparable to the Homes, in the worldwide insurance market, with reputable insurers.</p> <p>Required Insurance means any material damage or business interruption insurance policy required to meet your obligations under the General Terms and Conditions.</p> <p>Note: The General Terms and Conditions will say “You will obtain and maintain insurance that is adequate to cover your obligations under this [Agreement], and provide evidence of the same to HUD, on request. If you are providing housing, your insurance will cover the full replacement value of the Homes.”</p> <p>Substantive change: New concept, for benefit of provider.</p>	<p>by owners and/or operators of public or rental housing portfolios in New Zealand reasonably comparable to the Homes, in the worldwide insurance market, with reputable insurers.</p> <p>Required Insurance means any material damage or business interruption insurance policy required to meet your obligations under the General Terms and Conditions.</p> <p>Note: The General Terms and Conditions will say “You will obtain and maintain insurance that is adequate to cover your obligations under this [Agreement], and provide evidence of the same to HUD, on request. If you are providing housing, your insurance will cover the full replacement value of the Homes.”</p>
Payment for Services			
<p>Overview: You will be paid a Services Payment in exchange for your provision, and operation, of Homes. That Services Payment is made up of a Daily HUD Subsidy, a Turnaround Payment (where applicable) and a Top-up Payment (where applicable).</p> <p>All Contracted Projects and Homes will be listed in an appended Excel spreadsheet (currently referred to as Schedule [1]). The Project Agreed Amount, the Agreed Amount for a Home, the Apportionment % will all listed in columns, alongside the Contracted Date, Due Date, Address, Typology, Liability Cap, any Upfront Funding Amount and Drawdown Conditions, Home Start Dates and Home End Dates. The use of this spreadsheet</p>			

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<i>approach enables us to contract multiple Projects and Services under the one Agreement – and ultimately multiple Services under the one Agreement.</i>			
9.	Services Payment – Initial	<p>HUD will pay you a Services Payment in respect of each Home during the Operations Phase, calculated in accordance with [Schedule [x]] for each Payment Period, within 5 Business Days of receipt of your Services Payment report and tax invoice.</p> <p>The Services Payment for each Payment Period will be calculated in accordance with the following formula:</p> $\begin{matrix} \text{Services} & = & \text{Total HUD} & + & \text{Total} & + & \text{Total} \\ \text{Payment} & & \text{Subsidy} & & \text{Turnaround} & & \text{Top-up} \\ & & \text{Payment} & & \text{Payment} & & \text{Payment} \end{matrix}$ <p>where:</p> <ul style="list-style-type: none"> • The Total HUD Subsidy Payment is the aggregate of the Daily HUD Subsidy for each Tenant who has been let a Home in accordance with this Agreement in the relevant Payment Period. <ul style="list-style-type: none"> ○ The Daily HUD Subsidy is the aggregate, for each Home, of the Agreed Amount for each Home minus the Tenant's IRR, with both amounts pro-rated on a daily basis for each day falling within the Payment Period. All subsidy amounts are GST-exclusive. 	<p>HUD will pay you a Services Payment in respect of each Home during the Operations Phase, calculated in accordance with [Schedule [x]] for each Payment Period, within 5 Business Days of receipt of your Services Payment report and tax invoice.</p> <p>The Services Payment for each Payment Period will be calculated in accordance with the following formula:</p> $\begin{matrix} \text{Services} & = & \text{Total HUD} & + & \text{Total} & + & \text{Total} \\ \text{Payment} & & \text{Subsidy} & & \text{Turnaround} & & \text{Top-up} \\ & & \text{Payment} & & \text{Payment} & & \text{Payment} \end{matrix}$ <p>where:</p> <ul style="list-style-type: none"> • The Total HUD Subsidy Payment is the aggregate of the Daily HUD Subsidy for each Tenant who has been let a Home in accordance with this Agreement in the relevant Payment Period. <ul style="list-style-type: none"> ○ The Daily HUD Subsidy is the aggregate, for each Home, of the Agreed Amount for each Home minus the Tenant's ARC, with both amounts pro-rated on a daily basis for each day falling within the Payment Period. All subsidy amounts are GST-exclusive.

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		<ul style="list-style-type: none"> ○ The Agreed Amount is the weekly amount specified in respect of a Home in Schedule [1]. ○ The Tenant's IRR is the weekly income-related rent calculated by MSD for a Tenant in accordance with the applicable provisions of the PACHMA. ● The Total Turnaround Payment is the aggregate, for each Home, of the Agreed Amount, pro-rated on a daily basis for each day falling within that Home's Turnaround Period, provided you have: <ul style="list-style-type: none"> (i) given HUD and MSD at least 5 Business Days' notice of the Home's actual or impending vacancy through the Housing Client System; and (ii) completed tenancy matching within the required timeframes specified in the Operational Guidelines and the Housing Client System. ● The Total Top-up Payment is the aggregate of the Agreed Amount for each Home that is a Short Term Permitted Rental less any rent received from its private tenant, with all amounts calculated on a daily basis throughout the Payment Period. 	<ul style="list-style-type: none"> ○ The Agreed Amount is the weekly amount specified in respect of a Home in Schedule [1]. ○ The Tenant's ARC is 60% of the Median Market Rent for the Home based on its location and typology. ● The Total Turnaround Payment is the aggregate, for each Home, of the Agreed Amount, pro-rated on a daily basis for each day falling within that Home's Turnaround Period, provided you are utilising all reasonable endeavours to re-tenant the Home in a timely manner. ● The Total Top-up Payment is the aggregate of the Agreed Amount for each Home that is a Short Term Permitted Rental less any rent received from its private tenant, with all amounts calculated on a daily basis throughout the Payment Period. ● The Median Market Rent for a Home will be notified by HUD on an annual basis. <p>Note: HUD will assume that you are charging tenants an average of 60% of the Median Market Rent for the contracted Homes. In practice you may charge between 50% and 70% - but the overall average must not exceed</p>

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		<p>Substantive change: Similar looking Services Payment formula, however the move to an Agreed Amount is new.</p>	<p>60% for all HUD-funded affordable rental Homes in each location.</p>
10.	<p>Services Payment – subject to adjustment</p>	<p>The Project Agreed Amount is the sum of the following components for the Project:</p> <ul style="list-style-type: none"> • Rates • Dwelling Insurance • Tenancy Management • Other Costs • Contingency • Debt Servicing and Repayment <p>The initial Agreed Amount for a Home is a pro-rated amount on the basis of an Apportionment % for the Home – out of 100.</p> <p>The initial Project Agreed Amounts, Agreed Amounts and the Apportionment %s will be in the Contracted Projects and Homes spreadsheet that forms part of the Agreement.</p> <p>Each of the Rates, Dwelling Insurance, Tenancy Management and Other Costs components of the Project Agreed Amount will be subject to:</p> <ul style="list-style-type: none"> • indexation in accordance with any increase in its respective Index (as set out in the Agreed Amount Indexation Table below) between the Project’s Contracted Date and the Project’s Start Date; and 	<p>The Project Agreed Amount is the sum of the following components for the Project:</p> <ul style="list-style-type: none"> • Rates • Dwelling Insurance • Tenancy Management • Other Costs • Contingency • Debt Servicing and Repayment <p>The initial Agreed Amount for a Home is a pro-rated amount on the basis of an Apportionment % for the Home – out of 100.</p> <p>The initial Project Agreed Amounts, Agreed Amounts and the Apportionment %s will be in the Contracted Projects and Homes spreadsheet that forms part of the Agreement.</p> <p>Each of the Rates, Dwelling Insurance, Tenancy Management and Other Costs components of the Project Agreed Amount will be subject to:</p> <ul style="list-style-type: none"> • indexation in accordance with any increase in its respective Index (as set out in the Agreed Amount Indexation Table below) between the Project’s

