



Aide Memoire

| Further information about the Community Housing Provider public housing opportunities register and engaging with the sector | | | |
|-----------------------------------------------------------------------------------------------------------------------------|-------------|------------------------|--------------------|
| Date: | 18 May 2021 | Security level: | Budget - Sensitive |
| Priority: | Medium | Report number: | AMI20/21050528 |

| Action sought | | |
|--------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|
| | Action sought | Deadline |
| Hon Dr Megan Woods Minister of Housing | Note the additional information on CHP opportunities in the attached A3s Note a draft letter is attached from you to the CHP sector along with next steps for communications and engagement Refer a copy of this paper and the A3 on Māori and iwi housing providers to Hon Henare | 24 May 2021 |
| Hon Peeni Henare Associate Minister of Housing (Māori Housing) | Note the content of this paper and A3 overview | 24 May 2021 |

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

| Other agencies consulted |
|--------------------------|
| |

Minister's office to complete

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



Aide Memoire

Further information on the Community Housing Provider public housing opportunities register and engaging with the sector

For: Hon Dr Megan Woods, Minister of Housing

Date: 18 May 2021

Security level: Budget - Sensitive

Priority: Medium

Report number: AMI20/21050528

Purpose

1. This paper:
 - provides additional information on opportunities to deliver new build public housing supply through Community Housing Providers (CHPs) and Māori and iwi housing providers, supplementing the briefing provided to you on 7 May [BRF 2021040932];
 - sets out some key messages for the CHP sector outlining a progressive partnership approach in delivering public housing and a general overview on the types of opportunities we are looking to progress; and
 - updates you on a suggested communications and engagement approach for the sector, including a draft letter from you to the sector for your consideration.

Background

2. Following our discussion with you on the CHP opportunities pipeline on 21 April, we provided you a briefing on 7 May noting your recent decisions relating to the Community Housing Provider public housing opportunities register and projects that may meet the additionality criteria for delivering new supply [BRF 2021040932 refers]. We also outlined a high-level phased approach for engaging with the CHP sector.
3. You agreed to a number of scenarios related to additionality criteria we could use to assess proposals for public housing. These are:
 - build to own opportunities in any location, even if the only additionality criteria is that the CHP is able to leverage land that they own;
 - build to lease opportunities in some circumstances i.e. that deliver for a specific cohort or support a CHP to expand, including smaller developments in Auckland, Christchurch and Wellington (where Kāinga Ora has a strong pipeline and presence)
4. We have provided further detail on the opportunities discussed and responded to your questions regarding timeframes and confidence levels in the opportunities presented (Annex 1 and Annex 2). We have also included more information on opportunities for Māori and iwi Community Housing Providers and how those align with the Budget 2021 bid: Whai Kāinga Whai Oranga.
5. You also asked for more information about existing projects that do not meet the additionality criteria. We have provided this in Annex 3.

Key messages on the CHP opportunities pipeline

6. The following points support the tables in Annex 1 and Annex 2:
- As you are aware, the number of opportunities on the opportunities register are not static as proposals progress through the evaluation stages. While we can have some degree of confidence of those proposals that may progress through to contract stage, some will not progress beyond early stages for various reasons. To ensure a strong pipeline of supply the CHP sector needs direction and clarity on the types of opportunities we want to progress, and a signal on the progressive partnership approach to working with Government.
 - Providing clarity on the additionality criteria and types of opportunities we want to progress means more places being delivered over the next two years, increasing out to 2024 (current Public Housing Plan targets).
 - Build to own is preferable so that we can work with the CHP sector to grow the sector's asset base and reinvest in public housing over the longer term. In some circumstances you have agreed that build to lease opportunities can be progressed.
 - s 9(2)(i) [REDACTED]
 - We are working to progress most opportunities for new supply on the register, including exploring alternative options for those projects that are unlikely to progress in their current form s 9(2)(i) [REDACTED]. For example, converting from build to lease to build to own supply, or looking at options for transitional housing (including options to move to public housing over time). You asked for more information on these projects which is attached in Annex 4.
 - Changes to funding settings through Budget 2021 will mean Māori and iwi CHPs can deliver a mix of supply of housing to complement public housing and deliver on wider housing outcomes.
 - Communicating with the sector now on funding and additionality criteria will send certainty and clarity to the sector and allow for projects already in the pipeline to progress. It will also help CHPs identify further projects that would not have previously met the criteria.

