



# New Zealand Housing Foundation

[www.housingfoundation.co.nz](http://www.housingfoundation.co.nz)

# Some context – the size of the social housing sector



Total number of homes in NZ	= 1,450,000*
Housing New Zealand Corporation	= 69,000 homes*
Territorial Local Authorities	= 14,000 homes*
Community Housing Sector	= 5,000 homes*

The community housing sector is tiny = 0.34% of all homes and less than 6% of all social housing.

\* = Defined as 'dwellings' Census 2006 – approximate numbers

# Some community housing organisations (CHO's)



Habitat for Humanity

Auckland Community  
Housing Trust

Vision West

Abbeyfield

Monte Cecilia Housing  
Trust

CORT (Community of  
Refuge Trust)

Queenstown Lakes

Community Housing Trust

Tauranga Community  
Housing Trust

Nelson Tasman Housing  
Trust

Marlborough Sustainable  
Housing Trust

The Salvation Army



# Why the Housing Foundation exists

We were formed in 2003 as a Charitable Trust in response to:

- Declining home ownership rates
- The need for innovation to create new home ownership options for people on low to medium low incomes
- Gaps in the housing sector and the limited ability of a very small and limited community-based social and affordable housing sector to close the gaps

# Our approach, our values, our DNA



- **“More than Profit” entity that is** - independent, innovative, credible and acts as a catalyst. A flexible and V. lean operation, with experienced trustees
- **Action focussed** - Proof of housing concepts/ ideas demonstrated through real projects
- **Complete approach** to creating new neighbourhoods through social and/ affordable housing that:
  - Empowers communities
  - Mixes tenures / incomes
  - Builds sustainable environments

**A supportive sponsor** - this helps



# What we do – a quick overview



- Directly deliver affordable home ownership through products such as
  - Shared Ownership and Home Equity
- Create new integrated neighbourhoods focused on sustainability
- Emphasis on new housing supply, practically this means to date the delivery of 150 new houses
- Highlight affordable housing issues and promote solutions
- Provided strategic housing advice to Councils

