



29 October 2021

DOIA21/22090638

s 9(2)(a)

Tēnā koe s 9(2)(a)

Thank you for your email dated 28 September 2021 requesting the following information under the Official Information Act 1982 (the Act):

I am requesting advice, reports and briefings to ministers or senior HUD officials about:

- i) Build-to-rent housing;*
- ii) Community housing.*

If there are available submissions or other input (including notes and analysis by officials on any formal or informal communications) into those documents by developers and community housing groups I also request those. But only if you can disclose those without substantial redactions.

I am basically interested in what policy proposals or amendments to encourage private build-to-rent developments or community housing have been recommended or discussed recently. To limit your search, I do not expect anything pre-2020. I would be happy enough with a couple of relatively recent reports that touch on these points.

On 30 September 2021, you clarified your request to confirm you seek information about Build-to-Rent (BTR) and about Community Housing. You further clarified you were seeking information on any proposed or recommended Government action affecting Community Housing Provider (CHP) developments.

Fourteen documents have been identified as in scope of your request. Of these, five are withheld in full under section 9(2)(f)(iv) of the Act as they remain under active consideration. Five are refused in full under section 18(d) of the Act as they are, or will soon be, publicly available on our website. Links to these are provided to you in the attached document schedule which provides detail about the documents in scope of your request, and whether they are being released, partially released or withheld in full.

The remaining four documents are released to you with some information withheld under the following sections of the Act:

Section of Act	Reason to withhold
9(2)(a)	To protect the privacy of natural persons, including that of deceased natural persons
9(2)(b)(ii)	To protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information
9(2)(f)(iv)	To maintain the constitutional conventions for the time being which protects the confidentiality of advice tendered by Ministers of the Crown and officials
9(2)(j)	To enable a Minister of the Crown or any public service agency or organisation holding the information to carry on, without prejudice or disadvantage, negotiations

Some advice has been provided on the Residential Development Response Fund, which the Government has announced will shift from supporting construction activity and jobs through COVID-19 to now focus on supporting the delivery of more affordable housing options for rent and homeownership. That advice will be made publicly available once decisions have been made about the Fund and publicly announced, which is likely to be in the next few months. You can learn more about this at www.hud.govt.nz/urban-development/the-housing-acceleration-fund/.

It is important to note that in annex seven of the document titled *Follow on from detailed discussion about the CHP public housing opportunity register*, the future proportion of housing stock owned by Kāinga Ora – Homes and Communities is based on Statistics New Zealand's household projection for year 2024 that was published in December 2017. The current proportion is based on the household projection for 2020 and Kāinga Ora's managed stock as at 31 October 2020.

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

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

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

Nāku noa, nā



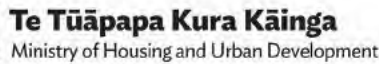
Naomi Stephen-Smith
Acting Manager
Market and Supply Responses

Document schedule

Documents withheld in full – DOIA21/22090638			
Ref	Date	Title	Sections of the Act applied
1.	20 April 2021	BRF20/21040918: Supporting material for detailed discussion about the Community Housing Provider public housing opportunities register	9(2)(f)(iv)
2.	1 July 2021	BRF20/21060986: [9(2)(f)(iv)]	9(2)(f)(iv)
3.	2 July 2021	BRF20/21050981: [9(2)(f)(iv)] – proposed policy and draft design	9(2)(f)(iv)
4.	23 September 2021	AMI21/22090658: Interest limitation and purpose-built rentals – Talking points for Cabinet on 27 September	9(2)(f)(iv)
5.	29 September 2021	BRF20/21071053: Design of [9(2)(f)(iv)]	9(2)(f)(iv)

Documents refused in full – DOIA21/22090638			
Ref	Date	Title	Sections of the Act applied
1.	22 December 2020	BRF20/21120827: Progressing Build-to-Rent (available at www.hud.govt.nz/assets/News-and-Resources/Proactive-Releases/OIA-response-to-DOIA2021030552-Request-for-ten-documents.pdf)	18(d)
2.	16 March 2021	BRF20/21010855: Implementing changes to enable Community Housing Providers to support delivery of the Public Housing Plan 2021-2024 (available at www.hud.govt.nz/assets/News-and-Resources/Proactive-Releases/01.-BRF2021010855-Implementing-changes-to-enable-CHPs-to-support-delivery-of-the-Public-Housing-Plan-2021-2024-REDACTED.PDF)	18(d)
3.	29 March 2021	BRF20/21030896: Follow up on build to rent roundtable (available at www.hud.govt.nz/assets/News-and-Resources/Proactive-Releases/17.-BRF2021030896-follow-up-on-Build-to-Rent-Roundtable-REDACTED.pdf)	18(d)
4.	18 May 2021	AMI20/21050528: Detailed Community Housing Provider opportunity register (available at www.hud.govt.nz/assets/News-and-Resources/Proactive-Releases/50.-AMI2021050528-Further-information-about-the-Community-Housing-Provider-Public-housing-opportunities-register-and-engaging-with-sector-REDACTED.PDF)	18(d)
5.	30 June 2021	Cabinet Paper: Staged operating funding to support public housing delivery (will be published at www.hud.govt.nz)	18(d)

Documents released with redactions – DOIA21/22090638			
Ref	Date	Title	Sections of the Act applied
1.	21 December 2020	BRF20/21110801: Role of Community Housing providers in the delivery of public housing	9(2)(a) 9(2)(f)(iv)
2.	29 January 2021	AMI20/21010436: Progressive Home Ownership Fund and for-profit entities	9(2)(a)
3.	17 May 2021	BRF20/21040932: Follow on from detailed discussion about the Community Housing Provider public housing opportunities register	9(2)(a) 9(2)(g)(i) 9(2)(f)(iv) 9(2)(j)
4.	2 July 2021	BRF20/21050979: Supporting rental supply: [9(2)(f)(iv)]	9(2)(a) 9(2)(b)(ii) 9(2)(f)(iv) 9(2)(j)



Date:	21 December 2020	Security level:	In Confidence
Priority:	High	Report number:	BRF20/21110801

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

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

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

<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)	Comments
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Briefing

Role of Community Housing Providers in the delivery of housing

For: Hon Dr Megan Woods, Minister of Housing

Date: 21 December 2020

Security level: In Confidence

Priority: High

Report number: BRF20/21110801

Purpose

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

Executive summary

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

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

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

		s 9(2)(f)(iv) (See paragraphs 10 – 12 and 14 below for more detail).
Sub-market rentals	Historic base of delivery, as well as some continued delivery although government has limited visibility of this as there is currently no government funding for CHPs.	s 9(2)(f)(iv) HUD has provided further advice on the broader build-to-rent market and on increasing affordable housing supply [BRF20/21120827 refers]
Progressive Home Ownership	Some historic delivery and some specialisation e.g. Housing Foundation and Habitat for Humanity. Several providers are involved with the current PHO pilot.	Seek to grow the involvement of CHPs.
Transitional Housing	Significant focus for the sector due to recent Budget funding.	CHPs who are THPs will continue to play an important role in delivering transitional housing, particularly in the provision of wrap around support.
Housing Support Services	Around 12 CHPs also provide a wide range of community-based mental health, addiction, disability support, offender rehabilitation, wellbeing and housing services nationwide.	Continue delivery.
Other areas	Financing, leveraging critical resources such as land, developing and building housing affordable to low- and modest- income households under-served by the housing market and housing system.	Continue delivery.

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

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

8. However, CHPs have needed time to ramp up their delivery of new builds and have a strong new build pipeline through to 30 June 2022. CHPs' delivery of new builds through Budget 2018 is currently expected to total approximately 1,780 places over four years. This accounts for a significant portion of the 6,400 target from Budget 2018 (28%).
9. Our objective is to progressively reduce the number of redirects in public housing over time, however how this will be implemented needs to be worked through. Direct leasing can play a valuable role in delivering public housing, but there are some downsides that need to be considered.

CHPs can complement a Kāinga Ora-led Public Housing Plan with delivery focussed in locations with limited government presence and for specific cohort groups

10. You are intending to release the revised Public Housing Plan (PHP) on 21 January 2021. Officials sent you a draft version of the PHP on 9 December 2020 for your consideration [BRF20/21110805 refers]. We seek your view on the role you see CHPs playing alongside Kāinga Ora, which will lead the delivery of the PHP.
11. To deliver on the PHP intentions, it is important that we lock in delivery soon, given the lead times to complete houses. The initial focus of Kāinga Ora will be delivery in locations where it can achieve scale and pace. There are several locations in our PHP delivery intentions that require Kāinga Ora to establish a presence or significantly scale up its provision, and there are some cohort groups that CHPs are well placed to be able to deliver to in a range of locations. We see two potential roles of CHPs:
 - a. *Targeted CHP delivery focussed in particular locations where CHPs can support Kāinga Ora delivery, on specific cohort groups and in areas where we need additional supply* – Taking a place-based and MAIHI approach, HUD can work with CHPs and Kāinga Ora to identify locations and cohort groups where CHPs can support Kāinga Ora-led public housing delivery. This could include locations where CHPs have land or other resources available. There are opportunities to embed MAIHI and also enhance the ability of Māori and Pacific providers through this approach.
 - OR
 - b. *Continue with current delivery approach of CHPs* – Without a targeted approach, or any changes to funding settings, new builds are likely to be delivered mainly in urban areas (most likely Auckland, Tauranga and Christchurch). An increasing amount of new build delivery may be via leasing (as opposed to owned by CHPs). There are opportunities to embed MAIHI and also enhance the ability of Māori providers and Pacific providers through this approach.
12. Two funding settings changes are needed to enable CHPs to deliver new builds in the locations set out in the PHP. We seek your approval to proceed with these changes, which can be funded from within Budget 2020 appropriations:
 - a. Addressing out of date market rent limits (maxima), which will better enable CHPs to deliver new build public housing in locations where it is identified that they can support Kāinga Ora. The outdated rent maxima which apply to CHPs (but not Kāinga Ora) means that delivery is unviable in locations where the maxima are constraining the market rent CHPs can receive by keeping it artificially low relative to rents in the private market
 - b. Allowing in limited circumstances staged funding of the operating supplement, which will be used to support delivery for specific cohort groups, including Māori and Pacific Peoples, and in target regions. The lack of access to development capital makes delivering new builds difficult, particularly for smaller and more highly leveraged providers including Māori and Pacific CHPs.

Engagement with CHPs in January 2021

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

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

14. CHPs will be interested in your views on their role in the future in public housing delivery.
s 9(2)(f)(iv)

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

16. CHPs will also be interested in their role in any delivery of intermediate housing, in particular build-to-rent and submarket rental delivery alongside emerging opportunities for PHO schemes. There could be value in CHPs providing operating in these areas, alongside their provision of public housing, as CHPs already have expertise in these areas. Māori CHPs and iwi and Māori providers are likely to have significant interest in delivering intermediate housing.

17. We have developed below some initial talking points for your discussions with CHPs which can be adapted once we understand the role you want CHPs to play:
- CHPs have an important role to play in delivering public housing. I particularly note CHPs' strong community connections, knowledge and expertise in delivering housing which provides warm, safe, dry homes for vulnerable New Zealanders.
 - Building on these strong community connections, CHPs also are sometimes able to deliver what the public sector cannot – either in specific locations, for specific cohort groups, and with other partners.
 - I want the Public Housing Plan to be largely state-led, with the role of CHPs being to complement Kāinga Ora's delivery.
 - I see a particular key focus for CHPs as supporting Kāinga Ora by delivering new build public housing in key locations where they have limited presence, for specific cohort groups, and in locations where significant additional supply is needed.
 - I appreciate the role that CHPs have played in providing warm, safe, dry homes at sub-market rental prices, and also your delivery of a range of other housing types such as transitional housing, Housing First, and Progressive Home Ownership schemes. All of these are critical to ensuring that every New Zealander has a place to call home.
 - In particular, I see delivery of sub-market rental housing as a gap in the current market in New Zealand. I would be interested in your thoughts on how CHPs could be involved in delivering this type of housing.