Communicating with the sector

7. You met with Community Housing Providers in January along with Minister Henare to discuss the Public Housing Plan 2021-2024 and the role of CHPs in delivering public housing. You have signalled that you will next meet with them in the next few months.
8. Te Tūāpapa Kura Kāinga Ministry of Housing and Urban Development (HUD) officials are working with your office to explore proactive communication and engagement opportunities with the sector.
9. The CHP sector is looking for stronger direction on the types of opportunities that will be funded, particularly in areas where Kāinga Ora has a strong presence and pipeline. To provide clarity and certainty for projects already in the pipeline, and allow those underway to progress, we recommend you update the sector now before meeting with them in the next few months.
10. An update to the sector now could include a broad overview of the types of opportunities we are looking to progress, for example where:
- A CHP has land available to develop for public housing; and/or

- A proposed project will provide housing for a specific cohort;
 - That while build to own is preferable as it grows the sector, some build to lease will be progressed, particularly where it supports housing outcomes in certain places (for example, Public Housing Plan focus areas). We will work with providers to explore opportunities to move to build to own supply or transitional housing.
 - This includes smaller developments in areas like Auckland, Wellington and Christchurch where Kāinga Ora has a strong presence and pipeline.
11. A draft letter from you to the CHP sector, along with some key messages that could be used in other communications are attached for your review and consideration (Annex 4).
 12. Officials will also follow up with the CHP Chief Executives forum who have asked HUD to present on what opportunities could be progressed. HUD will also provide more detailed guidance to the sector following that meeting.
 13. We recommend that a second phase of communications to CHPs focuses specifically on staged funding as this is still subject to Cabinet decisions.

Next steps

14. Officials will continue to engage with CHPs to progress opportunities to deliver the Public Housing Plan 2021-2024. We will provide quarterly reporting to you on the progress of CHP delivery.
15. The table below sets out high level next steps for ongoing engagement with the CHP sector:

| Milestone | Indicative timing |
|-------------------------------------------------------------------------------------------------------|-------------------|
| Letter from you to CHPs is sent | 21 May |
| HUD Chief Executive and DCE Housing Supply, Response and Partnerships present at CHP roundtable forum | Early June |
| HUD provides detailed guidance to the CHP sector | Early June |
| Further communications from you sent following Budget decisions on upfront funding | Mid July |
| You meet with CHPs at a roundtable forum | TBC July |
| HUD provides guidance to the sector on early staged funding | August |

Annexes

- **Annex 1:** Community Housing Providers – opportunities A3
- **Annex 2:** Māori and iwi housing providers – opportunities A3
- **Annex 3:** Further information on opportunities assessed as not meeting the additionality criteria
- **Annex 4:** draft letter to Community Housing Providers and key messages.

Hon Dr Megan Woods

MP for Wigram

Minister of Housing

Minister of Energy and Resources

Minister of Research, Science and Innovation

Associate Minister of Finance



Kia ora,

I would like to follow up on communications earlier this year with Minister Henare and myself on the important role of Community Housing Providers (CHPs) in delivering public housing and the Public Housing Plan 2021-2024. The government remains committed to working with the sector through a progressive partnership approach to improve housing outcomes for New Zealanders. This is a refreshed approach focused on:

- Demonstrating additionality criteria
- A preference for Build to Own developments
- Limiting redirects to focus on new supply
- Changes to funding settings to enable more CHP delivery.