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		<ul style="list-style-type: none"> annual indexation on the anniversary of the Project's Start Date in accordance with the annual movement in its respective Index (as set out in the Agreed Amount Indexation Table below) (increase or decrease). <p>The Contingency component of the Agreed Rent for a Project will be subject to:</p> <ul style="list-style-type: none"> any increase as a result of applying the formula set out in the Index column of the Component Indexes Table below) between the Project's Contracted Date and the Project's Start Date; and any increase or decrease as a result of applying the formula set out in the Index column of the Component Indexes Table below) on the anniversary of the Project's Start Date <p>The Debt Servicing and Repayment component of the Agreed Amount is not subject to any form of change.</p> <p>The new Project Agreed Amount will be pro-rated across the Homes in the Project in accordance with each Home's Apportionment % - leading to a new Agreed Amount for each Home.</p> <p>HUD will notify you of a new Agreed Amounts and update this in the Housing Client System.</p>	<p>Contracted Date and the Project's Start Date; and</p> <ul style="list-style-type: none"> annual indexation on the anniversary of the Project's Start Date in accordance with the annual movement in its respective Index (as set out in the Agreed Amount Indexation Table below) (increase or decrease). <p>The Contingency component of the Agreed Rent for a Project will be subject to:</p> <ul style="list-style-type: none"> any increase as a result of applying the formula set out in the Index column of the Component Indexes Table below) between the Project's Contracted Date and the Project's Start Date; and any increase or decrease as a result of applying the formula set out in the Index column of the Component Indexes Table below) on the anniversary of the Project's Start Date <p>The Debt Servicing and Repayment component of the Agreed Amount is not subject to any form of change.</p> <p>The new Project Agreed Amount will be pro-rated across the Homes in the Project in accordance with each Home's Apportionment % - leading to a new Agreed Amount for each Home.</p>

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		<div data-bbox="485 261 1083 315" style="border: 1px solid black; height: 33px; width: 285px;"></div> <p>CPI means the “All Groups” Consumer Price Index for the time being published by Statistics New Zealand or any successor or replacement index to CPI as nominated by Statistics New Zealand.</p> <p>CPILARP means the “CPI Level 3 Class: Local Authority Rates and Payments (Series Reference Code SE90201)” for the time being published by Statistics New Zealand or any successor or replacement index to CPI as nominated by Statistics New Zealand.</p> <p>CPIDI means the “CPI Level 3 Class: Dwelling Insurance (Series Reference Code SE911402)” for the time being published by Statistics New Zealand or any successor or replacement index to CPI as nominated by Statistics New Zealand.</p> <p>LCI means the “Labour Costs Index – Salary and Wage Rates” for the time being published by Statistics New Zealand or any successor or replacement index to CPI as nominated by Statistics New Zealand.</p> <p><u>Substantive change</u>: Changes to what is indexed, the indexes utilised, and how costs are apportioned between Homes in a Project.</p>	<div data-bbox="1184 261 1782 404" style="border: 1px solid black; padding: 5px;"> <p>D = the annual change in CPI</p> </div> <p>CPI means the “All Groups” Consumer Price Index for the time being published by Statistics New Zealand or any successor or replacement index to CPI as nominated by Statistics New Zealand.</p> <p>CPILARP means the “CPI Level 3 Class: Local Authority Rates and Payments (Series Reference Code SE90201)” for the time being published by Statistics New Zealand or any successor or replacement index to CPI as nominated by Statistics New Zealand.</p> <p>CPIDI means the “CPI Level 3 Class: Dwelling Insurance (Series Reference Code SE911402)” for the time being published by Statistics New Zealand or any successor or replacement index to CPI as nominated by Statistics New Zealand.</p> <p>LCI means the “Labour Costs Index – Salary and Wage Rates” for the time being published by Statistics New Zealand or any successor or replacement index to CPI as nominated by Statistics New Zealand.</p>

#	Key Term	Social Housing	Affordable Rental Housing
			<p>The Median Market Rent will be subject to indexation on the anniversary of the Home Start Date in accordance with the annual movement in its respective Consumer Price Index (increase or decrease).</p> <p>Consumer Price Index for the purposes of this Agreement means:</p> <ul style="list-style-type: none"> • for Homes in Auckland, the ‘Consumer Price Index: Actual Rentals for Housing – Auckland (SE104101)’; • for Homes in Wellington, the ‘Consumer Price Index: Actual Rentals for Housing – Wellington (SE204101)’; • for Homes in the remainder of the North Island, the ‘Consumer Price Index: Actual Rentals for Housing – North Island (SE404101)’; • for Homes in Canterbury, the ‘Consumer Price Index: Actual Rentals for Housing – Canterbury (SE704101)’; • for Homes in the remainder of the South Island, the ‘Consumer Price Index: Actual Rentals for Housing – North Island (SE504101)’; <p>each for the time being as published by Statistics New Zealand or any revised, replacement or substituted index as nominated by Statistics New Zealand.</p>

#	Key Term	Social Housing	Affordable Rental Housing
			<p>In addition, the Median Market Rent will be subject to a review undertaken by HUD on the fifth anniversary of the Home Start Date, and in each case, on every subsequent five year anniversary thereafter.</p> <p>HUD will notify you of each new Median Market Rent.</p>
11.	Turnaround Period	<p>Turnaround Period means, in respect of a Home:</p> <p>(a) the period commencing the day after a tenancy ends until the earlier of the 11th Business Day later and the day a new tenancy agreement commences; or</p> <p>(b) where a Tenant can be reasonably considered to have abandoned a Home, the period beginning from the date upon which an order of the Tenancy Tribunal terminating the tenancy which is the subject of the relevant Tenancy Agreement is made pursuant to the Residential Tenancies Act and until the earlier of the 11th Business Day later and the day a new Tenancy Agreement commences.</p> <p><u>No substantive changes:</u> Provider requirements are the same; contract language is now clearer and more concise.</p>	<p>Turnaround Period means, in respect of a Home:</p> <p>(a) the period commencing the day after a tenancy ends until the earlier of the 11th Business Day later and the day a new tenancy agreement commences; or</p> <p>(b) where a Tenant can be reasonably considered to have abandoned a Home, the period beginning from the date upon which an order of the Tenancy Tribunal terminating the tenancy which is the subject of the relevant Tenancy Agreement is made pursuant to the Residential Tenancies Act and until the earlier of the 11th Business Day later and the day a new Tenancy Agreement commences.</p>