Recommended actions

18. It is recommended that you:

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

- Pacific Peoples, those with complex social needs, and those with disabilities
- 1.2. leveraging other resources such as existing land holdings, equity, philanthropic funds, private borrowing or existing relationships which can facilitate developments
 - 1.3. providing housing in locations where CHPs complement Kāinga Ora delivery helping to mitigate the delivery risk of a sole provider. *Noted*
2. **Agree** that CHPs will play a complementary role to Kāinga Ora in delivery of the 2020 Public Housing Plan:
- 2.1. by focussing on delivery in locations where CHPs can complement Kāinga Ora delivery, for specific cohort groups and in key locations where significant additional supply is needed. *Agree / Disagree*
OR
 - 2.2. by continuing their current public housing delivery approach in supporting Kāinga Ora. *Agree / Disagree*
3. **Agree** to the following funding setting changes to facilitate either approach agreed in recommendation 2 the costs of which can be managed from within funding appropriated in Budget 2020:
- 3.1. Remove the existing market rent maxima and replace them with rent setting guidance to enable CHPs to receive rents aligned with those in the private market *Agree / Disagree*
 - 3.2. Allow staged funding to be provided, where necessary, to support delivery of the public housing funded in Budget 2020. *Agree / Disagree*
4. **Note** the intention to progressively reduce the number of redirects delivered, however further work is needed to develop an implementation approach to achieve this. *Noted*
5. **Agree** that CHPs can continue to deliver public housing places through leasing where CHPs cannot deliver via build-to-own models in places where Kāinga Ora faces significant delivery challenges. *Agree / Disagree*
6. **Discuss** with officials your view of the three identified areas for CHPs in delivering intermediate and public housing:
- 6.1. The role of CHPs in complementing a Kāinga Ora-led Public Housing Plan
 - 6.2. The longer term role of CHPs in delivering and/or supporting public housing
 - 6.3. CHPs' role in delivering and/or supporting intermediate housing.

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

Noted



Caleb Johnstone
Manager, Market and Supply Responses

21. / 12 / 2020

Hon Dr Megan Woods
Minister of Housing

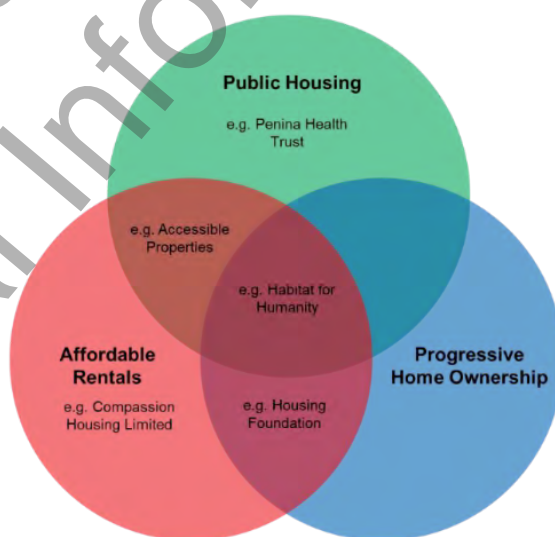
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Official Information Act 1982

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

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

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



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

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

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

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

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

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

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

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

New Zealand CHPs are relatively small scale compared to overseas

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

What value do CHPs bring in providing public housing?

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

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

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

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

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

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

CHP delivery of public housing since 2017

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

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

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

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

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

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

52. As at October 2020, 56 percent of CHPs had a relatively low gross turnover of less than \$5 million, with only three CHPs having turnover of \$50 million or more (see Annex D for further information).¹ This reflects that many either have small portfolios of public and/or sub-market rental housing, or no properties in the case of newly established CHPs.
53. In addition, smaller CHPs tend to be more highly leveraged. Analysis of information held on 39 CHPs showed that those with a debt-to-equity ratio of 6-100% averaged 51 public housing tenancies. Those with a ratio of 50% or less tended to average over 200 public housing tenancies. However, CHPs also operating in other areas of social service provision may require debt retention at lower levels or have assets that they are unable to leverage for further financing.
54. The combination of their low revenue and relatively highly leveraged position along with the absence of capital investment, makes it especially difficult for smaller CHPs to deliver new build public housing under the current funding settings. Banks are less likely to be interested in lending, or will only lend at higher interest rates. Some CHPs are currently using non-mainstream financial lenders to finance their activities which carry higher costs.
55. Not all CHPs report challenges with borrowing, although this may change if banks become increasingly risk averse as the economic effects of COVID-19 continue to unfold. The new Community Finance social investment bond is an important development in the community housing sector and is enabling several CHPs to deliver projects that would not be possible without low cost finance.

Redirects have made up a large proportion of CHP supply

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

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

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

58. There can be benefits from redirects, particularly where the main priority is providing housing with minimal delays. For example, for the Housing First programme, redirecting properties from the private market can be the only viable way of housing clients immediately in the community where they choose to live.
59. Redirect properties typically cost the government less as only IRRS subsidies are provided (the operating supplement is available for net new supply only). However, redirects remove existing affordable and other rental houses from the market, which can exacerbate existing supply and affordability pressures.
60. To meet objectives around increasing housing supply and supporting the economic recovery from COVID-19, we consider that it should be signalled redirects will reduce over time, with a clear focus on future public housing delivery through new builds. Continuing to accept a significant number of redirects is inconsistent with the Government's objectives for Budget 2020 funding (which is intended to support the residential construction sector and have a fiscal stimulus effect, and reduce the shortage of housing).
61. Redirects was initially an intentional policy to build the capacity of the CHP sector. We will provide you with further advice on the role of redirects in delivering the PHP, including whether Ministerial approval is recommended for significant numbers of redirects.

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

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

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

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

- It can be more complex and riskier for CHPs as it involves additional contracts and agreements

64. CHPs have differing appetites for using lease models. Many prefer the build-to-own model as it increases their assets and allows them to further grow their portfolio. However, some providers do a significant amount of leasing, particularly as their ability to deliver new builds decreased when access to staged funding was removed.
65. There are potential opportunities for new, innovative leasing models, such as exploring CHP 'lease-to-own' options. This could be attractive to investors as an investment opportunity, with ownership transferring to the CHP over time. s 9(2)(f)(iv)
66. HUD's view is that some level of leasing is valuable where CHPs cannot deliver via build-to-own models focussed on where Kāinga Ora faces significant delivery challenges. Exploring innovative leasing options could help to mitigate this risk.

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

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

67. You are releasing a new version of the PHP on 22 January 2021, setting out at a high level the delivery locations for the 6,000 public and 2,000 transitional houses funded in Budget 2020. This will contribute towards the Government's commitment to deliver 18,000 additional public and transitional houses by 2024. Delivery of the PHP will be led by Kāinga Ora. The PHP will provide a clear indication of the priority areas where delivery is needed.
68. To deliver on the PHP intentions, it is important that we lock in delivery soon, given the time required to complete houses. Kāinga Ora will focus initially on delivery in locations where it can achieve scale and pace, which includes main cities and key regional locations such as Whangarei, Rotorua, Gisborne and Hastings, amongst others.
69. There are several locations that require Kāinga Ora to establish a new presence or significantly scale up its provision which represents a significant challenge. For example, a significant increase over and above existing delivery is required in:
- East Coast (1300% increase, from 33 places in 18/19 and 19/20 to 470 places)
 - Central region (1000% increase, from 24 places in 18/19 and 19/20 to 270 places)
 - West Coast Tasman (800% increase, from 24 places in 18/19 and 19/20 to 160 places)
70. In some regions, such as Gisborne and Whanganui, development economics make the delivery of new builds difficult. In locations like Palmerston North and Gisborne, most recent Kāinga Ora delivery has been redeveloping existing stock, as opposed to new builds. CHPs can add value by complementing Kāinga Ora's delivery plans so delivery can progress at pace and scale, as discussed further below. s 9(2)(f)(iv)
71. s 9(2)(f)(iv)
72. While partnerships for delivering public housing between iwi and Māori organisations and Kāinga Ora are in place or under development, we consider that these should be available more widely in the future to support Māori CHP provision of public housing.
73. Increasing the capability and capacity of Māori CHPs to deliver against Budget 2020 is a priority. Any additional support for Māori CHP delivery will be guided by Te Maihi o te Whare Māori – the Māori and Iwi Housing Innovation Framework for Action (MAIHI). Budget 2020 allocated \$40 million over four years to implement MAIHI across the housing continuum.

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

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

76. We consider that there are two roles for CHPs to play in the delivery of the PHP:
 - a. *Targeted CHP delivery focussed in locations where Kāinga Ora has limited presence, for specific cohort groups, and to deliver the scale of new builds required, with necessary short-term funding setting changes* – Taking a place-based and MAIHI approach, HUD can work with CHPs and Kāinga Ora to identify locations and cohort groups where CHPs can support Kāinga Ora-led public housing delivery. This could include locations where Kāinga Ora has a limited presence, or where CHPs already have land or other resources available and can move quickly to contribute to delivery. There are opportunities to embed MAIHI and also enhance the ability of Māori and Pacific providers through this approach. This would provide a clearly specified role for CHPs to support the objectives of the PHP
 - or
 - b. *Continue with current delivery approach of CHPs* – without a targeted approach or any changes to funding settings, new builds are likely to be delivered mainly in urban areas most likely Auckland, Tauranga and Christchurch. An increasing amount of new build delivery may be via leasing (as opposed to owned by CHPs). There are opportunities to embed MAIHI and also enhance the ability of Māori and Pacific providers through this approach.
77. CHPs' ability to deliver new builds is currently constrained by the market rent settings and their ability to borrow. Two changes to funding settings can be made quickly and would support CHPs to deliver new builds in a wider range of locations:
 - a. change the public housing rent setting process to enable all providers to receive a rent that is aligned with rents in the private market.
 - b. allow for the provision of staged operating funding in circumstances where investment is considered high value in delivering on the PHP.

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

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

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

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

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

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

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

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

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

Table 3: Fiscal impact of proposed changes

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

CHPs' longer term role in public and intermediate housing

Further public housing setting changes could support public housing delivery

91. CHPs will be interested in your views on their role in the future in public housing delivery, outside of the PHP. s 9(2)(f)(iv)

[Redacted]

92. [Redacted]

a. [Redacted]

b. [Redacted]

c. [Redacted]

d. [Redacted]

e. [Redacted]

93. [Redacted]

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

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

Engaging with CHPs in early 2021

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

Consultation

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

Next steps

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

Annexes

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

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

Released under the
Official Information Act 1982

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

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

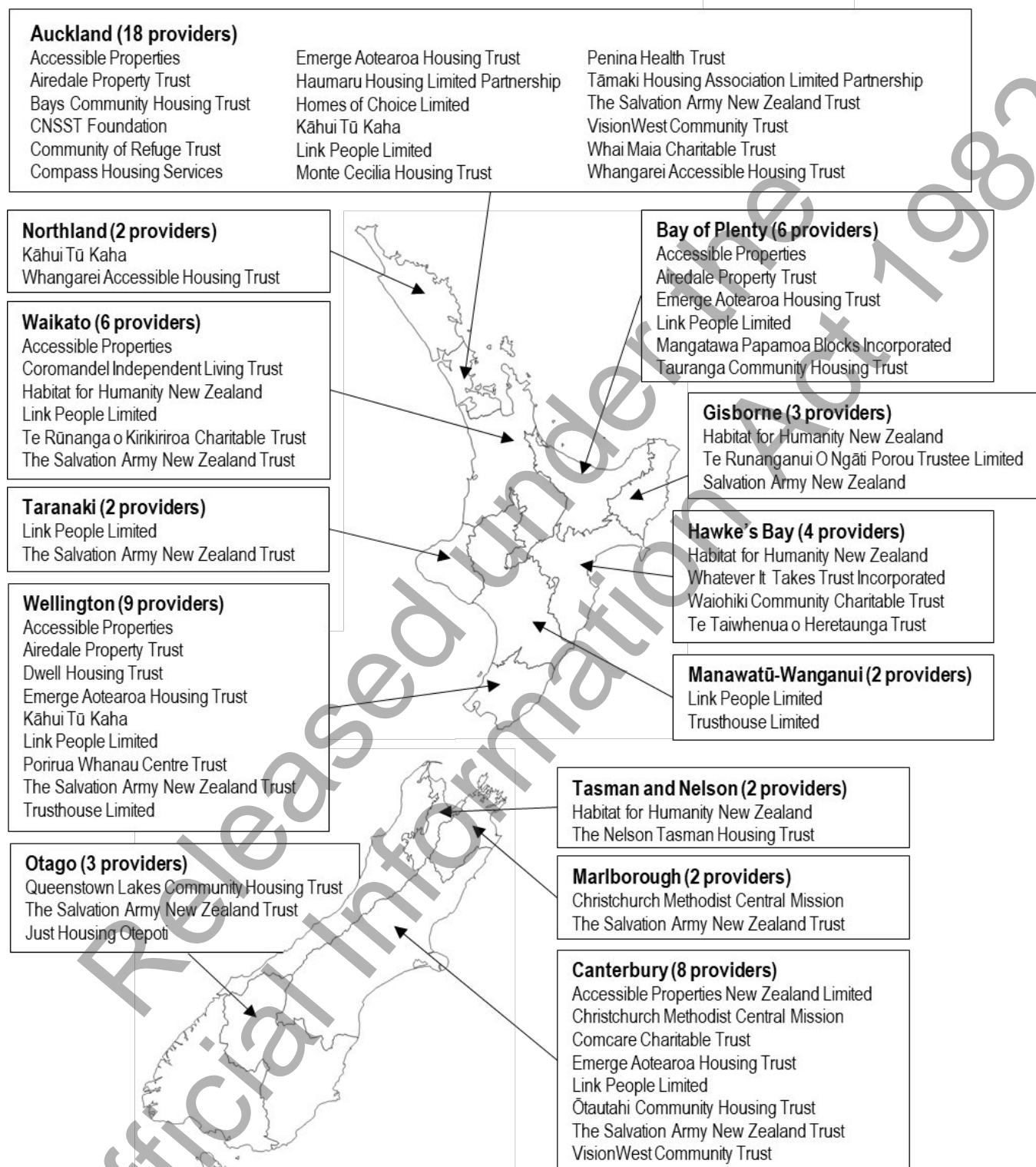
Annex B: List of Community Housing Provider Public Housing Tenancies at November 2020