Officials at Te Tūāpapa Kura Kāinga - Ministry of Housing and Urban Development (HUD) have briefed me on the positive conversations they have been having with you on a range of public housing opportunities. It is excellent to see the number of community housing places continuing to be delivered for New Zealanders and the strong pipeline of projects planned or under construction.

CHPs are delivering housing places more than ever and the government is committed to ongoing investment in the sector. Funding to CHPs has increased from \$95 million in 2016/17 to \$339 million in 2019/20. Over this time, CHPs continue to bring on significant new supply. Between July 2020 and June 2022, CHPs are expected to bring on 1,283 places (all approved or contracted), approximately a third of these have already been delivered. Between July 2022 and June 2024, a further 138 new build places through CHPs have been approved or contracted. There are also many new opportunities, around 1800 places, currently being evaluated.

I look forward to continuing to work together in partnership to deliver the Public Housing Plan through a place based and Māori and Iwi Housing Innovation (MAIHI) approach. I would also like to provide more information on the additionality criteria I mentioned earlier this year for new opportunities not currently contracted. That is how CHPs can complement Kāinga Ora delivery in priority areas and through bespoke housing solutions.

Demonstrating additionality criteria

We are particularly interested in projects for new supply where a project demonstrates:

- available land to develop for public housing that could progress at pace and scale; or
- housing for a specific cohort group; or
- housing in a location where Kāinga Ora has a limited presence or development pipeline; or
- an innovative delivery model.

While we continue to be focussed on priority locations, I am also open to opportunities in Auckland, Wellington and Christchurch where you have land, or are delivering to a particular cohort. We are also open to projects in other areas that meet the criteria outlined above.

Build to Own opportunities are preferable

As I've said before, the Government's preference is for new supply public housing to be delivered as Build to Own. This approach helps to strengthen CHP ability to develop more housing in the future by owning a long-term asset, while ensuring that the places funded by Government are more likely to be retained long-term as public housing.

However, we acknowledge that some Build to Lease opportunities may be progressed in certain circumstances where these form part of a wider portfolio strategy (including build to lease opportunities for smaller developments in Auckland, Christchurch and Wellington). We are also open to Build to Lease opportunities in priority areas. All proposals would still be subject to HUD's current evaluation processes.

I know from the advice my officials have provided that many of you have projects that meet these criteria and they will work with you to progress those and be in touch in the coming weeks. I also encourage you to contact HUD officials if you have new projects that may meet this criteria and approach for public and transitional housing.

Limiting redirects to focus on new supply

The Public Housing Plan sets out clear expectations that public housing delivered through the plan will predominantly be new build supply. To support this approach, no new redirects from the private market by CHPs will be approved from 1 October 2021. An exception to this is when the redirect is used for public housing that supports priority programmes such as Housing First and Rapid Rehousing.

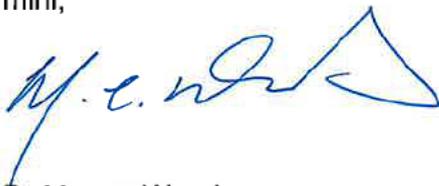
Changes to funding settings to enable more CHP delivery

As mentioned in my earlier correspondence, I have agreed to replace the 2016 market rent maxima with a principles-based approach to rent setting levels for CHPs. This will enable better alignment to private market rents. This approach will apply to all new developments that will deliver places from 1 July 2022. My officials are developing guidance and will be making this available in the next few months.

I also recognise that access to capital has been a barrier to build to own developments and appreciate some time has passed since I have been able to update you on this. I am actively looking at how we may be able to support access to early-stage funding and expect to be able to provide more information on this over the next few months.

I am looking forward to meeting with CHP representatives sometime in July as indicated in my roundtable with you earlier this year. My office will be in touch with you shortly.

Ngā mihi,



Hon Dr Megan Woods
Minister of Housing