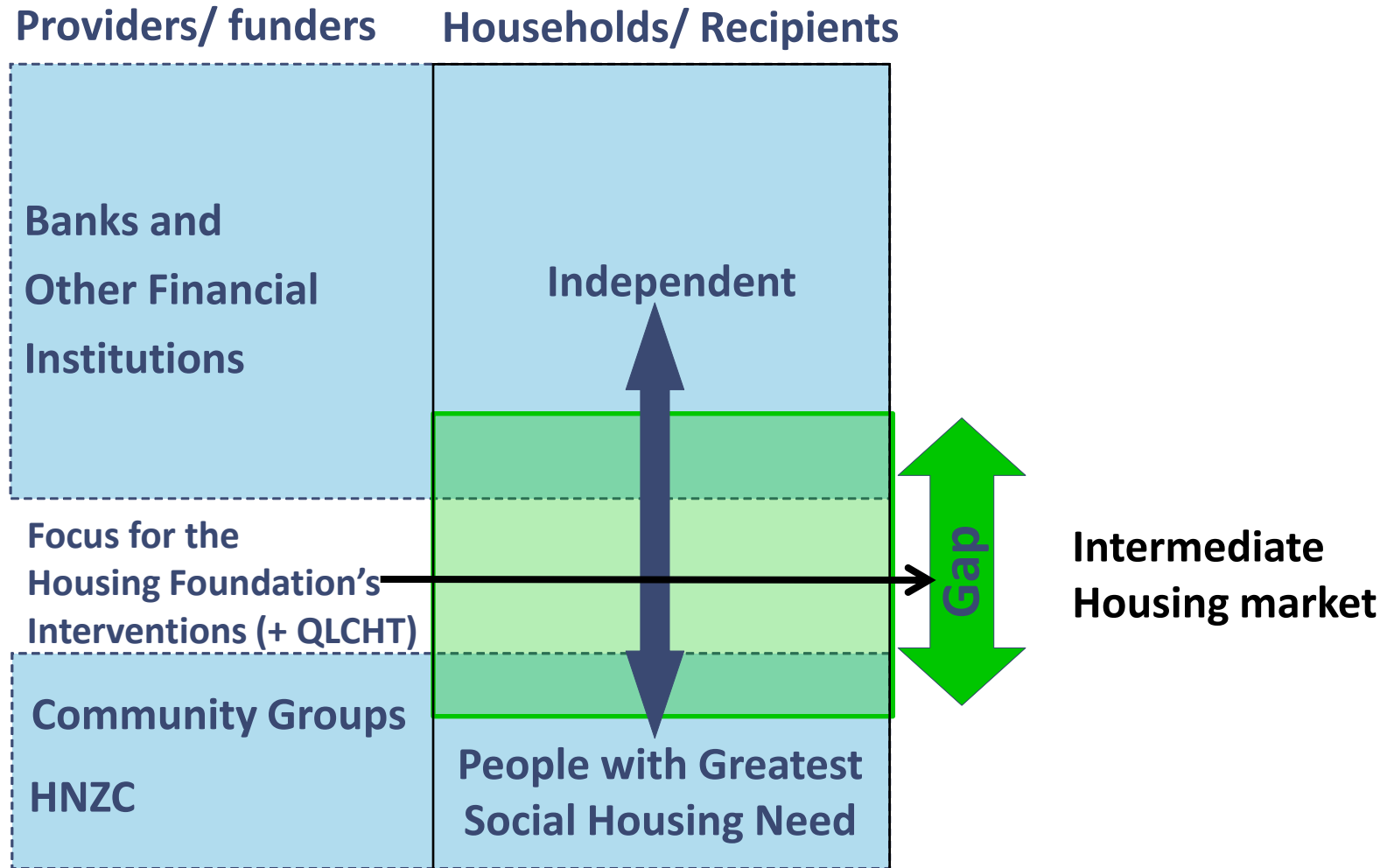
## What we do – cont.



- Support, complement and build the capacity of other Community Housing Organisations (CHOs)
- Support and fund initiatives such as the Far North carpentry Trade Training Programme – expansion planned with Kelston Boys High and Papakura High schools



# Our housing focus



# What is the Intermediate Housing market?



It's defined as households who:

- Are currently in the private rental market
- Have at least one member of the household in paid employment and
- Cannot afford to buy a house at the lower quartile house price under standard bank lending criteria

The size of this market, in both absolute terms and relative to the total private rental market is one measure of housing affordability for first home buyers.

# The size of the intermediate housing market



Since 1996 it's grown significantly:

1996 = 70,000 households

2001 = 72,000 households

2006 = 187,000 households

2016 = 220,000 households (Based on projected low house price growth)

36% (68,000) intermediate households are in Auckland

# Our products to help those in the intermediate housing market



## Shared Ownership

- Helps households on low incomes i.e. \$50,000 to less than \$100,000 to own their first home.
- Buyers target their mortgage repayments to an established affordable level by purchasing a percentage of their home based on what they can afford = 30% of household income

So, instead of borrowing costs being the variable, the level of their ownership becomes the variable

# Shared ownership criteria



- Applicants must be applying to buy their first-home
- At least one household member must be in full time employment
- Gross household income of over \$50,000
- Must have a minimum deposit of \$10,000
- Must have a good credit record and meet the banks lending criteria
- One household (applicant) member must be a NZ Citizen or have permanent residency

# How shared ownership works



## Home owner

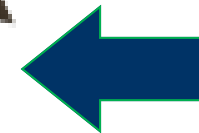
**Buys a share of the house at market value  
(buys with deposit & mortgage)**