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

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

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

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



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

Annex D: CHPs' financial information

Table 1: Registered CHP gross turnover details, November 2020

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

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

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





Aide-memoire

Progressive Home Ownership Fund and for-profit entities

For: Hon Dr Megan Woods, Minister of Housing

CC: Hon Peeni Henare, Associate Minister of Housing (Māori Housing)

Date: 29 January 2021

Security level: In Confidence

Priority: Medium

Report number: AMI20/21010436

Purpose

1. To provide you with information on how for-profit entities could engage in the Progressive Home Ownership (PHO) Fund.

Background

2. On 17 December 2020, we provided you with a revised PHO Fund Investment Framework, which outlined the Government's strategy for investment in PHO schemes through the \$400 million PHO Fund [BRF20/21120825 refers]
3. We also sought your decision on whether the PHO Fund should be open to for-profit entities to deliver PHO schemes, or whether it should be limited to not-for-profit entities. You requested further information on why for-profit entities might be interested in participating in the PHO Fund and what their involvement might look like.

Potential for-profit interest in the PHO Fund

4. We are aware of some potential interest in delivering PHO schemes from for-profit entities. This includes:
 - a. iwi enterprises and community trusts – there are iwi enterprises and community trusts operating as for-profit entities active in PHO or exploring developing schemes. They may not be motivated directly by any profits that could be received but by the social benefit to their community
 - b. PHO providers – for example Joint Equity, based in Nelson, offers a form of shared ownership, and YouOwn has partnered with BNZ to offer shared ownership to BNZ customers. For-profit PHO providers can provide a product that fits a niche for Cohort B or even Cohort C (which would not be funded through the PHO Fund) while potentially providing a return for investors via capital gains and/or equity charges.
 - c. Community Housing Providers (CHPs) – a wider group of CHPs could look to develop PHO schemes, and while many CHPs are registered charities some are for-profit CHPs with a social interest in delivering public housing.
 - d. Housing developers – there has been interest by the development community in PHO including one organisation that expressed an interest in developing PHO schemes to support first home buyers to buy homes in its developments. Alongside helping first home buyers, access to the PHO Fund may also provide an indirect benefit to developers by reducing development risks if they can secure sales through the PHO Fund.

5. We consider that delivery of the 1,500 to 4,000 PHO places will likely be achievable through not-for-profit providers under the provider pathway and iwi and Māori pathway, alongside delivery from Kāinga Ora through the government direct-to-households pathway. This is based on our conversations to date with existing PHO providers on their potential pipelines for PHO.
6. In addition, we don't expect a significant number of for-profit entities to be interested in the PHO Fund. There is a cost involved in setting up a PHO scheme, in both time and money, and limited expertise in NZ to assist with this. It may be that for-profit providers, instead of developing their own product, partner with an existing provider to deliver PHO alongside a particular development.
7. The full details of the provider pathway and iwi and Māori pathway are not yet announced, particularly the eligibility criteria for a PHO provider. Given this, there may be other entities that have not yet approached HUD expressing an interest in delivering PHO schemes.
8. Providers would also have to focus on the target cohorts; that is, households with an income of less than \$130,000. Given the higher cost to support households in Cohort A, we anticipate that for-profit providers will likely target households in Cohort B. An example of this is YouOwn. To be eligible for YouOwn's product, a household in Auckland must earn at least \$110,000, which is above the median income in Auckland of around \$100,000.

Factors to consider

9. In Phase 1 of the PHO Fund, HUD worked with established providers of PHO schemes to pilot our approach to working with providers. The organisations invited to participate in Phase 1 were all not-for-profit providers, although not necessarily registered charities. For Phase 2 we consider that there are advantages to being open to for-profit entities. These are the greater potential:
 - a. for quicker delivery and wider coverage through a larger number of providers delivering PHO
 - b. to get greater scale by using the resources of for-profits. For-profits may have access to a wider range of funding and financing sources that could assist with delivering at greater scale
 - c. to incentivise for-profit developers to build affordable housing stock for people accessing PHO
 - d. for vertical integration from development to PHO as for-profits may include developers
 - e. to establish PHO as a standard market offering for all first home buyers if for-profits later expand their PHO product more widely (without Government resources).
10. However, there are some complexities in being open to for-profit entities, including how any capital gains are treated, as:
 - a. opening up the PHO Fund to for-profits may attract more predatory providers
 - b. for-profits may have different motivations compared to not-for-profits, and therefore any capital gains will need to be managed differently to not-for-profits.
11. Based on our market soundings, we do not expect predatory PHO offerings to be standard practice from for-profit providers. However, the risk of this could be managed carefully by HUD when assessing a for-profit provider's proposal:
 - a. As part of the due diligence process, HUD will require each potential provider to provide a letter from their solicitor. This will confirm that the provider's product creates a legal, valid, and binding contract between both parties, and that it is not predatory.
 - b. A provider will also need to provide letters from banks confirming that the bank is willing to lend to households alongside the PHO product. We understand that banks will not lend against poorly drafted and unreasonable PHO products.

12. Regarding capital gains, not-for-profit providers are able to keep their share of any capital gains so long as these are reinvested for PHO purposes. However, for-profit providers distribute profits to shareholders, which could potentially include capital gains made through PHO schemes. We consider that this risk can be mitigated by building in a requirement in the funding agreement between the Crown and provider that a for-profit entity must recycle capital gains back to the Crown.
13. There are some additional ways to ensure that funding is used appropriately and that HUD has oversight of this:
 - a. Funding from the PHO Fund are staged to current providers at key milestones, such as at land acquisition and when the PHO properties are weathertight. To provide assurance that the funding is used solely for PHO, for-profit providers could be limited to receiving funding only once the household is ready to move in.
 - b. For-profit providers could be required to setup a Special Purpose Vehicle, which has been the standard approach used through Phase 1, to ensure that there is greater visibility and ability to track where PHO Funding is being used.

Next steps

14. We are intending to launch the provider and iwi and Māori pathways in mid late February, subject to your decision on whether the PHO Fund is open to for-profit entities.



Briefing

Follow on from the detailed discussion about the Community Housing Provider public housing opportunities register

Date:	7 May 2021	Security level:	Budget - Sensitive
Priority:	Medium	Report number:	BRF20/21040932

Action sought

	Action sought	Deadline
Hon Dr Megan Woods Minister of Housing	<p>Note that this paper confirms decisions regarding the types of public housing opportunities proposed by Community Housing Providers (CHPs) that can be progressed through the Public Housing Plan 2021-24</p> <p>Note a communications and engagement plan and key messages for CHPs has been provided</p>	17 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

Kāinga Ora

Minister's office to complete

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

Comments

Date returned to HUD:



Briefing

Follow on from the detailed discussion about the Community Housing Provider public housing opportunities register

For: Hon Dr Megan Woods, Minister of Housing

Date: 7 May 2021

Security level: Budget - Sensitive

Priority: Medium

Report number: BRF20/21040932

Purpose

1. This paper summarises the discussion and decisions made at your meeting with Ministry of Housing and Urban Development (HUD) officials on 21 April 2021 relating to the Community Housing Provider (CHP) opportunities register.

Executive summary

2. On 21 April 2021 you met with HUD officials to discuss the CHP public housing opportunities register and how these proposals align with the criteria and intentions of the Public Housing Plan (PHP), including some potential early staged Operating Supplement opportunities.
3. After discussing several scenarios, you agreed that HUD could continue to investigate and progress CHP opportunities which are:
 - build to own opportunities in any location even if the only additionality criteria is that the CHP is able to leverage land they own;
 - build to lease opportunities for smaller developments in Auckland, Christchurch and Wellington (where Kāinga Ora has a strong pipeline and presence) and in other non-PHP focus areas where these will deliver to a specific cohort or support a CHP to grow; and
 - build to lease opportunities in PHP focus areas.
4. We discussed the large number of build to lease opportunities and noted the preference that new supply public housing is delivered as build to own. This approach helps to strengthen CHP ability to undertake more public housing in the future by creating a long-term asset; and ensures that the places funded by Government are more likely to be retained long-term as public housing. We will work to translate any build to lease opportunities (as noted in the scenarios above) to build to own wherever possible.
5. s 9(2)(f)(iv)
6. You also agreed that we can continue to progress projects where significant engagement has already taken place. This includes projects being progressed s 9(2)(j)
7. s 9(2)(f)(iv)
8. You will also be receiving advice on funding available for new build to own CHP supply in BRF20/21050942 on 7 May. A Cabinet paper is also being prepared to confirm early staged OS funding as you have previously been informed [IREQ20/21040886 refers].
9. We have provided a high-level communications plan for the CHP sector, and supporting key messages, covering these decisions and implementation of the Public Housing Plan.

Recommended actions

10. It is recommended that you:

1. **Note** that at your meeting of 21 April 2021 you agreed that HUD could continue to investigate and progress CHP opportunities which are:
 - 1.1 build to own opportunities in any location even if the only additionality criteria is that the CHP is able to leverage land they own; *Noted*
 - 1.2 build to lease opportunities for smaller developments in Auckland, Christchurch and Wellington (where Kāinga Ora has a strong pipeline and presence) and in other non-PHP focus areas where these will deliver to a specific cohort or support the CHP to grow; and *Noted*
 - 1.3 build to lease opportunities in PHP focus areas. *Noted*
2. **Note** that there are a number of opportunities that as currently described would not meet additionality criteria and not be progressed but that we will continue to investigate alternative approaches to bring on this supply *Noted*
3. **Note** that you agreed we could continue to progress 11 projects (219 places) that do not meet the additionality criteria but where there has already been substantial engagement, and also opportunities as part of the *s 9(2)(j)* *Noted*
4. **Note** that we have provided an indication of the impact of these decisions on the numbers of opportunities available to be progressed in the register, noting that some of these opportunities may not progress into projects *Noted*
5. **Note** that we will provide you with quarterly reporting against the public housing plan targets, noting where oversupply is anticipated, to facilitate ongoing discussion as delivery progresses
6. **Note** the intended approach for HUD engagement with Community Housing Providers on setting changes to support delivery of the Public Housing Plan 2021 – 2024 *Noted*
7. **Agree** that HUD will work with your office to explore proactive engagement and communications opportunities with the CHP sector on recent decisions made on their role and the funding setting changes. *Agree / Disagree*
8. **Note** that further advice is being provided on 7 May 2021 on alternative funding that could be available for CHPs to bring on new supply, *BRF20/21050942 Approach to unallocated public and transitional housing funding.* *Noted*

Anne Shaw
DCE Housing Supply, Response and Partnerships

07 / 05 / 2021

Hon Dr Megan Woods
Minister of Housing

..... / /

Background

11. HUD officials met with you on 21 April 2021 to discuss the Community Housing Provider (CHP) public housing opportunities register and potential early staged Operating Supplement (early staged OS) funding opportunities. Scenarios were presented to clarify the direction and application of additionality criteria and leasing. This has been used to refine our approach as we develop guidance and work with the CHP sector to progress development opportunities.
12. This paper summarises the discussion, decisions made and outlines next steps for communicating with the CHP sector. We set out proposals that we will be progressing as a result of the discussion. None of these proposals are considered secured until investigation of the opportunities has concluded, and places have been contracted.
13. The CHP opportunities register is constantly being updated as new opportunities are identified and the number of opportunities will continue to change as further opportunities are received, investigated and progress through approval processes.