#	Key Term	Social Housing	Affordable Rental Housing
12.	Short Term Permitted Rental	<p>HUD may from time to time notify you that one or more Homes is not required to be let to an Eligible Tenant for a specified period of not less than 4 months, unless agreed otherwise.</p> <p>Upon receipt of the notification, you will take all reasonable steps to find a tenant at a market rent for the Home. Any such Short Term Permitted Rental will not be a breach of any land covenant in gross registered on the Home's title.</p> <p>You are entitled to retain any amount by which the rent received in the private market for the Short Term Permitted Rental exceeds the Agreed Rent for the Home (in each case, in respect of the relevant Payment Period).</p> <p><u>No substantive changes:</u> Provider requirements are the same; contract language is now clearer and more concise.</p>	<p>If you are unable to identify a suitable Eligible Tenant for a Home, you may request that the Home be let to a tenant that do not meet the eligibility requirements for a period of not less than 4 months, unless otherwise agreed.</p> <p>Upon agreement by HUD, you will take all reasonable steps to find a tenant at a market rent for the Home. Any such Short Term Permitted Rental will not be a breach of any land covenant in gross registered on the title Home's title.</p> <p>You are entitled to retain any amount by which the rent received in the private market for the Short Term Permitted Rental exceeds the Agreed Amount for the Home (in each case, in respect of the relevant Payment Period).</p>
13.	Services Payment Report and Invoice	<p>You will provide HUD, by every second Monday during the Operations Phase, with a Services Payment report and tax invoice for each Project in respect of the prior Payment Period in a form acceptable to HUD, acting reasonably.</p> <p>The Services Payment report will specify the Services Payment for the prior Payment Period</p>	<p>You will provide HUD, by every second Monday during the Operations Phase, with a Services Payment report and tax invoice for each Project in respect of the prior Payment Period in a form acceptable to HUD, acting reasonably.</p> <p>The Services Payment report will specify the Services Payment for the prior Payment Period and will set out individually each item that has</p>

#	Key Term	Social Housing	Affordable Rental Housing
		<p>and will set out individually each item that has been considered in calculating the Services Payment.</p> <p><u>No substantive changes: Provider requirements are the same; contract language is now clearer and more concise.</u></p>	<p>been considered in calculating the Services Payment.</p>
14.	Upfront Funding	<p>If a Project has Upfront Funding, HUD will pay it to you (up to the maximum amount) in one or more Drawdowns against the Milestones set out in [Schedule [1]], subject to you:</p> <ul style="list-style-type: none"> • submitting a Drawdown Notice signed by your authorised signatory; • submitting evidence, to HUD’s satisfaction, of how you have met the Drawdown Conditions; and • otherwise complying with the terms and conditions of this Agreement that relate to delivery of the Project and you are not materially in breach of any obligation, or a condition or warranty, under this Agreement. <p>If the portion able to be drawn at any given Milestone is not fully drawn, the balance can be drawn upon at the next Milestone (if any).</p> <p>You will be a prudent and transparent manager of the Upfront Funding and will therefore:</p>	<p>If a Project has Upfront Funding, HUD will pay it to you (up to the maximum amount) in one or more Drawdowns against the Milestones set out in [Schedule [1]], subject to you:</p> <ul style="list-style-type: none"> • submitting a Drawdown Notice signed by your authorised signatory; • submitting evidence, to HUD’s satisfaction, of how you have met the Drawdown Conditions; and • otherwise complying with the terms and conditions of this Agreement that relate to delivery of the Project and you are not materially in breach of any obligation, or a condition or warranty, under this Agreement. <p>If the portion able to be drawn at any given Milestone is not fully drawn, the balance can be drawn upon at the next Milestone (if any).</p> <p>You will be a prudent and transparent manager of the Upfront Funding and will therefore:</p>

#	Key Term	Social Housing	Affordable Rental Housing
		<ul style="list-style-type: none"> • keep clear records of, and account separately for, how you spend the Upfront Funding for each Project; and • only spend the Upfront Funding in meeting your actual out of pocket expenses incurred in connection with this Agreement. <p>Within 20 Business Days of the completion of each Project for which you received Upfront Funding, you agree to provide HUD with a report in the form notified by HUD to you, together with such other evidence as HUD may reasonably require, which sets out in respect of the Homes in the Project:</p> <ul style="list-style-type: none"> • your total costs of developing or purchasing the associated Homes; and • HUD’s share of those development or purchase costs (calculated in accordance with the percentage specified in [Schedule [1]]). <p>HUD may require you to repay a portion of the Upfront Funding:</p> <ul style="list-style-type: none"> • reflective of the degree and materiality of any failure by you to deliver the Homes in the Project in accordance with this Agreement, as determined by HUD in its sole discretion and acting reasonably (which determination may include 	<ul style="list-style-type: none"> • keep clear records of, and account separately for, how you spend the Upfront Funding for each Project; and • only spend the Upfront Funding in meeting your actual out of pocket expenses incurred in connection with this Agreement. <p>Within 20 Business Days of the completion of each Project for which you received Upfront Funding, you agree to provide HUD with a report in the form notified by HUD to you, together with such other evidence as HUD may reasonably require, which sets out in respect of the Homes in the Project:</p> <ul style="list-style-type: none"> • your total costs of developing or purchasing the associated Homes; and • HUD’s share of those development or purchase costs (calculated in accordance with the percentage specified in [Schedule [1]]). <p>HUD may require you to repay a portion of the Upfront Funding:</p> <ul style="list-style-type: none"> • reflective of the degree and materiality of any failure by you to deliver the Homes in the Project in accordance with this Agreement, as determined by HUD in its sole discretion and acting reasonably (which determination may include

#	Key Term	Social Housing	Affordable Rental Housing
		<p>agreement to provide for a lesser number of Homes than agreed or in a different configuration from that agreed); or</p> <ul style="list-style-type: none"> in the event of termination of this Agreement because of default by you. <p><u>No substantive changes: Provider requirements are the same; contract language is now clearer and more concise.</u></p>	<p>agreement to provide for a lesser number of Homes than agreed or in a different configuration from that agreed); or</p> <ul style="list-style-type: none"> in the event of termination of this Agreement because of default by you.
<p>Security for Upfront Funding and Financier Direct Deed</p>			
<p><i>Overview: Where HUD is providing Upfront Funding, land covenants in gross must be registered on the affected land titles and a tri-partite Financier Direct Deed must be in place between HUD, you and your financier. The land covenant in gross will be removed when you are no longer obliged to use the land for social housing/affordable rental purposes.</i></p>			
15.	<p>Land covenant in gross</p>	<p>To receive Upfront Funding for a Project, you must first have registered a land covenant in gross in favour HUD on the land titles affected by the Project. The covenant in gross (which binds the owner and all subsequent owners) will record that the Land must only be used for</p>	<p>To receive Upfront Funding for a Project, you must first have registered a land covenant in gross in favour HUD on the land titles affected by the Project. The covenant in gross (which binds the owner and all subsequent owners) will record that the Land must only be used for</p>