**65% - 85% Share**



**Housing Foundation  
Retains a share of house**

**15% - 35%  
Share**



# How shared ownership works cont.



Value of the home	\$400,000
First time buyer purchases 70% share of home	\$280,000
<b>Share purchased based on mortgage payments being 30% of household income</b>	
<b>\$280,000 funded with Deposit \$10,000 + Mortgage \$270,000 = \$400.00 weekly payments</b>	
Housing Foundation retains 30% share in home	\$120,000
Owner sells home at a later date for say	\$500,000
<b>Increase in value of \$100,000</b>	
Owner gets 70% of increase in their home's value	\$70,000
Housing Foundation gets back its 30% share	\$120,000
plus 30% share in the increase in property value	\$30,000

# Characteristics of shared ownership



- All the privileges of home ownership without having to fund 100% of the purchase price;
- Ensures exclusive occupancy rights;
- 100% of outgoings are funded by the homeowner;
- No restrictions on selling the property at any time.

# Our products part 2



## Home Equity

This is aim at households with:

- Reasonable incomes
- No deposit or savings
- Some debt
- A credit history that makes banks nervous
- The desire to plan to own their home in 5 years time

# What is Home Equity?



**Housing Foundation**  
100 % ownership

Over 5 years

**Household**

- Home rented to household at market rent for five years
- Market rent goes up by no more than 3% p.a. or inflation which ever is lower
- Housing Foundation incurs all ownership costs
- Housing Foundation provides financial planning support so the household can clear their debts and save

- Pays market rent
- Occupancy agreement gives household right to buy after 5 years
- Purchase price at end of occupancy agreement is set at original price (below market value) plus 25% of difference between original price and current market value at point of purchase
- Raises finance to purchase outright in 5 years time



# How Home Equity works

Original cost of home on signing of occupation agreement	\$330,000
Valuation of home on signing of occupation agreement	\$340,000
Market rent assessment per week	\$460 - \$480
Household's weekly rental payment	\$470
Valuation of home for purchase 5 years later	\$390,000
Household now has equity deposit of	\$45,000
<b>(being 75% of the \$60,000 difference between new valuation and the original cost)</b>	
Household also has cash deposit from savings	\$10,000
Home valued at \$390,000, but purchased for	\$345,000

**\$345,000 purchased with \$335,000 mortgage + \$10,000 cash deposit (+ \$45,000 equity deposit)**

# How people apply for our programmes



Importantly we don't frequently market ourselves, we can't match demand to supply.

We promote our programmes/ developments through workshops, seminars with businesses, DHB's, community organisations, churches and other faith based organisations, government organisations etc

We occasionally advertise on Trademe and in local newspapers.

And apply on line at [www.housingfoundation.co.nz](http://www.housingfoundation.co.nz)

# Where our funding comes from



A few sources:

- Social lending (loans) separately from The Tindall Foundation and HNZC
- Auckland City Council funds a 30 house programme
- Funding from the HNZC Housing innovation Fund
- ASB and Kiwi Bank commercial loans (debt)
- ASB Community Trust as seed grant
- Sales receipts from shared ownership programme
- Development surpluses, by taking the development risk