Clarifying additionality criteria

Scenarios that show how the additionality criteria will apply

14. Previously you have stated that CHPs have a complementary role in supporting state led delivery of new supply public housing. To enable this, you have agreed additionality criteria that HUD will apply to new supply public housing opportunities proposed by CHPs [BRF20/21010855 refers].
15. We have undertaken an assessment of opportunities that are sufficiently advanced to enable assessment against the additionality criteria and Kāinga Ora's intentions. From this, HUD identified opportunities where further clarification was needed on how the additionality criteria should be applied.
16. You agreed to a number of scenarios related to additionality criteria we could use to assess CHP proposals for public housing when they are received. These scenarios are intended to clarify, not replace the existing criteria for public housing places delivered by CHPs to meet the public housing plan. These agreed scenarios were:
 - build to own opportunities in any location even if the only additionality criteria is that the CHP is able to leverage land they own;
 - build to lease opportunities for smaller developments in Auckland, Christchurch and Wellington (where Kāinga Ora has a strong pipeline and presence) and in other non-PHP focus areas where these will deliver to a specific cohort or support a CHP to grow;
 - build to lease opportunities in PHP focus areas.

There may be a need for some build to lease supply in certain circumstances

17. You agreed that it is preferable that new supply public housing is delivered as build to own. This approach helps to strengthen CHP ability to undertake more public housing in the future by creating a long-term asset; and ensures that the places funded by Government are more likely to be retained as public housing over the long-term.
18. For opportunities that are presented to HUD as build to lease, we will engage with CHPs to investigate whether the proposal could become build to own through mechanisms such as staged-funding, s 9(2)(f)(iv) where the opportunity meets the required criteria.
19. However, there are some circumstances where build to lease can be considered where they can't be moved to build to own. These circumstances would include:
 - to deliver housing for some cohorts such as Housing First participants who have a greater ability to choose where they live. In these situations, build to lease provides a more flexible housing arrangement;

- where leasing provides greater balance within a CHP's portfolio to help manage their risk more effectively; and
 - to help grow the capability and capacity of a CHP to enable their long-term, sustainable presence within the sector.
20. In assessing any lease proposals, we would also look to take a regional and provider 'portfolio' view, to ensure the majority of supply is through CHPs retaining ownership in order to build the CHP asset base. Over time, this will likely lead to further ability to deliver more housing.
21. While not covered specifically in the additionality scenarios, we assume by extension that build to lease for small opportunities outside of PHP focus areas, Auckland, Christchurch and Wellington could also be progressed. This is because they are in regional locations where additional supply is needed. There are currently just six proposals (141 places) proposed in areas outside of Auckland, Wellington, Christchurch and the PHP focus areas that would fall into this category.

Impact on progressing CHP opportunities

22. In total there were 40 projects (691 places) in the opportunities register that were in scope of the scenarios discussed, and that will progress as a result of confirming these scenarios. This will enable CHPs focussed on providing new build supply to continue growing their housing portfolios and support their long-term provision of public housing.
23. This includes 17 projects that have the potential to deliver to a Housing First cohort.
24. In addition to the above, you also agreed that where CHPs have land available, new proposals should be progressed to enable additional public housing supply.

Increasing delivery with Māori and Iwi CHPs

25. The PHP is driven by a place based and MAIHI approach and delivery by Māori and iwi CHPs has been increasing. We will continue to work hard to bring on increasing supply for these CHPs.
26. s 9(2)(f)(iv) There are a number of other initiatives underway to support Māori and iwi CHPs to bring on more public housing, including early staged OS funding. We anticipate that this funding will be of particular interest to these CHPs as it provides an opportunity for them generate their own build to own new supply public housing.
27. It is important to ensure that we are working across all housing funding streams to ensure strong delivery by Māori and iwi CHPs. We are looking at where different funding mechanisms can help providers on an ongoing basis. This includes looking at where capital, infrastructure or other funding can support an opportunity to progress. This might entail funding through the Public Housing funding streams for the place and Māori Housing funding streams to provide infrastructure to make the land build ready.

Projects that do not meet additionality criteria

28. There are 22 projects (560 places) on the opportunities register which, as currently proposed, do not meet the additionality criteria. All these projects are build to lease.
29. We will continue to explore options to deliver these places using alternative approaches. In the first instance this could be through converting build to lease to build to own. Other alternative approaches are subject to further advice and could take time to negotiate for specific projects. Options include:

- s 9(2)(f)(iv)

[REDACTED]

30. Annex 2 lists the 22 projects.

Progressing projects where significant engagement has already taken place

31. The CHP opportunity register includes a further 11 projects (219 places) that do not meet the additionality criteria, but where significant engagement has been undertaken with CHPs on these developments. This engagement can represent 6-12 months' work on the part of HUD and the CHP. Annex 3 lists these projects.

32. [REDACTED] s 9(2)(g)(i)

33. You have agreed that we can continue to progress these projects and HUD has started engaging with the identified CHPs with projects on this list and will continue to progress these through HUDs evaluation process.

[REDACTED] s 9(2)(j)

[REDACTED]

[REDACTED]

[REDACTED]

Impact of these decisions on places in the CHP opportunities register

37. There are 2,453 places in the CHP opportunities register that have been progressed sufficiently to enable assessment against the additionality criteria, and the decisions described above and discussed with you.

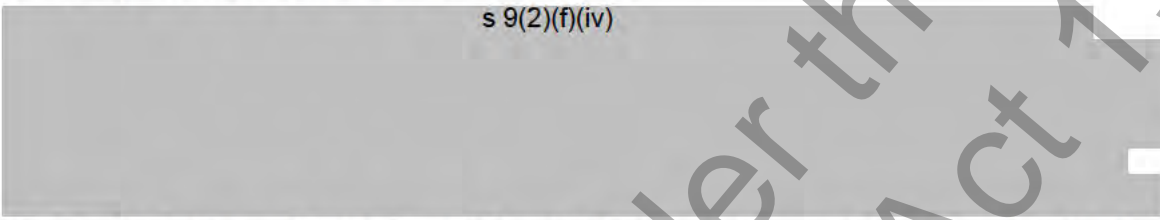
s 9(2)(g)(i)

[REDACTED]

39. A table of all the proposals that we will now progress is attached, (Annex 4). This also indicates providers that have projects being progressed through the Budget 21 Whai Kāinga Whai Oranga package or other MAIHI related funding stream. HUD will work to identify options for funding the public housing component of these proposals.
40. There are approximately 3,192 further places on the opportunities register that will be reviewed against the same criteria when sufficiently progressed.

s 9(2)(f)(iv)

Progressing early staged OS funding opportunities with CHPs

46. You have asked us for details of progress with projects that could be suitable for early staged OS funding. Where a CHP proposal has met at least one of the additionality criteria, the CHP will be able to apply to HUD for a portion of the Operating Supplement to be paid in early stage payments [BRF20/21010855 refers].
47. Early staged OS funding will provide CHPs an opportunity to develop build to own public housing supply and HUD expects this to be of interest to the sector including Māori and iwi housing providers. Based on our initial assessment, there are six CHP opportunities (up to 197 places) that may be eligible for early staged OS funding.
48. The PHP takes a place based and MAIHI approach to identify and prioritise the delivery of public housing and to deliver solutions that meet the immediate and long-term needs of vulnerable individuals, whānau and communities.
49.  s 9(2)(f)(iv)
50. As this funding impacts on net core Crown debt, Treasury has advised it is subject to Cabinet decisions which now cannot take place until the end of May at the earliest, following the Budget moratorium. HUD will prepare a Cabinet paper for consideration for the end of May seeking approval for this change. It is anticipated that the paper will:
- Provide narrative on the provision of public housing and the focus of the Public Housing Plan 2021-24 (PHP) to enable new supply public housing through state-led delivery complemented by CHPs;
 - Outline why early staged OS funding is proposed and how this will enable increased public housing delivery;
 - Illustrate the type of projects likely to proceed through early staged OS funding, emphasising a place based and MAIHI approach to enable targeted housing solutions, particularly within the regions; and
 - Demonstrate how CHPs are being engaged proactively to progress projects to enable increased housing supply.
51. As early staged OS funding is now subject to a Cabinet decision, we will not be able to engage with the sector on criteria and process for implementation until after the Budget moratorium is lifted, and decisions are made. Once HUD is able to engage with the sector on early staged OS funding, we will keep you informed of potential opportunities through quarterly reporting.

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

Communicating with the CHP sector

53. We are preparing communications for the CHP sector, including Māori and iwi housing providers. This will outline how they can support the delivery of the Public Housing Plan and the funding setting changes that will enable delivery of new supply public housing. These communications will be based on your recent decisions regarding CHPs and funding setting changes [BRF20/21110794, BRF20/21110801 and BRF20/21010855 refers].
54. There is opportunity for you to proactively engage with the sector to communicate these changes and your expectations of how they will be applied to CHP delivery of public housing.

We understand you have previously signalled to the sector that you would like to meet with them again in mid-2021. If you agree we will work with your office to explore potential engagement opportunities to front foot communications to the sector.

55. Overarching communications to the sector will focus on emphasising that HUD will be supportive in progressing opportunities where:
- A CHP has land available to develop for public housing; and/or
 - A proposed project will provide housing for a specific group.
 - 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 regional locations.
56. Communications to CHPs will be done over two stages with stage one communications to CHPs being undertaken in late May, and stage two in mid-2021. Sector communications have been spilt to account for urgent communications required to enable CHP projects to progress while other work continues to agree decisions that will impact the CHP sector. Stage one will cover the following decisions you have previously made:
- Additionality criteria for CHP new supply public housing opportunities. Subject to your agreement, this will include details on additionality and a broad overview of the opportunities we are looking to progress with the sector included in this paper.
 - Operating supplement (OS) changes which have been previously agreed [BRF20/21110794 refers] and includes increasing the OS property cap to 100 percent in locations where market rents are low to enable new supply development opportunities; and the potential to apply an OS above the cap for priority projects which would otherwise be economically unviable.
 - Removal of the rent maxima as previously agreed [BRF20/212110794] which is to be replaced by a principles-based approach that enables greater consistency and comparability with private market rents.
 - Stopping new redirects from the private market from 1 October 2021 unless it supports programmes such as Housing First.
57. Immediate engagement is also needed with CHPs undertaking build to lease projects. This is to provide further details and confirm whether these will progress in their current form, or to explore opportunities for these to be revised to enable alternative delivery options such as build to own or use for transitional housing based on location and current pipeline activity. This is required as a follow up to a discussion had in late April 2021 between officials and the sector at a regular CHP forum HUD attends where these issues were raised. It is anticipated that there will be a need for officials to reengage with this group in the coming two weeks followed by supporting written communications.
58. Stage two communications will be provided to the sector in mid-2021. This will include details on staged funding once this has gone through Cabinet for approval [BRF20/21010855 and IREQ20/21040886 refers] s 9(2)(f)(iv)
59. Annex 5 outlines the key messages have been developed to support communications with the sector over the coming months.

Kāinga Ora locations and portfolio numbers

60. You have asked for an overview of where Kāinga Ora currently has a presence and provides state housing, as well as an historical view of state housing locations and volumes.
61. Kāinga Ora is present across all regions in New Zealand. At the Territorial Local Authority (TLA) level, they are present in all areas except Tararua district, Masterton district, Carterton district, South Wairarapa district and the Chatham Islands. However, their level of presence in locations varies across the portfolio.

62. Annex 6 shows a map of Kāinga Ora state homes as a proportion of the TLA population and accompanying table.
63. Table 2 below provides a regional overview of Kāinga Ora's current portfolio by location with expected growth over the next four years.

Table 2: Kāinga Ora portfolio across regions

Location	Current Managed Stock (total number)	Expected growth (total number)
Northland	2,243	251
Auckland	30,140	3,834
Waikato	4,968	862
Bay of Plenty	1,722	696
East Coast	4,244	901
Taranaki	1,273	122
Central	2,474	380
Wellington	8,823	1,062
West Coast Tasman	1,568	276
Canterbury	7,441	720
Southern	1,898	187

64. Annex 7 provides a series of slides which details the current proportion of Kāinga Ora housing stock and changes over time.

Risks

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

Consultation

66. Kāinga Ora was consulted in the development of this paper.

Next steps

67. We will undertake staged engagement with the CHP sector to communicate funding setting changes to support the role of CHPs in delivering the Public Housing Plan 2021-24.
68. HUD will provide your office with a full engagement and communications plan including options for Ministerial involvement.
69. We will provide quarterly reporting on:
- Progress of CHP delivery,
 - Current and anticipated oversupply across areas, and
 - Status of the eleven projects that do not meet additionality criteria but are still progressing.

70. We will provide further briefings on:

- A Cabinet paper for consideration for the end of May seeking approval for change to core Crown debt to allow for Operating Supplement to be paid in early stage payments.