#	Key Term	Social Housing	Affordable Rental Housing
		<p>social housing. It will be removed on termination of this Agreement or in accordance with the Financier Direct Deed.</p> <p><u>Substantive change:</u> The requirement is for a land covenant in gross instead of an encumbrance.</p>	<p>affordable housing. It will be removed on termination of this Agreement or in accordance with the Financier Direct Deed.</p>
16.	Financier Direct Deed (FDD)	<p>To receive Upfront Funding for a Project, a Financier Direct Deed in the form provided by HUD, must be in place between yourself, your financier and HUD.</p> <p><u>No substantive change.</u></p>	<p>To receive Upfront Funding for a Project, a Financier Direct Deed in the form provided by HUD, must be in place between yourself, your financier and HUD.</p>
Insurance and Indemnity			
<i>Overview: You must have adequate insurance, including for the full replacement of the Homes, and you have capped liability to HUD in the limited circumstance of HUD suffering loss as a result of your negligence, breach, reckless acts/omissions, intellectual property infringement.</i>			

#	Key Term	Social Housing	Affordable Rental Housing
17.	Insurance	<p>You will manage all risks associated with the Services.</p> <p>You will obtain and maintain insurance that is adequate to cover your obligations.</p> <p>Your insurance will cover the full replacement value of the Homes.</p> <p>You must notify HUD if there is a claim under any insurance policy held.</p> <p>You must use the proceeds of any claim under any property-related insurance policy held pursuant to reinstate the Homes or as otherwise agreed by you and HUD.</p> <p><u>No substantive changes: Provider requirements are the same; contract language is now clearer and more concise.</u></p>	<p>You will manage all risks associated with the Services.</p> <p>You will obtain and maintain insurance that is adequate to cover your obligations.</p> <p>Your insurance will cover the full replacement value of the Homes.</p> <p>You must notify HUD if there is a claim under any insurance policy held.</p> <p>You must use the proceeds of any claim under any property-related insurance policy held pursuant to reinstate the Homes or as otherwise agreed by you and HUD.</p>
18.	Liability	<p>Without limiting any payment obligations imposed on HUD under this Agreement, HUD will not be liable to you for any losses, liabilities, costs, expenses, amounts payable or amounts paid to any third party, or any claim arising under or in connection with:</p> <p>(a) your delivery of any Project; and/or</p> <p>(b) your use or occupation (including use or occupation permitted by you) of any Home.</p> <p>You are responsible for, and must promptly pay or reimburse HUD on demand for, any</p>	<p>Without limiting any payment obligations imposed on HUD under this Agreement, HUD will not be liable to you for any losses, liabilities, costs, expenses, amounts payable or amounts paid to any third party, or any claim arising under or in connection with:</p> <p>(a) your delivery of any Project; and/or</p> <p>(b) your use or occupation (including use or occupation permitted by you) of any Home.</p> <p>You are responsible for, and must promptly pay or reimburse HUD on demand for, any</p>

#	Key Term	Social Housing	Affordable Rental Housing
		<p>losses, liabilities, costs, expenses (including legal and professional costs), or amounts paid or payable to any third party in connection with any claim, demand or legal proceeding made or brought against HUD that arises out of or in connection with:</p> <ul style="list-style-type: none"> (a) your negligence or breach of this Agreement; (b) your negligent or reckless act or omission; and/or (c) intellectual property infringement due to your act or omission. <p>In relation to any matter for which you are responsible under the above statement:</p> <ul style="list-style-type: none"> (d) HUD must take all reasonable steps within its control to avoid or reduce the losses, liabilities, costs or expenses it incurs; and (e) your liability will be reduced proportionately to the extent that the relevant losses, liabilities, costs or expenses are caused directly by an act or omission of HUD; and (f) your liability will in respect of circumstances arising at or in relation to the Homes in any Project be limited to Liability Cap set out in [Schedule 1] for that Project. 	<p>losses, liabilities, costs, expenses (including legal and professional costs), or amounts paid or payable to any third party in connection with any claim, demand or legal proceeding made or brought against HUD that arises out of or in connection with:</p> <ul style="list-style-type: none"> (a) your negligence or breach of this Agreement; (b) your negligent or reckless act or omission; and/or (c) intellectual property infringement due to your act or omission. <p>In relation to any matter for which you are responsible under the above statement:</p> <ul style="list-style-type: none"> (d) HUD must take all reasonable steps within its control to avoid or reduce the losses, liabilities, costs or expenses it incurs; and (e) your liability will be reduced proportionately to the extent that the relevant losses, liabilities, costs or expenses are caused directly by an act or omission of HUD; and (f) your liability will in respect of circumstances arising at or in relation to the Homes in any Project be limited to Liability Cap set out in [Schedule 1] for that Project.

#	Key Term	Social Housing	Affordable Rental Housing
		<u>No substantive changes:</u> Provider requirements are the same; contract language is now clearer and more concise.	
Step-in Rights			
<i>Overview: HUD has a limited right to Step-in where a serious event has occurred, tenants/tenancies are at risk and the situation would benefit from it for a defined period. HUD will use an agent to do this – this could be Kāinga Ora or another housing provider.</i>			
19.	HUD Step-in Rights	<p>HUD has the right, but not an obligation, to step in and manage the Services (or a part of the Services) for a period of up to 6 months if a Significant Issue has arisen that you have not remedied to HUD’s reasonable satisfaction and that has serious implications for HUD and/or for Tenants.</p> <p>HUD will notify you of the start date for the step-in, the details of the Significant Issue, the Homes affected and the name of any appointed step-in agent.</p> <p>During the period HUD has stepped-in:</p> <p>(a) you:</p> <p style="padding-left: 40px;">(i) irrevocably appoint HUD and its nominees as your attorney and give them full power and authority to exercise all or any of the rights set out in item 9.(c)(ii) of this Section D;</p>	<p>HUD has the right, but not an obligation, to step in and manage the Services (or a part of the Services) for a period of up to 6 months if a Significant Issue has arisen that you have not remedied to HUD’s reasonable satisfaction and that has serious implications for HUD and/or for Tenants.</p> <p>HUD will notify you of the start date for the step-in, the details of the Significant Issue, the Homes affected and the name of any appointed step-in agent.</p> <p>During the period HUD has stepped-in:</p> <p>(a) you:</p> <p style="padding-left: 40px;">(i) irrevocably appoint HUD and its nominees as your attorney and give them full power and authority to exercise all or any of the rights set out in item 9.(c)(ii) of this Section D;</p>