# How our developments are funded

## Working Capital Loans

- The Tindall Foundation
- Housing NZ Corporation

## Grants

- The Tindall Foundation
- HIF grant (HNZC/ DBH)
- Auckland City

## Housing Foundation



120+

100+

## Housing

### Developments

- Mixed Tenure Neighbourhoods
- Affordable Housing Retained and Recycled

### Financial Growth

- HF – Balance sheet growth
- Funding recycled & leveraged

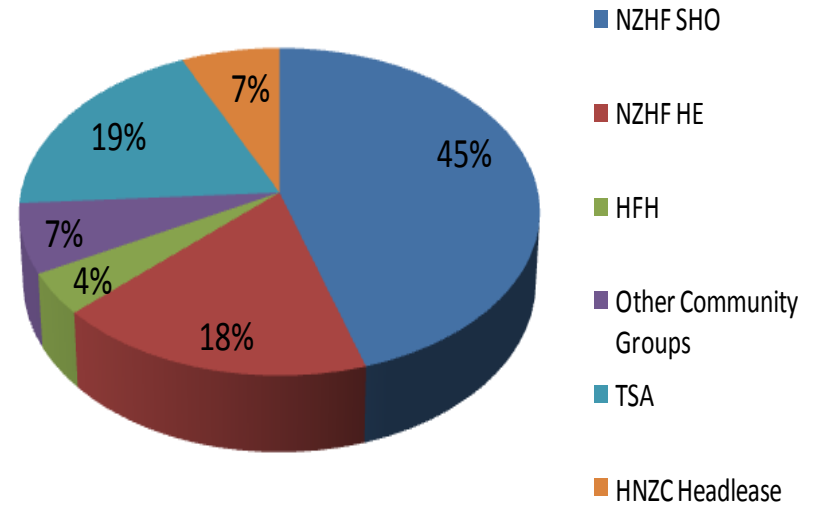
### Community Group Support

- Trade Training
- Enable other CHOs

# A new neighbourhood example – Glen Eden

Overall Mix

Overall Mix	No. of Houses	% within Neighbourhood
Shared Home Ownership	33	45%
Home Equity	13	18%
Habitat for Humanity	3	4%
Other Community Groups	5	7%
Older Persons Housing	14	19%
HNZC Rental –Headlease	5	7%
<b>Totals</b>	<b>73</b>	<b>100%</b>



## Average Price / Value

2 bedroom	\$305,000
3 bedroom	\$385,000
4 bedroom	\$410,000
5 bedroom	\$429,000

Home ownership % = 67%



# Successes



- 120+ households becoming homeowners and having housing stability in their lives + frees up rental housing
- Creation of new mixed (sustainable) neighbourhoods
- Demonstrated that integrated/ mixed tenure housing developments work and can be sustainable
- Demonstrated how to stretch government funding and leverage in funding from philanthropic organisations and other organisations, inc. Councils to supply new house
- Partnerships with Gov't, Council, other CHOs and the philanthropic sector (they do work)

# Challenges.....all the usual suspects



- Lack of affordable working capital & long term funding
- Lack of legislation giving effect for affordable housing within district plans –i.e. the lack of a “betterment tax”
- Council regulatory processes and development levies
- The dual and frequently conflicting role of HNZC as
  - New Zealand’s largest landlord and
  - regulator and funder of the community housing sector
- The challenge for Government and Councils to think differently about their role and how they can be enabling
- Our challenge of being a small, low overhead, flexible organisation versus needing to grow to achieve scale

# What we have learned



- No Magic Bullet, but what is obvious is the need for:
  - A wide range of supply side products and services
  - Delivery programmes, vehicles focussed on the diverse needs
  - Access to new capital – equity (i.e. land) , debt (loans), working capital
- The need for a complete approach at household level to address affordable housing solutions
- Projects require high level of collaboration and leverage across Public, Private, Community sectors
- Affordable housing does require significant new capital and partners to bring initiatives to scale and make a difference
- Issues and strategies “are needed” if large bureaucracies are to partner with us and the sector

# Key points to take away



- There is a clear need for affordable housing providers
- Expanding community housing sector and stock is not cheap
- Central and local government need to understand how they can enable the sector, e.g. HNZC stock transfers to CHOs, council's making surplus land available
- Key areas for Auckland Council to focus on –
  - Use the spatial plan to understand Auckland's housing markets
  - Introduce a “betterment tax” and review the planning system
  - Make surplus land available for affordable housing
  - Review cost of development levies on affordable housing developments
  - Simplify consent processes, don't just standardise them

Finally the time is ripe for a new housing funding partnership between public / private/ philanthropic for addressing housing affordability barriers

**Thank you**  
**Any questions?**



**[www.housingfoundation.co.nz](http://www.housingfoundation.co.nz)**

innovating affordable housing for the community