-

s 9(2)(f)(iv)

-

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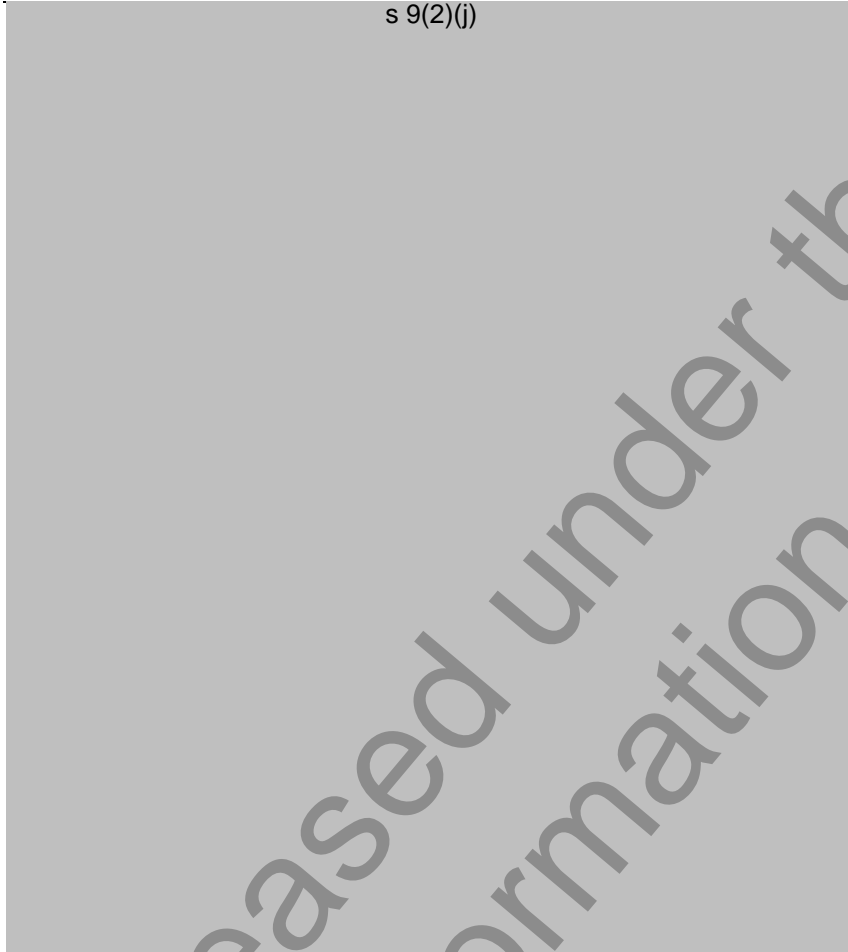
Annexes

- **Annex 1:** Further additionality scenarios for delivering new public housing supply
- **Annex 2:** Projects that do not currently meet additionality criteria
- **Annex 3:** Projects you have agreed can be progressed given the significant engagement has taken place
- **Annex 4:** Projects that are being progressed
- **Annex 5:** Communications Plan: Engagement key messages for CHPs
- **Annex 6:** Kāinga Ora presence by Territorial Local Authority – map and table
- **Annex 7:** Proportion of housing stock owned by Kāinga Ora

Released under the
Official Information Act 1982

Annex 2: Projects that do not currently meet additionality criteria

The following projects have been identified as ones which do not meet the additionality criteria. In their current form they would be unlikely to proceed, however there may be potential for these projects to be reworked to provide opportunities for transitional housing or housing for specific cohorts. HUD will undertake work to explore alternative delivery options for these projects.



Annex 3: Projects you have agreed can be progressed given the significant engagement has taken place

Provider Name	City / Town / Suburb	Property Type	Planned Places
Auckland			105
s 9(2)(j)		s 9(2)(j)	
	Papakura		
	Glen Eden		
	Glen Eden		
	Henderson		
	Manurewa		
	Otahuhu		
	Mangere Bridge		
	Glen Eden		
Out of Auckland			178
	Christchurch		
	Hastings		
	Whangarei		
	Dunedin		
	Invercargill		
	Kilbirnie		
Total			283

Annex 4: Projects that meet criteria that are being progressed

Region	Provider Name / Key Partner	Māori/iwi CHP with existing or planned proposals for MAIHI funding	Projects	Planned Places
Auckland		s 9(2)(j)		
Auckland Total			39	858
Bay of Plenty				
Bay of Plenty Total			7	45
Canterbury				
Canterbury Total			6	175
Central				
Central Total				
East Coast				
East Coast Total			7	114
Northland				
Northland Total			10	293
Southern				
Southern Total			4	101
Waikato				
Waikato Total			8	86
Wellington				
Wellington Total			9	172
West Coast Tasman				
West Coast Tasman Total				
Grand Total			94	1893

Annex 5: Communications Plan – Engagement key messages for CHPs

The following outlines the proposed key messages to support engagement with the CHP sector on recent decisions around the role of CHPs and the changes to funding settings to support their delivery of new supply public housing.

Changes to support delivery of the Public Housing Plan 2021-24 (PHP):

PHP delivery will be primarily state led by Kāinga Ora who are focused on delivering new build housing supply at scale and pace, supported by Māori and Iwi, Community Housing Providers (CHPs) and local government. A key focus of the plan is to enable increased new build housing supply across all locations. To support this approach, key decisions have been made around funding CHPs and the role of CHPs in delivering public housing including changes to the operating supplement, additionality, rent settings and redirects.

Overarching key messages

Emphasise that HUD will be supportive in progressing opportunities where:

- A CHP has land available to develop for public housing; and/or
- A proposed project will provide housing for a specific group.
- 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 regional locations.

Staged Communications

It is intended that communications to CHPs will be done over two stages with stage one communications to CHPs being undertaken in May, and stage two in mid-2021 to outline recent decisions. The following provides an overview of the key messaging for the key decisions made.

Stage 1 Communications

Operating Supplement (OS)

Two key changes have occurred to the operating supplement to enable increased delivery of new public housing supply by CHPs, these are:

Increasing the OS percentage cap in locations with lower market rents

This change increases the OS percentage cap from 90 percent of market rent to 100 percent in locations outside of main centres. This will assist new supply delivery to the scale sought in areas with low market rents and align with delivering place-based responses to housing need.

This change applies to Kāinga Ora and CHP net new supply.

Location	OS property cap
Main urban centres e.g. Auckland, Christchurch, Wellington, Hamilton, Tauranga	90 percent of market rent (no change)
Regional centres e.g. Rotorua, Napier-Hastings, Whangarei	100 percent of market rent
Small / low growth areas e.g. Opotiki, Kawerau, Southland	

Potential for HUD to approve an OS percentage over property cap for priority projects

This will enable HUD to consider the provision of additional OS above the property cap for projects that would not otherwise be economically viable but there are reasons why delivery is needed. This may include situations such as delivery in a certain location, for a particular cohort, to meet a specific tenant need, and/or enable delivery by a particular provider or partnership.

Additionality

The PHP sets out clear expectations for the delivery of new supply public housing.

Public Housing Plan

The expectation is that this delivery will be:

- Predominantly **new builds**
- **State led**, with providers complementing delivery by Kāinga Ora
- Where there is **significant need**, particularly in the regions informed by a **place based** and **MAIHI** framework for action approach

It is anticipated that CHPs contribution to the PHP will be to focus on providing additional new supply public housing beyond what the Kāinga Ora is able to deliver. To provide help CHPs focus their efforts and bring clarity to investment decisions the following criteria have been established:

Demonstrating additionality criteria

1. Where a CHP is able **to leverage land** to progress development at pace/scale
2. In **locations where Kāinga Ora has limited presence**
3. Where a **CHP will target a particular cohort group** (e.g. Māori families or Pacific families)
4. Where a project demonstrates an **innovative delivery model**

An addition, to the above HUD has the discretion to discuss potential proposals with providers and determine how the criteria might be applied within a given set of circumstances.

Rent Settings

The approach to rent setting for new CHP development opportunities has changed with agreement to remove rent maxima's which were previously set in 2016. The maxima will be replaced by a principle-based approach that enables closer alignment to private market rents. HUD is currently developing the principles and processes that will be applied, along with new templates to support CHPs through this process. This information will be communicated once it is available. This new approach will apply to all new developments that will deliver places from 1 July 2022.

Redirects

The PHP sets out clear expectations that public housing delivered through the plan will predominantly be new build supply. To support this approach, it has been decided that 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 programmes such as Housing First.

Stage Two Communications

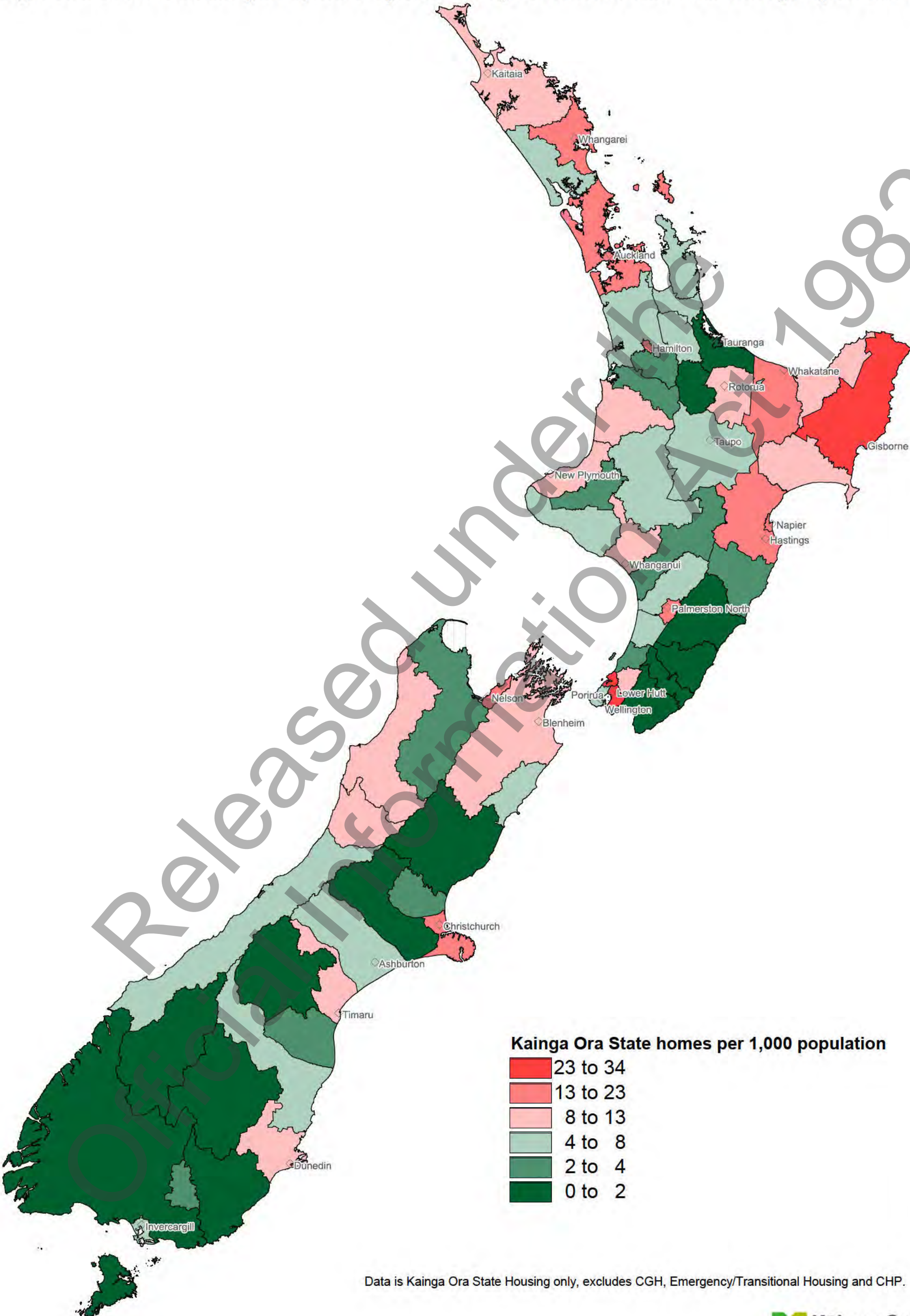
Early Stage Funding

The Minister has agreed that funding of up to \$55 million will be made available to provide early stage funding to CHP proposals where this is needed to enable delivery of a project. To be eligible to access this funding, a proposal must meet at least one additionality criteria. HUD will work with CHPs to identify appropriate proposals.