#	Key Term	Social Housing	Affordable Rental Housing
		<p>(ii) agree that HUD as attorney may delegate that power and authority to any appointed step-in agent;</p> <p>(b) HUD may:</p> <p>(i) take any steps as HUD considers necessary to remedy or mitigate the effects of the Significant Issue, including suspending the Services;</p> <p>(ii) do anything that you should or could do under this Agreement or at Law;</p> <p>(iii) may recover from you any direct Losses it incurs in exercising its step-in right as a direct result of your breach of this SOW or your negligence;</p> <p>(c) your rights and obligations in respect of the affected Homes, are suspended but HUD will:</p> <p>(i) pay you the Debt Servicing and Repayment component of the Agreed Amount for the affected Homes; and</p> <p>(ii) continue to make the usual payments in respect the Homes not affected by the step-in; and</p> <p>(d) to the extent that the Significant Issue is not a direct result of a breach of this Agreement</p>	<p>(ii) agree that HUD as attorney may delegate that power and authority to any appointed step-in agent;</p> <p>(b) HUD may:</p> <p>(i) take any steps as HUD considers necessary to remedy or mitigate the effects of the Significant Issue, including suspending the Services;</p> <p>(ii) do anything that you should or could do under this Agreement or at Law;</p> <p>(iii) may recover from you any direct Losses it incurs in exercising its step-in right as a direct result of your breach of this SOW or your negligence;</p> <p>(c) your rights and obligations in respect of the affected Homes, are suspended but HUD will:</p> <p>(i) pay you the Debt Servicing and Repayment component of the Agreed Amount for the affected Homes; and</p> <p>(ii) continue to make the usual payments in respect the Homes not affected by the step-in; and</p> <p>(d) to the extent that the Significant Issue is not a direct result of a breach of this Agreement</p>

#	Key Term	Social Housing	Affordable Rental Housing
		<p>or your negligence, HUD will be liable to you for any direct Losses incurred by you as a direct result of HUD exercising its step-in rights.</p> <p>As soon as it is satisfied it has remedied the reasons for the step-in or the 6-month period has expired, HUD will notify you of the step-out date, giving you enough time to transition back to fully providing the Services or to manage any termination notice you receive from HUD.</p> <p>HUD and you are to cooperate during the step-in period to ensure minimal disruption to the Services and Tenants, and afterwards to ensure a smooth transition back to normal services.</p> <p>Significant Issue means a serious injury, a death, a serious health and safety risk, a serious risk of material damage to Homes, your Required Accreditation has been suspended or revoked or the issue means HUD is at risk of not meeting its statutory duties under health and safety Laws or the Vulnerable Children Act 2014.</p> <p>Substantive change: Provider requirements are the same; contract language is now clearer and more concise. However, HUD will now pay you the Debt Serving and Repayment component of the Agreed</p>	<p>or your negligence, HUD will be liable to you for any direct Losses incurred by you as a direct result of HUD exercising its step-in rights.</p> <p>As soon as it is satisfied it has remedied the reasons for the step-in or the 6-month period has expired, HUD will notify you of the step-out date, giving you enough time to transition back to fully providing the Services or to manage any termination notice you receive from HUD.</p> <p>HUD and you are to cooperate during the step-in period to ensure minimal disruption to the Services and Tenants, and afterwards to ensure a smooth transition back to normal services.</p> <p>Significant Issue means a serious injury, a death, a serious health and safety risk, a serious risk of material damage to Homes, your Required Accreditation has been suspended or revoked or the issue means HUD is at risk of not meeting its statutory duties under health and safety Laws or the Vulnerable Children Act 2014.</p>

#	Key Term	Social Housing	Affordable Rental Housing
		Amount for an affected Home during the step-in period.	
Housing Option			
<i>Overview: HUD has a limited right to purchase the Homes where a termination event. The purchase price for the Homes is pre-determined based on whether they are financed on a stand-alone or cross collateralised basis.</i>			
20.	Option	<p>You grant HUD an option for HUD or its nominee to purchase one or more Homes owned by you at any time during the Cure Period to ensure these Homes remain available for social housing (Housing Option).</p> <p>HUD will exercise the Housing Option by giving notice to you and this notice constitutes an enforceable agreement by you to sell, and by HUD (or its nominee) to purchase, the Homes identified in the notice and the following terms will apply:</p> <p>(a) Purchaser: HUD or its nominee;</p> <p>(b) Settlement and Possession Date: 3 months after HUD exercises the Housing Option – on which date the relevant Homes will no longer be subject to this SOW;</p>	<p>You grant HUD an option for HUD or its nominee to purchase one or more Homes owned by you at any time during the Cure Period to ensure these Homes remain available for affordable housing (Housing Option).</p> <p>HUD will exercise the Housing Option by giving notice to you and this notice constitutes an enforceable agreement by you to sell, and by HUD (or its nominee) to purchase, the Homes identified in the notice and the following terms will apply:</p> <p>(a) Purchaser: HUD or its nominee;</p> <p>(b) Settlement and Possession Date: 3 months after HUD exercises the Housing Option – on which date the relevant Homes will no longer be subject to this SOW;</p>

#	Key Term	Social Housing	Affordable Rental Housing
		<p>(c) Purchase Price: as set out in [clause [x] below];</p> <p>(d) Tenancies: HUD or its nominee will accept the Homes subject to their tenancies on the settlement and possession date;</p> <p>(e) Other Terms: the terms in the standard form of the agreement for sale and purchase approved by the Real Estate Institute of New Zealand and the Auckland District Law Society at the date of the exercise of the Housing Option;</p> <p>(f) Deemed Agreement: until an actual sale and purchase agreement has been executed by you and HUD (or its nominee) on the terms in [clause x of this Schedule], HUD and you are both deemed to have entered and executed an agreement on those terms. Accordingly, HUD agrees that you may lodge a caveat against the titles of the relevant Homes reflecting this agreement.</p> <p>Where the Homes affected by the Housing Option are financed:</p> <p>(a) on a stand-alone basis, the Purchase Price for the Housing Option is no less than the amount to repay or prepay all</p>	<p>(c) Purchase Price: as set out in [clause [x] below];</p> <p>(d) Tenancies: HUD or its nominee will accept the Homes subject to their tenancies on the settlement and possession date;</p> <p>(e) Other Terms: the terms in the standard form of the agreement for sale and purchase approved by the Real Estate Institute of New Zealand and the Auckland District Law Society at the date of the exercise of the Housing Option;</p> <p>(f) Deemed Agreement: until an actual sale and purchase agreement has been executed by you and HUD (or its nominee) on the terms in [clause x of this Schedule], HUD and you are both deemed to have entered and executed an agreement on those terms. Accordingly, HUD agrees that you may lodge a caveat against the titles of the relevant Homes reflecting this agreement.</p> <p>Where the Homes affected by the Housing Option are financed:</p> <p>(a) on a stand-alone basis, the Purchase Price for the Housing Option is no less than the amount to repay or prepay all</p>