Annex 6: Kāinga Ora presence by Territorial Local Authority – map and table

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Kainga Ora State Homes per 1,000 Population by territorial local authority, April 2021



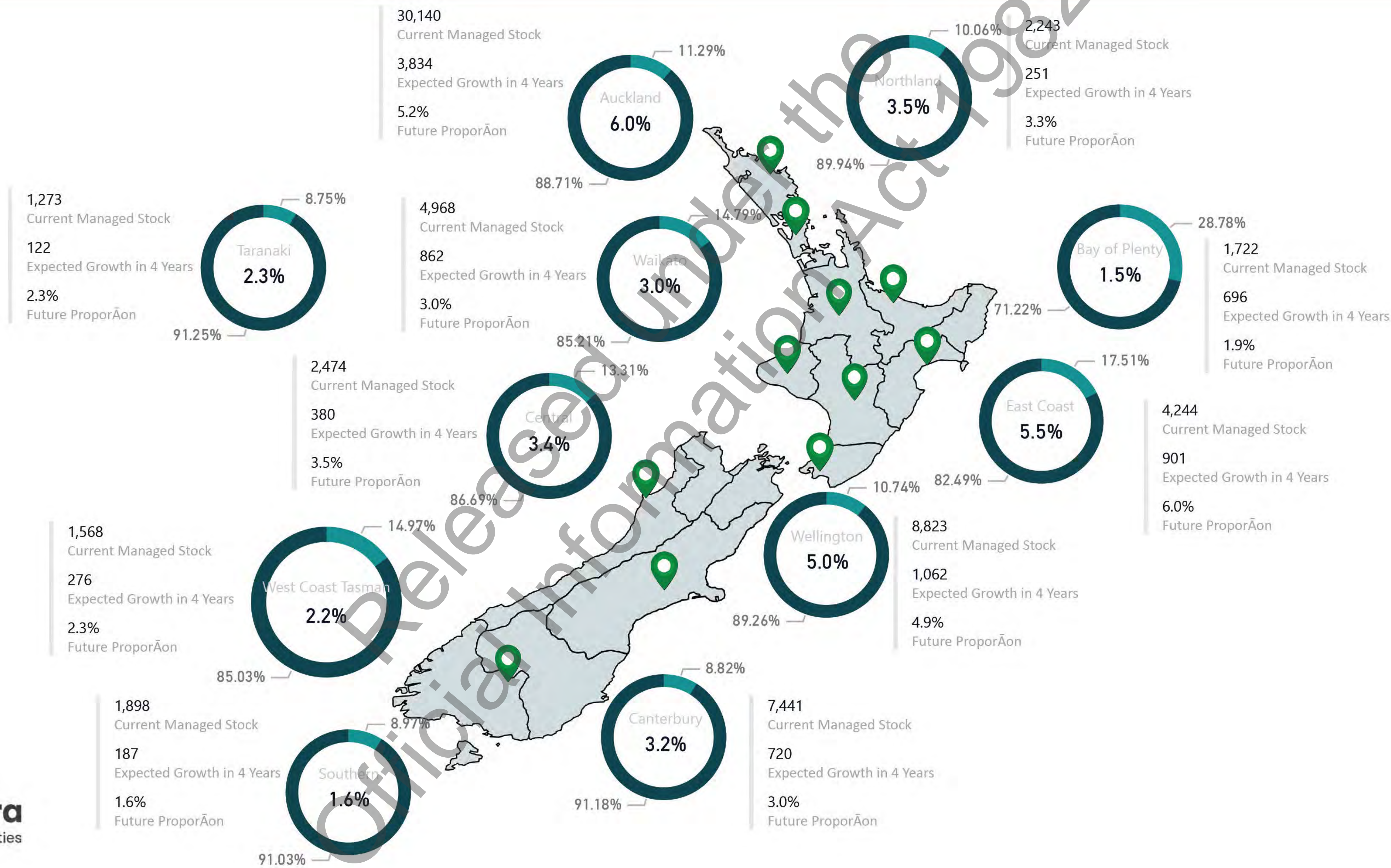
Data is Kainga Ora State Housing only, excludes CGH, Emergency/Transitional Housing and CHP.

TLA	Region	Num of State Homes April 2021	Estimated Population 2020 (Statistics NZ)	Kāinga Ora State Homes per 1,000 pop (April 2021)		
New Zealand	New Zealand	64,124	5,084,300	12.6		
Tararua district	Manawatu-Wanganui Region	0	18,900	0.0	●	None
Masterton district	Wellington Region	0	27,500	0.0	●	None
Carterton district	Wellington Region	0	9,960	0.0	●	None
South Wairarapa district	Wellington Region	0	11,400	0.0	●	None
Chatham Islands territory	Area Outside Region	0	760	0.0	●	None
Southland District	Southland Region	4	32,500	0.1	●	Low
Selwyn District	Canterbury Region	11	69,700	0.2	●	Low
Mackenzie District	Canterbury Region	1	5,420	0.2	●	Low
Western Bay Of Plenty District	Bay of Plenty Region	13	56,600	0.2	●	Low
Queenstown-Lakes District	Otago Region	13	47,400	0.3	●	Low
Central Otago District	Otago Region	19	23,900	0.8	●	Low
South Waikato District	Waikato Region	35	25,400	1.4	●	Low
Clutha District	Otago Region	27	18,300	1.5	●	Low
Tauranga City	Bay of Plenty Region	234	151,300	1.5	●	Low
Hurunui District	Canterbury Region	25	13,300	1.9	●	Low
Central Hawke's Bay District	Hawke's Bay Region	34	15,250	2.2	●	Low
Waimakariri District	Canterbury Region	163	64,700	2.5	●	Low
Waimate District	Canterbury Region	23	8,240	2.8	●	Low
Tasman District	Tasman Region	166	56,400	2.9	●	Low
Gore District	Southland Region	38	12,900	2.9	●	Low
Rangitikei District	Manawatu-Wanganui Region	50	15,750	3	●	Low
Otorohanga District	Waikato Region	36	10,700	3.4	●	Low
Waipa District	Waikato Region	217	57,800	3.8	●	Low
Kapiti Coast District	Wellington Region	219	5,000	3.8	●	Low
Stratford District	Taranaki Region	38	880	3.8	●	Low
South Taranaki District	Taranaki Region	119	28,700	4.1	●	Low
Taupo District	Waikato Region	172	0,100	4.3	●	Low
Kaipara District	Northland Region	114	25,200	4.5	●	Low
Westland District	West Coast Region	41	8,920	4.6	●	Low
Waikato District	Waikato Region	388	82,900	4.7	●	Low
Matamata-Piako District	Waikato Region	172	36,300	4.7	●	Low
Waitaki District	Otago Region	112	23,500	4.8	●	Low
Horowhenua District	Manawatu-Wanganui Region	179	36,100	5.0	●	Low to Moderate
Manawatu District	Manawatu-Wanganui Region	161	32,100	5.0	●	Low to Moderate
Kawerau District	Bay of Plenty Region	39	7,750	0	●	Low to Moderate
Hauraki District	Waikato Region	108	21,400	5.0	●	Low to Moderate
Ashburton District	Canterbury Region	192	3,400	5.4	●	Low to Moderate
Kaikoura District	Canterbury Region	24	4,220	5.7	●	Low to Moderate
Invercargill City	Southland Region	359	7,100	6.3	●	Low to Moderate
Thames-Coromandel District	Waikato Region	209	32,200	6.5	●	Low to Moderate
Ruapehu District	Manawatu-Wanganui Region	84	12,800	6.6	●	Low to Moderate
Wellington City	Wellington Region	1,775	216,200	7.7	●	Low to Moderate
Upper Hutt City	Wellington Region	96	47,100	8.4	●	Low to Moderate
Timaru District	Canterbury Region	418	48,400	8.6	●	Low to Moderate
Rotorua District	Bay of Plenty Region	686	77,300	8.9	●	Low to Moderate
Marlborough District	Marlborough Region	447	50,200	8.9	●	Low to Moderate
Wairoa District	Hawke's Bay Region	83	8,960	9.3	●	Low to Moderate
Waitomo District	Waikato Region	91	9,710	9.4	●	Low to Moderate
Far North District	Northland Region	677	71,000	9.5	●	Low to Moderate
Grey District	West Coast Region	138	13,800	10.0	●	Moderate
Dunedin City	Otago Region	1,377	134,100	10.3	●	Moderate
Opotiki District	Bay of Plenty Region	108	10,000	10.8	●	Moderate
New Plymouth District	Taranaki Region	951	86,100	11.0	●	Moderate
Buller District	West Coast Region	112	9,610	11.7	●	Moderate
Whanganui District	Manawatu-Wanganui Region	580	48,100	12.1	●	Moderate
Nelson City	Nelson Region	709	54,600	13.0	●	Moderate
Hastings District	Hawke's Bay Region	1,196	88,000	13.6	●	Moderate
Whakatane District	Bay of Plenty Region	524	38,200	13.7	●	Moderate
Whangarei District	Northland Region	1,370	98,300	13.9	●	Moderate
Christchurch City	Canterbury Region	6,310	394,700	16.0	●	High
Palmerston North City	Manawatu-Wanganui Region	1,463	90,400	16.2	●	High
Auckland	Auckland Region	29,493	1,717,500	17.2	●	High
Hamilton City	Waikato Region	3,237	176,500	18.3	●	High
Napier City	Hawke's Bay Region	1,500	66,300	22.6	●	High
Gisborne District	Gisborne Region	1,257	50,700	24.8	●	High
Lower Hutt City	Wellington Region	3,440	111,800	30.8	●	High
Porirua City	Wellington Region	2,047	61,000	33.6	●	High

Annex 7: Proportion of housing stock owned by Kāinga Ora

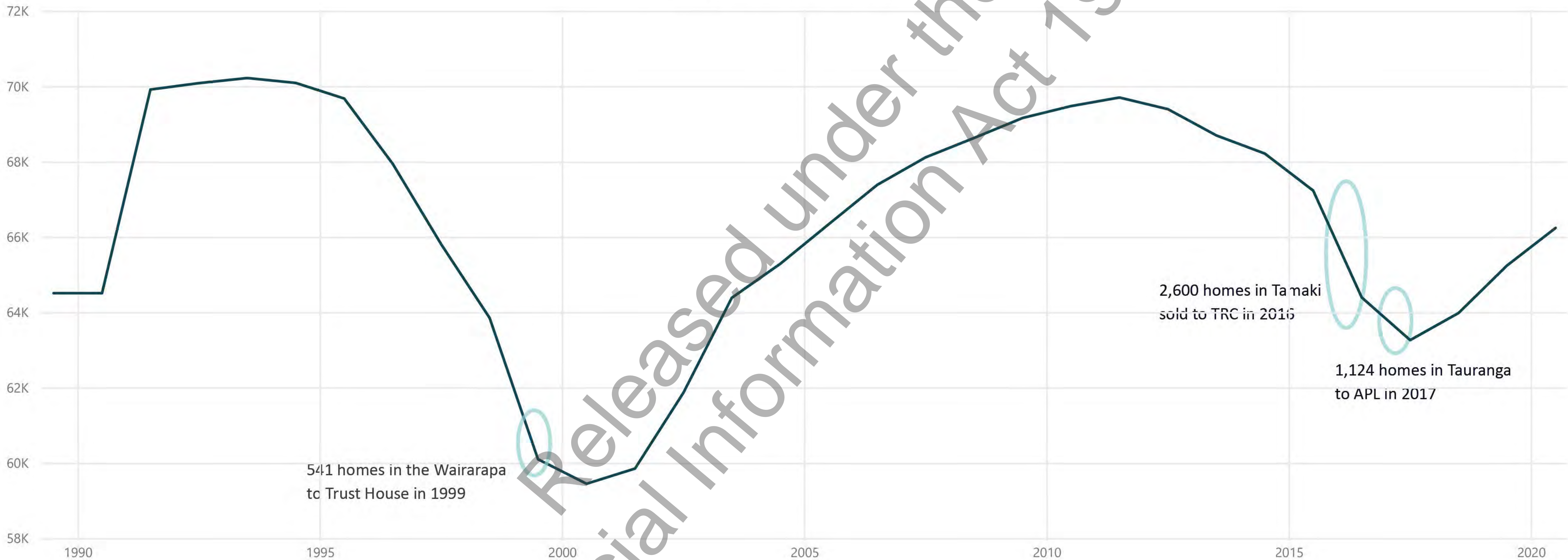
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Proportion of Housing Stock Owned by Kāinga Ora



Kāinga Ora Proportion of Housing Stock – Over Time

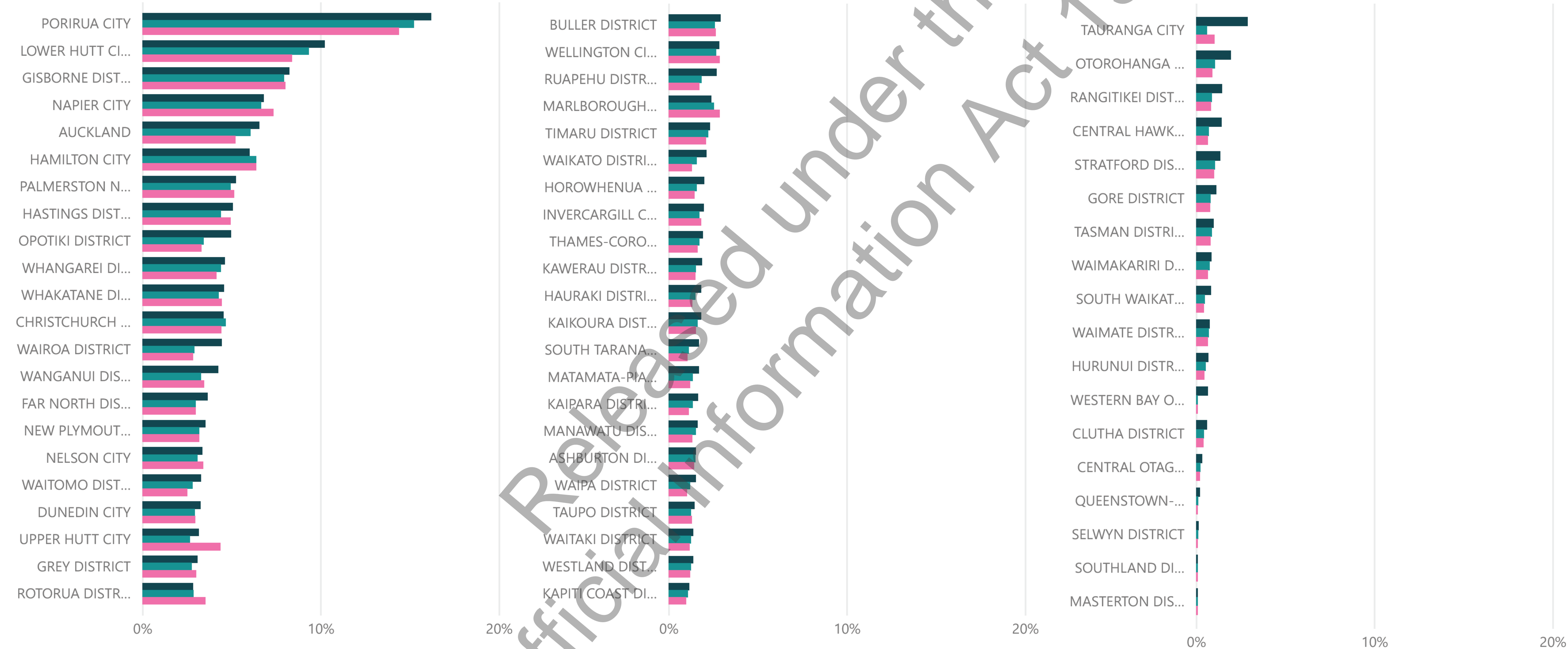
Housing Stock From 1990 to 2020



Proportion of Housing Stock Owned by Kāinga Ora - Territorial Local Authority

Proportion - Year 2013, Current and After Expected Growth

2013 Proportion Current Proportion Future Proportion







Briefing

Supporting rental supply: [redacted] s 9(2)(f)(iv)

For: Hon Dr Megan Woods, Minister of Housing

Date: 02 July 2021

Security level: In Confidence

Priority: Medium

Report number: BRF20/21050979

Purpose

1. This briefing provides advice on how the Government can support the supply of purpose-built rental (PBR) to meet a diverse range of housing needs and aspirations. This includes advice on:
 - [redacted] s 9(2)(f)(iv)
 - [redacted]
2. You have also received separate advice on tax settings to support the supply of PBR, including the impact [redacted] s 9(2)(f)(iv).
3. Your decisions on this advice will form the basis for a Cabinet report back in August 2021 on supporting increased supply of rentals [CAB-21-MIN-0061 refers].

Executive summary

4. There is a significant gap in affordable rental housing in Aotearoa, especially rental housing accessible to low-income households. Government support measures to date have primarily focused on facilitating access to home ownership and addressing much needed public housing needs.
5. Purpose-built rental (PBR) – a term for housing developments that are built specifically to provide long term rental accommodation to tenants, is not widely delivered in New Zealand but represents a large and growing sector overseas. There is an opportunity for Government to support the development of PBR in New Zealand to facilitate greater scale and supply of affordable rental properties offering secure long-term tenure.
6. We've defined PBR as including the following three types:
 - 6.1 community affordable: priced at a discount to market rates or as a portion of household income – typically 30%
 - 6.2 market affordable: more affordable due to its efficient design and land use, for example apartments and townhouses
 - 6.3 open market: which includes higher spec, more expensive housing options.
7. Increasing supply across these three types of housing will help reduce the overall housing shortage over time, keep rent increases to a minimal level (and hopefully in some circumstances result in a fall in rents in some places), reduce demand for public housing due to rental stress and improve overall wellbeing.

The housing supply and affordability package

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

9.

10.

The three funds and programmes will support a range of affordable housing with varying emphasis

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

12. We have proposed in separate advice that the **Land for Housing** and **Kāinga Ora Land Programmes** focus on facilitating housing delivery at greater pace and scale, primarily through acquiring and aggregating underutilised Crown and non-government land, undertaking certain preparatory works where appropriate, then on selling this land to development partners on condition they complete the developments in accordance with Government priorities. This will primarily support market affordable and open market rental housing that requires little or no subsidy, complemented by separately funded (via the Income Related Rent Subsidy (IRRS) and Operating Supplement) public housing. These programmes could also support a small volume of community affordable rental housing s 9(2)(j)

Regulatory and tax settings

13. We have engaged with the PBR sector, including through the Purpose-Built Rental Reference Group, to identify what they consider to be regulatory and legislative barriers to establishing a stronger sector in New Zealand.

14. The issues raised by the sector are covered in this paper and the s 9(2)(f)(iv)

These issues make it more difficult to attract capital to support PBR development. The regulation, impact, and recommendation in relation to each issue is presented in the summary table below. s 9(2)(f)(iv)

Figure 1: Regulatory and tax settings which affect purpose built rental

Overseas Investment Act	Interest limitation	Depreciation deductions	GST	Residential Tenancies Act
Impact				
s 9(2)(f)(iv)				
Difficulty attracting overseas investment due to lack of certainty of outcome	Impact on ability to on-sell reduces return and attractiveness of initial investment	High tax obligations for purpose-built rental developers	Investors face cost up front rather than at point of sale	Some settings e.g., inability to recover outgoings on shared amenities, may not suit the purpose-built rental model
Recommendation				
s 9(2)(f)(iv)				

Overseas Investment Act

15. The PBR sector continues to have concerns about the impact of the Overseas Investment Act 2005 (the Act) on PBR development in New Zealand. Concerns relate primarily to:

15.1 minor technical and drafting issues impacting on certainty

15.2 the substantive policy issue of the benefit to New Zealand test and its impact on secondary market liquidity (which in turn impacts the feasibility of new builds).

16. Concern is likely partially attributable to a lack of maturity in the sector but s 9(2)(f)(iv)

[Redacted text block]

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

[Redacted text block]

18.

s 9(2)(f)(iv)

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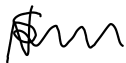
s 9(2)(f)(iv)

Recommended actions

34. It is recommended that you:

s 9(2)(f)(iv)

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

02 / 07 / 2021

Hon Dr Megan Woods
Minister of Housing

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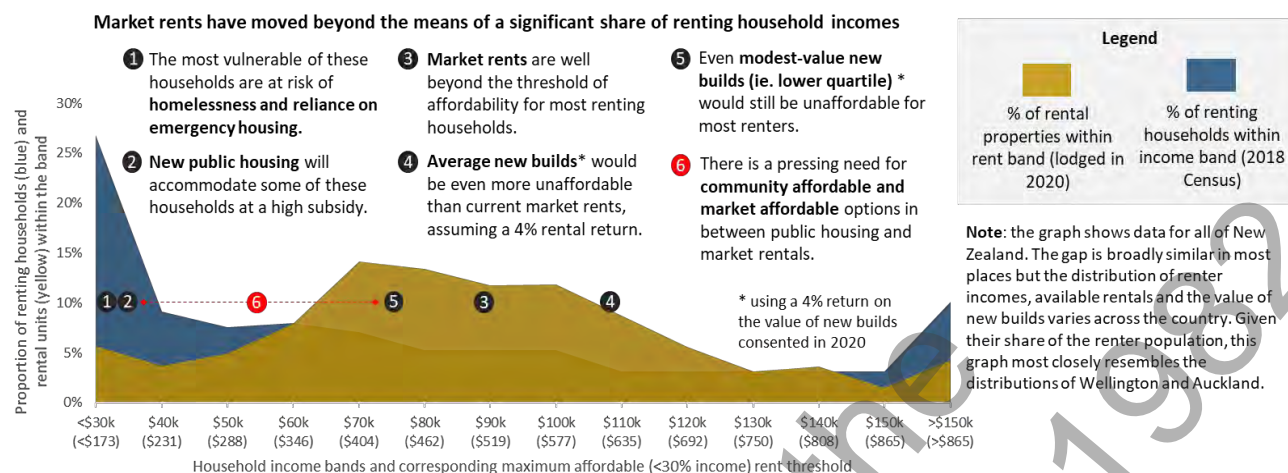
Background

35. In March 2021, Cabinet invited you to report back “setting out how the government can further support increased delivery of high-quality rentals at both market and subsidised rent, including [REDACTED] s 9(2)(f)(iv) [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
36. This briefing provides you with advice to inform this report back. It builds on advice previously provided in relation to purpose-built rental [BRF20/21120827, BRF20/21020862, M/EB20/21020106 and BRF20/21030896 refers], and further engagement with the purpose-built rental sector and other key stakeholders. [REDACTED] s 9(2)() iv), this will help inform the requested report back to Cabinet, due in August 2021.

Market context and gaps

37. New Zealand's housing supply and affordability challenges are well known. New Zealand is not building enough houses where they are needed, and at price points that low to-moderate income households can afford. The underlying reasons are complex and include:
 - regulatory and infrastructure constraints that limit the amount of build ready land and the density at which it can be developed
 - fragmented land ownership, and incentives to land bank in expectation that the land will be more valuable in the future
 - poor or untested commercial viability, particularly outside of the main centres
 - low sector productivity, accentuated by the boom-bust cycle.
38. These issues disproportionately impact low-to-moderate income renting households, including Māori.
39. Housing supply and demand occur within the context of a housing continuum. Shortages in one part of the continuum (e.g. the private rental market) can place additional pressure on other parts of the continuum (e.g. public housing) and vice versa.
40. To date, the Government's supply-side investment has been heavily focussed on increasing the supply of public housing and supporting the development of housing for first home buyers through KiwiBuild, with little provision targeting those in the middle. Most of our larger developments have also included some higher priced housing, sold on the open market, to support project viability. This has been complemented by demand-side support across most the housing continuum.
41. Despite spending \$1.7 billion on the Accommodation Supplement (AS) each year, predominantly supporting renters, there remains a significant gap between market rents and the amount that low-to-moderate income households can afford to pay. This is illustrated in the following graph.

Figure 2: The gap between market rents and affordability



42. According to Census 2018 data, 68 per cent of private renting households in New Zealand had a (self-reported) annual income of less than \$70,000. However, only 36 per cent of rental lodged with the Ministry of Business, Innovation and Employment (MBIE) in 2020 would have been affordable (i.e., less than 30 per cent of gross household income or \$404 per week¹) to a household earning \$70,000.
43. Ministry of Social Development (MSD) administrative data from October 2020 shows that 70 per cent of households receiving the AS are spending more than 40 per cent of their income on housing. The majority of beneficiaries (87 per cent) who are renting are spending more than 40 per cent of their income on rent. Nearly all (95 per cent) beneficiaries who are renting in Auckland are paying more than 40 per cent of their income on housing costs, and 51 per cent of beneficiary renters in Auckland are paying 60 per cent or more.
44. In Auckland, as well as several other cities in New Zealand, modelling by MSD suggests that a large percentage of renting AS recipients (beneficiaries and non-beneficiaries) are in extreme rental stress, paying over 50 per cent of their incomes on rent.

¹ This is an internationally accepted benchmark of housing affordability for low-to-moderate income households. Higher income household can typically afford to commit a higher proportion of their income to housing costs.

Figure 3: Accommodation Supplement recipients experiencing rental stress

EXTREME RENTAL STRESS	
Percentage of renting AS clients who are spending more than 60% of income on rent	
Auckland	43.8%
Queenstown-Lakes District	42.1%
Wellington City	41.2%
Rotorua District	32.9%
Tauranga City	32.5%
Kapiti Coast District	31.2%
Porirua City	31.2%
Upper Hutt City	30.9%
Western Bay of Plenty District	30.8%
Lower Hutt City	30.7%
Hamilton City	30.1%
Waikato District	28.9%
Whangarei District	28.4%
Napier City	27.5%
Thames Coromandel District	27.4%

45. You met with Income Support Ministers on 29 June 2021 to discuss the scope of the review of the AS. [REDACTED] s 9(2)(f)(iv)

[REDACTED] We note Ministers have requested further work.