#	Key Term	Social Housing	Affordable Rental Housing
		<p>amounts owing to the Lender in connection with the financing of the affected Homes, including principal, interest, break costs, fees and costs of enforcement;</p> <p>(b) on a cross-collateralised basis, the Purchase Price for the Housing Option is no less than the amount to repay or prepay all amounts reasonably attributed by the Lender to the affected Homes at the time the Housing Option is exercised, including principal, interest, break costs, fees and costs of enforcement.</p> <p>In identifying what will be considered “stand-alone”, if the Homes are financed by an External Financier on a cross-collateralised basis but you can reasonably demonstrate that the amounts owing are in fact related only to the relevant Homes and that those amounts only relate to the purchase, maintenance and development of the relevant Homes, then the financing will be considered “stand-alone”.</p> <p>Lender means the lender under the Financier Direct Deed.</p> <p>Cure Period means the period of [30] Business Days after a Termination Notice has been issued.</p>	<p>amounts owing to the Lender in connection with the financing of the affected Homes, including principal, interest, break costs, fees and costs of enforcement;</p> <p>(b) on a cross-collateralised basis, the Purchase Price for the Housing Option is no less than the amount to repay or prepay all amounts reasonably attributed by the Lender to the affected Homes at the time the Housing Option is exercised, including principal, interest, break costs, fees and costs of enforcement.</p> <p>In identifying what will be considered “stand-alone”, if the Homes are financed by an External Financier on a cross-collateralised basis but you can reasonably demonstrate that the amounts owing are in fact related only to the relevant Homes and that those amounts only relate to the purchase, maintenance and development of the relevant Homes, then the financing will be considered “stand-alone”.</p> <p>Lender means the lender under the Financier Direct Deed.</p> <p>Cure Period means the period of [30] Business Days after a Termination Notice has been issued.</p>

#	Key Term	Social Housing	Affordable Rental Housing
		<u>Substantive change:</u> The Purchase Price will be new to some providers.	
Cost Reporting			
<i>Overview: Accurate cost reporting is key to the development of an enhanced cost-based funding methodology. Accordingly, in addition to the usual progress and development cost reporting, annual reporting of operational costs is now required.</i>			
21.	Cost Reports	<p>In respect of each Project, you will complete and provide HUD with:</p> <ul style="list-style-type: none"> (a) a Progress Report in the form set out in Schedule [x] every 3 months from the that the Project’s Contracted Date; (b) a table that complies with Schedule [x], showing the actual incurred development costs in relation to the Project, within 20 Business Days of its completion; (c) a table that complies with Schedule [x], showing the actual incurred costs in relation to the Project during the Operations Phase, within 30 Business Days of the end of each Contract Year. <p>Note: HUD will have a general audit right in the General Terms and Conditions.</p> <p><u>Substantive change:</u> HUD now requires ongoing cost reporting to further transparency and to enable the sector to</p>	<p>In respect of each Project, you will complete and provide HUD with:</p> <ul style="list-style-type: none"> (d) a Progress Report in the form set out in Schedule [x] every 3 months from the that the Project’s Contracted Date; (a) a table that complies with Schedule [x], showing the actual incurred development costs in relation to the Project, within 20 Business Days of its completion; (b) a table that complies with Schedule [x], showing the actual incurred costs in relation to the Project during the Operations Phase, within 30 Business Days of the end of each Contract Year. <p>Note: HUD will have a general audit right in the General Terms and Conditions.</p>

#	Key Term	Social Housing	Affordable Rental Housing
		move to a more fully cost based funding model.	
Changes to Legislation			
<i>Overview: If a new, changed or repealed legislation increases or decreases your costs by more than 5% of a Project's costs, you or HUD may agree an adjustment to the relevant Agreed Amount. The introduction of this clause will remove the risk of you having to bear unexpected costs associated with legislative change.</i>			
22.	Qualified Change in Law	<p>Qualified Change in Law means the coming into force, amendment, or repeal of legislation in New Zealand after the Execution Date which was not reasonably foreseeable by a prudent and experienced housing provider as at the Execution Date and which has a direct and material adverse effect on the performance by a party under this Agreement.</p> <p>The Affected Party (which may be you or HUD) must give written notice to the other party as soon as reasonably practicable (and in any event within 20 Business Days) after becoming aware of the Qualified Change in Law. The notice must describe:</p> <ul style="list-style-type: none"> (a) the Qualified Change in Law; (b) the obligations affected; (c) the estimated net cost/revenue impact – with must be exceed 5% of the Project 	<p>Qualified Change in Law means the coming into force, amendment, or repeal of legislation in New Zealand after the Execution Date which was not reasonably foreseeable by a prudent and experienced housing provider as at the Execution Date and which has a direct and material adverse effect on the performance by a party under this Agreement.</p> <p>The Affected Party (which may be you or HUD) must give written notice to the other party as soon as reasonably practicable (and in any event within 20 Business Days) after becoming aware of the Qualified Change in Law. The notice must describe:</p> <ul style="list-style-type: none"> (a) the Qualified Change in Law; (b) the obligations affected; (c) the estimated net cost/revenue impact – with must be exceed 5% of the Project

#	Key Term	Social Housing	Affordable Rental Housing
		<p>Agreed Amount payable in that Contract Year; and</p> <p>(d) the proposed adjustment or change to performance.</p> <p>Within 30 Business Days after notice (or such longer period as agreed), the Affected Party must provide reasonable supporting evidence (including calculations and assumptions) demonstrating:</p> <p>(e) causation (how the Qualified Change in Law directly affects performance);</p> <p>(f) quantification (the net impact);</p> <p>(g) mitigation steps taken and proposed; and</p> <p>(h) why the relief sought is not putting the Affected Party into a better or worse position.</p> <p>The parties must negotiate in good faith for 30 Business Days to agree the adjustment. If agreement is reached, it will be recorded in a written variation.</p> <p>If the parties do not agree within that period, either party may refer the matter to the dispute resolution procedure in clause [x]. Pending resolution, each Party must continue performing its obligations to the extent lawful and reasonably practicable.</p>	<p>Agreed Amount payable in that Contract Year; and</p> <p>(d) the proposed adjustment or change to performance.</p> <p>Within 30 Business Days after notice (or such longer period as agreed), the Affected Party must provide reasonable supporting evidence (including calculations and assumptions) demonstrating:</p> <p>(e) causation (how the Qualified Change in Law directly affects performance);</p> <p>(f) quantification (the net impact);</p> <p>(g) mitigation steps taken and proposed; and</p> <p>(h) why the relief sought is not putting the Affected Party into a better or worse position.</p> <p>The parties must negotiate in good faith for 30 Business Days to agree the adjustment. If agreement is reached, it will be recorded in a written variation.</p> <p>If the parties do not agree within that period, either party may refer the matter to the dispute resolution procedure in clause [x]. Pending resolution, each Party must continue performing its obligations to the extent lawful and reasonably practicable.</p>

#	Key Term	Social Housing	Affordable Rental Housing
		<p>If a Qualified Change in Law makes performance of a material obligation unlawful or impossible and the parties cannot agree a lawful and practicable adjustment within 60 Business Days, either Party may terminate this Agreement on 20 Business Days' notice without liability (other than accrued rights and payments).</p> <p><u>Substantive change:</u> This change will enable providers to be compensated for material changes in their cost profiles that are the direct result of a Qualified Change in Law.</p>	<p>If a Qualified Change in Law makes performance of a material obligation unlawful or impossible and the parties cannot agree a lawful and practicable adjustment within 60 Business Days, either Party may terminate this Agreement on 20 Business Days' notice without liability (other than accrued rights and payments).</p>

APPENDIX 1 - SCHEDULE 3A – SOCIAL HOUSING - MANAGEMENT OF HOMES AND TENANCIES –

1. GENERAL

1.1 **Compliance:** When allocating a Home, managing a tenancy and managing a Home you will comply with:

- (a) all relevant Laws;
- (b) the processes set out in the Operational Guidelines; and
- (c) the policies you have had approved by the CHRA.