46. Increased take up of Temporary Additional Support (TAS) is another indicator of housing stress. According to MSD data, as at the end of December 2020, 24 per cent of AS recipients also received TAS. The average weekly payment for households receiving AS and TAS was \$134.39 (AS) and \$61.64 (TAS), or a combined payment of \$196.03. TAS is a hardship payment available to beneficiaries and non-beneficiaries that provides a guaranteed minimum level of disposable income after regular weekly costs (such as accommodation) are taken into account.

The benefits of purpose-built rental

47. Purpose-built rental (PBR) is a term for housing developments that are purpose-built to provide long term rental accommodation to tenants, covering the continuum from community affordable to market affordable to open market. The model is of interest to institutional investors with long term horizons for returns on patient capital, such as superannuation funds, as well as those interested in providing affordable rental housing, such as community housing providers. The development of this asset class in New Zealand would align with a number of the Government's housing objectives, including improving rental supply, affordability, quality and security of tenure.
48. We have defined PBR for the purpose of this advice as including the following three types:
- 48.1 community affordable: priced at a discount to market rates or as a portion of household income – typically 30%
 - 48.2 market affordable: more affordable due to its efficient design and land use, for example apartments and townhouses
 - 48.3 open market: which includes higher spec, more expensive housing options.
49. Increasing supply across these three types of housing will help reduce the overall housing shortage over time, keep rent increases to a minimal level (and hopefully in some circumstances result in a fall in rents in some places), reduce demand for public housing due to rental stress and improve overall wellbeing.

The PBR sector is small in New Zealand

50. As a relatively untested asset class, the purpose-built rental sector faces several barriers, including:
- trouble securing suitable parcels of land at an acceptable price and competing for land against other asset classes e.g. commercial and industrial
 - achieving a competitive risk-adjusted return compared to other property types (e.g. commercial property)
 - difficulty attracting capital investment, given reducing investment appetite and limiting access to banks and non-bank debt funding
 - lack of stable government funding sources available to support affordability below market rates, and
 - difficulty finding suitable parcels of land at scale due to planning constraints and infrastructure costs.
51. The Government has implemented, or is in the process of implementing, several measures which are likely to go some way in facilitating the growth of the PBR sector and supporting affordability outcomes. These measures include the implementation of the National Policy Statement on Urban Development and reform of the *Resource Management Act 1991*.
52. Additional measures, however, are required to sufficiently support the delivery of PBR at pace and scale, particularly affordable PBR.

PBR may be of particular benefit to Māori

53. As a group Māori have consistently experienced comparatively poor wellbeing outcomes, particularly in relation to housing. While suitable for the general population, PBR, especially affordable PBR, may be of particular benefit to Māori with many PBR features (e.g. increased supply of rental housing, longer, more secure tenure, improved rental housing quality, affordable rental rates) encouraging positive wellbeing outcomes.
54. In addition to more generalised benefits of an increase in PBR provision, increased investment in PBR, including addressing barriers to its growth, may also enable the construction of traditional Māori housing models, e.g. papakāinga. Engagement with iwi has shown that iwi, whether interested in open-market, market or community affordable rental housing provision, experience some of the barriers highlighted above, specifically a lack of stable government funding sources (noting, however, that Māori experience unique barriers beyond those listed above to building kāinga on whenua Māori).

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

56.

There is a hierarchy of options available to increase rental supply and affordability

57. There is a broad range of levers available to Government to increase the supply of PBR, including the proportion of those homes that are affordable for low-moderate income households. These levers can be set in a hierarchy of interventions that would involve the government:
- **Enabling the market** to deliver through the removal of regulatory impediments and changes to tax settings
 - **Catalysing development** through facilitating access to land and, where appropriate, sharing certain costs and risks with the private sector. This could include providing rental guarantees to organisations providing modest rentals at market rents (i.e. a rental equivalent of KiwiBuild underwrites)

- **Directly providing or subsidising** rental housing where necessary. For example, in locations where the cost of providing new rental housing exceeds the available revenues, and when targeting household who cannot afford to pay market rents but don't necessarily require or rank highly for public housing.

58. The interventions to support PBR within this hierarchy are illustrated in Annex A.

The role of the Housing Supply and Affordability Package

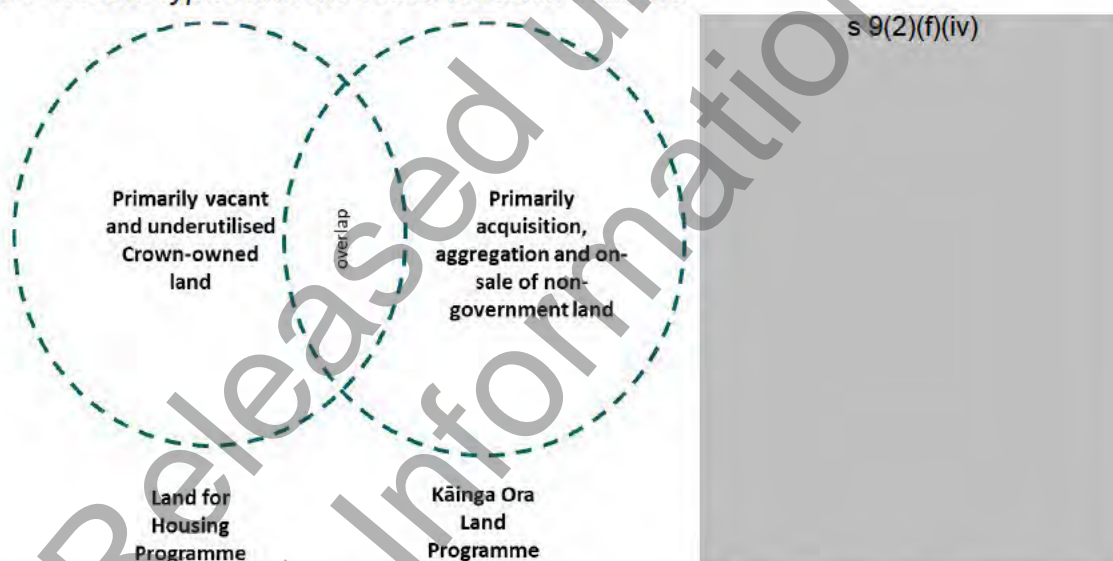
59. The Housing Supply and Affordability Package was announced in March 2021, and included:

- **Kāinga Ora Land Programme** – \$46 million per annum of new operating funding and \$2 billion of new Kāinga Ora borrowing for Kāinga Ora to strategically purchase land to increase the pace, scale and mix of housing development (including more affordable housing)
- **Land for Housing Programme** – \$50 million of new operating funding for the programme to accelerate development, operate in more regions and deliver a broader range of affordable housing options for rental and home ownership

- s 9(2)(f)(iv)

60. Each initiative is focussed on supporting the development of different types of land, as illustrated below.

Figure 4: Land types and the focus for each initiative



61. The package can support increased provision of PBR by acting on two key constraints:

s 9(2)(f)(iv)

62. Note that in many cases the Government will need to provide iwi/Māori organisations with the first opportunity to purchase and develop land owned by the Crown and/or Kāinga Ora. This may be because they hold a right of first refusal over the land, or within the context of Kāinga Ora, satisfying its broader obligations to protect Māori interests and support Maori aspirations.

s 9(2)(f)(iv)

s 9(2)(f)(iv)

68.

s 9(2)(f)(iv)

Further

advice and specific recommendations are provided in the accompanying briefings on the Kāinga Ora Land Programme, Land for Housing Programme and s 9(2)(f)(iv).

69.

s 9(2)(f)(iv)

70. In contrast, we anticipate that the **Land for Housing** and **Kāinga Ora Land Programmes** will be more focussed on facilitating housing delivery at pace and scale. In the case of rental housing, this means they are more likely to focus on supporting the provision of market

s 9(2)(f)(iv)

affordable and open market rental housing s 9(2)(j), complemented by separately funded (via the IRRS and Operating Subsidy) Public Housing. s 9(2)(j)

Regulatory and legislative settings

71. We have engaged with the PBR sector, including through the Reference Group on what they consider to be regulatory and legislative barriers to establishing a stronger sector in New Zealand. These barriers primarily relate to the open market however may also impede social impact capital which could be leveraged to deliver more affordable rentals at scale.

72. The issues raised by the sector are covered in this paper and s 9(2)(f)(iv)

These issues raised relate to what the sector has identified s the main barriers to attracting capital to support PBR development. The regulation, impact, and recommendation in relation to each is presented in the summary table below. s 9(2)(f)(iv)

Figure 5: Regulatory and tax settings

Overseas Investment Act	Interest limitation	Depreciation deductions	GST	Residential Tenancies Act
Impact s 9(2)(f)(iv)				
Difficulty attracting overseas investment due to lack of certainty of outcome	Impact on ability to on-sell reduce return and attractiveness of initial investment	Higher tax obligations for purpose-built rental developers	Investors face cost up front rather than at point of sale	Some settings e.g., inability to recover outgoings on shared amenities, may not suit the purpose-built rental model
Recommendation s 9(2)(f)(iv)				

Overseas Investment Act and impact on the supply of purpose-built rental

Context

73. HUD last provided advice to you on the impact of the *Overseas Investment Act 2005* (the Act) on purpose-built rental following the 'build-to-rent roundtable' held on 9 March 2021 [BRF20/21030896 refers]. s 9(2)(f)(iv)
74. Despite engagement to provide clarity on the treatment of PBR under the Act with the sector, the sector continues to have concerns about the impact of the Act on PBR development in New Zealand. For example, the Act was highlighted as a key barrier by the Purpose Built Rental Reference Group following the roundtable and external law firms have shared with HUD client concerns that the Act is a barrier to large-scale international investment in PBR. These concerns can be generally broken down to:
- **Minor technical and drafting issues impacting on clarity and certainty** (for example, concern about what 'in the business of' means in the context of starting a new PBR business)
 - **The substantive policy issue of secondary market liquidity** caused by the downstream impact of the benefit to New Zealand test (which in turn impacts feasibility of new builds).

s 9(2)(f)(iv)

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s 9(2)(f)(iv)

s 9(2)(b)(ii)

Figure 6: summary of issues with the Overseas Investment Act

	Issue	Recommended response
Minor technical and drafting issues impacting on clarity for the sector on treatment	Uncertainty regarding the meaning of “ <i>in the business of providing new residential dwellings</i> ” and whether a new entrant to the market in New Zealand or to the industry generally will qualify.	s 9(2)(f)(iv)
	Confusion related to drafting of the residential land outcome as it applies to PBR. cl 19(2) item 7 and cl 20(2)(a).	
	Concern that non-occupation condition prevents onsite live-in management which is a common part of PBR models.	
Substantive policy issue	Downstream impact of benefit to New Zealand test. It is difficult to sell an existing PBR development because the Overseas Persons (as defined by the Act) will likely have to apply for consent using the	

	(standard) benefits test ⁷ . This impacts on willingness to invest in new PBR assets, because of the downstream impact of this policy on the pool of investors available to sell to.	s 9(2)(f)(iv)
	There is a difference between the treatment long-term accommodation and purpose-built rental under the Act for new developments , as PBR Overseas Persons have more, and less clear hoops to go through to satisfy exemption from on-sale requirements, satisfaction that the provider is 'in the business of' PBR creates particular nervousness in the sector	

s 9(2)(f)(iv)

90. Some PBR stakeholders have raised concerns that the Residential Tenancies Act 1986 (the RTA) is not fit-for-purpose for larger institutional PBR arrangements. Concerns include the potential for excessive market rent on multi-year rental agreements, the inability to recover outgoings on shared amenities, requirements to provide advance notice of sale and right of entry for preventative or non-essential improvements.

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

s 9(2)(f)(iv)

⁷ Section 16A.

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Consultation

125. Inland Revenue, Kāinga Ora – Homes and Communities, Ministry of Social Development, Toitū Te Whenua Land Information New Zealand and The Treasury were consulted.

126. [Redacted] s 9(2)(f)(iv)

127. [Redacted]

128. [Redacted]

Next steps

129. [Redacted] s 9(2)(f)(iv)

130. [Redacted]

Annexes

- Annex A: [Redacted] s 9(2)(f)(iv)
- Annex B: [Redacted] s 9(2)(f)(iv)
- Annex C: [Redacted] s 9(2)(f)(iv)

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