1.2 **24/7 Contact Point:** You will:

- (a) maintain a 24/7 contact point for Tenants to leave a message about any tenancy- and property-related, concern; and
- (b) respond to each concern.

1.3 **Housing Client System:** You will:

- (a) ensure that your information technology systems and personnel can access the Housing Client System;
- (b) exercise all due care in the access to and use of the Housing Client System and only use the Housing Client System for lawful purposes;
- (c) ensure that your personnel are sufficiently trained and only have access to the Housing Client System to the extent required to perform their duties;
- (d) comply with any HUD and/or MSD instructions with respect to accessing and using the Housing Client System;

(e) immediately notify HUD and MSD of any problems or issues that arise in relation to the Housing Client System; and

(f) promptly de-provision an individual's Housing Client System user account login when that individual ceases to work with you.

1.4 You acknowledge that the Housing Client System may be unavailable from time to time and that you may need to utilise a back-up system during these times.

2. ALLOCATING HOMES

2.1 **Before Tenanting:** A Home may only be tenanted if:

- (a) all interior hardware is functional, with appropriate privacy locks on all toilet and bathroom doors;
- (b) stand-alone stoves have an anti-tip device and drop bolt fitted and operating, with built in ovens adequately restrained;
- (c) hot water cylinders are securely fitted with seismic straps;
- (d) gas fittings are safe to operate and are inspected and certified on a regular basis in accordance with relevant legislation and by a person authorised to do so;
- (e) curtains or blinds are fitted and fully functional on (at least) all windows in living rooms, dining rooms and bedrooms;
- (f) all exterior doors, windows and associated hardware are functioning and sealing well; and
- (g) all entrance doors have appropriate light fixtures and fittings.

- 2.2 **Letting Homes:** You will ensure:
- (a) Homes are only let to Eligible Tenants;
 - (b) Homes are not let to anyone who has been a client of yours (or a related entity of yours) other than for social or transitional housing in the previous 3 months, without HUD's prior approval;
 - (c) that you give priority to those who are indicated as having a high priority in the Housing Client System;
 - (d) Homes are allocated fairly, transparently and based on need, balanced with achieving a sustainable match (considering the specific characteristics of the client and the neighbourhood); and
 - (e) Homes are optimally utilised when you tenant them and that they continue to be optimally utilised throughout the tenancy (as far as reasonably practicable).

2.3 You acknowledge that the risk ratings in the Housing Client System are not definitive and should not be relied on, on their own. You will conduct your own risk assessment of the Eligible Tenant; and to the extent permitted by law, you release HUD and MSD from all liability and losses suffered by you and will ensure that no claim is brought against HUD by any of your personnel or sub-contractors in relation to such information.

3. MANAGING A TENANCY

3.1 **Tenancy Agreement:** You will ensure that you have a written tenancy agreement in place for each Tenant, that it is for a

periodic term and that it complies with the Residential Tenancies Act 1986, PACHMA, and this SOW.

3.2 **Bond:** You will collect the Bond Amount (or the relevant part of it) from the Tenant, except where MSD has confirmed that it will be providing financial assistance to the Tenant in respect of the Bond Amount (in which case you will collect the Bond Amount, or part of the Bond Amount, from MSD).

3.3 **Rent and other Charges:** You will:

- (a) collect the Rent Amount payable by the Tenant;
- (b) notify the Tenant if there is any change to their Rent Amount;
- (c) work with MSD on any Rent Amount arrears issues;
- (d) notify HUD and MSD via the Housing Client System of any change to a Tenant's Rent Amount no less than 5 Business Days before that change is to take effect;
- (e) if required, take necessary debt recovery steps, with termination of the Tenancy Agreement being a last resort; and
- (f) not request any other payment from the Tenant except:
 - (i) the actual costs of utilities for the Home; and
 - (ii) any reasonable amounts the Tenant has agreed to pay to you for services so that the Tenant can meet their obligations under section 39(3) of the Residential Tenancies Act 1986,

noting that this clause does not prevent you from recovering any loss that the Tenant is responsible for or enforcing any order made by the Tenancy Tribunal.

3.4 Tenant Absences: You will:

- (a) take reasonable steps to ensure you receive written notice from your Tenant where the Tenant is planning to be absent from the Home for more than 8 weeks; and
- (b) submit a copy of that notice to HUD via the Housing Client System as soon as possible following its receipt.

3.5 Subletting: You will take all reasonable steps to ensure a Tenant does not sublet a Home, and if subletting does occur, take all reasonable steps to bring it to an end.

3.6 Boarders: You will notify MSD before agreeing to any Tenant request for a boarder to occupy a Home with the Tenant; and HUD will notify you of any request from the Tenant to MSD.

3.7 Home Detention and Bail: You will notify MSD before agreeing to any Tenant request to use the Home as an address for home detention or bail; HUD will notify you of any request from the Tenant of MSD.

3.8 Suspected Fraud: You will notify HUD as soon as possible after you become aware of any suspected housing fraud and provide all reasonable assistance to MSD in relation to any investigation.

3.9 Transfers, Join-ins and Deaths: You will follow the processes outlined in the Operational Guidelines when managing transfers, join-ins and deaths.

3.10 Inspections: You will check-in on the Tenant and inspect each Home at least once every 12 months. Immediately following each inspection, you will log and ensure the Tenant logs, any jobs or defects in relation to the Home with the 24/7 Contact Point.

3.11 Tenancy Reviews: You will assist MSD if MSD is seeking to confirm whether a Tenant has had a change in circumstances that may impact the Tenant's eligibility for social housing.

4. SHORT TERM PERMITTED RENTALS

4.1 HUD may from time to time notify you that one or more Homes is not required to be let to an Eligible Tenant for a specified period of not less than 4 months, unless agreed otherwise.

4.2 Upon receipt of the notification, you will take all reasonable steps to find a tenant at a market rent for the Home. Any such Short Term Permitted Rental will not be a breach of any land covenant in gross registered over the Home.

5. MAINTAINING HOMES

5.1 Asset Management System: You will maintain a system that contains all asset information relevant to the Homes you own.

5.2 Asset Management Approach: You will implement a robust and reliable whole of life asset management approach to the Homes you own based on ISO55000 standards on asset management and New Zealand Asset Management Support documents.

5.3 Asset Management Plan: You will act in accordance with your Asset Management

Plan as approved by the Community Housing Regulatory Authority.

5.4 **Property Jobs and Defects:** You will log, respond and rectify all property jobs and defects (however identified) in accordance with the Job Response Table below. If you are unable to permanently rectify an “Emergency” or “Urgent” job within the period set out in the Job Response Table, you may put a temporary fix in place to ameliorate the consequences whilst the job is being permanently rectified. If you are doing this, you must specify in your service records:

- (a) the time by which permanent rectification will occur, which must be reasonable in the circumstances; and
- (b) the time by which the temporary fix ameliorating the consequences will occur, which must be as soon as reasonably practicable in the circumstances and in no event later than the required rectification period set out in the Job Response Table,

provided you also notify the Tenant and log the temporary fix with the 24/7 Contact Point prior to the work being commenced.

Job Response Table: Required response and rectification periods for property jobs and defects

Job classification	Description	Required response period	Required rectification period
Emergency	Required to be responded to urgently in order: <ul style="list-style-type: none"> • to protect from imminent 	4 hours	24 hours

Job classification	Description	Required response period	Required rectification period
	<p>danger or any other adverse effect on health, safety or security, or otherwise to comply with any health and safety laws;</p> <ul style="list-style-type: none"> • to urgently reinstate an essential function or component of a Home that has failed, if it affects (or may affect) the health, safety or security of the Tenant; or • to meet the requirements of any applicable laws or of any regulatory body with respect to security, provision of essential services or safety. 		
Urgent	Required to be responded to urgently to protect the Home or restore Tenant amenity, but not required to protect from imminent danger or any other adverse effect on the health, safety or security of any person or to comply with any health and safety laws.	1 calendar day	5 calendar days
Specific Requirements	Maintenance or repair that does not fall within the	2 Business Days	The earlier of the next scheduled

Job classification	Description	Required response period	Required rectification period
	above categories, and relates to the specific requirements set out in clause 2.1 of this Schedule.		inspection and 6 months
Other	<p>Reactive maintenance that does not fall within the above categories (and which does not fall into the job classification category immediately below), usually raised by Tenant notification or following a scheduled inspection.</p> <p>Generally carried out to protect the Tenant or the Home, or required to meet your obligations under this SOW, or required to meet applicable laws.</p>	2 Business Days	The earlier of the next scheduled inspection and 6 months
Planned maintenance in Asset Management Plan or annual maintenance plan	Reactive maintenance that would ordinarily fit within the "Other " job classification category immediately above, but where the job is already scheduled in your then-current Asset Management Plan or annual maintenance plan to take place as part of planned maintenance, provided the maintenance is shown in one or both of those documents as being planned to take place within the 2 year period	2 Business Days	2 years

Job classification	Description	Required response period	Required rectification period
	commencing on the date that the relevant job is logged with the 24/7 Contact Point.		

APPENDIX 2 - SCHEDULE 3B – AFFORDABLE RENTAL HOUSING - MANAGEMENT OF HOMES AND TENANCIES

1. GENERAL

1.1 **Compliance:** When allocating a Home, managing a tenancy and managing a Home you will comply with:

- (a) all relevant Laws (including the Human Rights Act 1993 and the Residential Tenancies Act 1986); and
- (b) your Affordable Rental Policy.

2. ALLOCATING HOMES

2.1 **Before Tenanting:** A Home may only be tenanted if:

- (h) all interior hardware is functional, with appropriate privacy locks on all toilet and bathroom doors;
- (i) stand-alone stoves have an anti-tip device and drop bolt fitted and operating, with built in ovens adequately restrained;
- (j) hot water cylinders are securely fitted with seismic straps;
- (k) gas fittings are safe to operate and are inspected and certified on a regular basis in accordance with relevant legislation and by a person authorised to do so;
- (l) curtains or blinds are fitted and fully functional on (at least) all windows in living rooms, dining rooms and bedrooms;
- (m) all exterior doors, windows and associated 2 - hardware are functioning and sealing well; and

- (n) all entrance doors have appropriate light fixtures and fittings.

2.2 **Letting Homes:** You will ensure:

- (a) Homes are only let to Eligible Tenants;
- (b) Homes are allocated fairly, transparently and based on need; and
- (c) Homes are optimally utilised when you tenant them and that they continue to be optimally utilised throughout the tenancy (as far as reasonably practicable).

3. MANAGING A TENANCY

3.1 **Tenancy Agreement:** You will ensure that you have a written tenancy agreement in place for each Tenant and that it complies with the Residential Tenancies Act 1986.

3.2 **Bond:** You will collect the Bond Amount (or the relevant part of it) from the Tenant.

3.3 **Rent and other Charges:** You will:

- (a) collect the Affordable Rent Contribution payable by the Tenant;
- (b) notify the Tenant if there is any change to their Rent Amount;
- (c) work with the Tenant on any Rent Amount arrears issues;
- (d) if required, take necessary debt recovery steps, with termination of the Tenancy Agreement being a last resort;
- (g) not request any other payment from the Tenant except:
 - (iii) the actual costs of utilities for the Home; and

- (iv) any reasonable amounts the Tenant has agreed to pay to you for services so that the Tenant can meet their obligations under section 39(3) of the Residential Tenancies Act 1986,

noting that this clause does not prevent you from recovering any loss that the Tenant is responsible for or enforcing any order made by the Tenancy Tribunal.

3.4 **Subletting:** You will take all reasonable steps to ensure a Tenant does not sublet a Home, and if subletting does occur, take all reasonable steps to bring it to an end.

3.5 **Tenancy Reviews:** You will conduct reviews in accordance with your Affordable Rental Policy. If a Tenant is no longer an Eligible Tenant, you will increase their rent to a market rent as soon as reasonably practicable and exit them from your programme within 12 months.

4. SHORT TERM PERMITTED RENTALS

4.1 If you cannot find an Eligible Tenant for a Home, You may request that HUD approve a Short Term Permitted Rental at market rent for the Home for an agreed period.

4.2 Any such Short Term Permitted Rental will not be a breach of any land covenant in gross registered over the Home.

5. MAINTAINING HOMES

5.1 **Asset Management System:** You will maintain a system that contains all asset information relevant to the Homes you own.

5.2 **Asset Management Approach:** You will implement a robust and reliable whole of life asset management approach to the Homes you own based on ISO55000 standards on asset management and New Zealand Asset Management Support documents.

5.3 **Asset Management Plan:** You will act in accordance with your Asset Management Plan.

5.4 **Property Jobs and Defects:** You will log, respond and rectify all property jobs and defects (however identified) in a timely manner as required by the Residential Tenancies Act 1986.