



**Te Tūāpapa Kura Kāinga**  
Ministry of Housing and Urban Development

*Webinar Series for Community Housing Aotearoa (CHA) and Te Matapihi:*

# **Introduction to working with HUD to deliver new public housing supply**

**Housing Supply Team**  
**Housing Supply, Response and Partnerships Group**

# Opening Karakia:

Kia mau ki ngā uarā

Kia Wānangatia

Kia Arohatia

Kia Kōkiritia

Haumi e, hui e

Tāiki e!

So that we may maintain the values

Curiosity

Empathy

Drive

The wisdom is bound, it collects

It is held



# What we will cover in this webinar:

- **Who we are, what we do and how we do it**
- The workflow through the application process
- Value for money considerations and framework
- The 'market'
- Introduction to the Design Guidelines



# Who we are - Housing Supply Team

- Public Housing Team (Long-term Supply- PH)
  - Business Development Managers
    - Northern Region - John Larnar (AKL) | Southern - Rachel Fleet (WLG) | Andy Gray (AKL)
  - Commercial Managers
    - Brett Smith (WLG) | Mihaka Panapa (AKL)
  - Senior Commercial Advisors
    - Guy Brocklehurst (AKL), Daniel Howe (WLG), Natalia Garstecka (WLG)
    - Brett Smith (WLG), Bethan Owens (WLG), Dan Gerrand (WLG)
    - Emma Ramsey (AKL), Sharon Heslop (WLG)
  - Senior Program Coordinator - Bev Neal (AKL)
- Transitional Housing Team (Short-term Supply - TH)



# What we do - Increasing Public Housing Supply

- Building more public housing
  - Budget 2018 - Increasing Public Housing places by 6,400 in the four years 18/19 - 21/22
  - Budget 2020 - Further 8,000 places (6,000 PH and 2,000 TH) 20/21 - 23/24
- Working with a range of stakeholders
- Public Housing Plan
  - Currently being reviewed
  - Focus is on new builds
  - <https://www.hud.govt.nz/community-and-public-housing/increasing-public-housing/public-housing-plan/>



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# What we do - Current Funding Settings

## Budget 2018

- Income Related Rent Subsidies (IRRS) – Long Term Contracts
- Operating Supplement (OS)

## Operating Supplement

A subsidy paid as a percentage of market rent; paid on top of the market rent

- Amount of OS varies depending on the location and nature of the proposed development and can be up to 90% of market rent
- HUD works on an “open book” cost basis with providers to establish the appropriate level, which will vary by region and by project
- OS is available for net new public housing (new build and turn-keys)

Budget 2020 details still pending

Ongoing discussions with Ministers around commercial settings



# What we do - Progress towards 2018 Public Housing Plan (actual and forecasted delivery)

| Progress to PHP Plan (as at 31 Oct 20) - Excluding Re-Directs |                        |     |        |                      |                      |                      |                      |              |                  |
|---|------------------------|-----|--------|----------------------|----------------------|----------------------|----------------------|--------------|------------------|
| Description   | Region                 | %   | Target | 2019                 | 2020                 | 2021                 | 2022                 | Total        | Comments         |
|   |                        |     |        | 12 mths to 30/6/2019 | 12 mths to 30/6/2020 | 12 mths to 30/6/2021 | 12 mths to 30/6/2022 |              |                  |
| Total   |                        |     | 6,400  | 1,600                | 1,600                | 1,600                | 1,600                | 6,400        |                  |
| HNZ   |                        | 70% | 4,480  |                      |                      |                      |                      |              |                  |
| CHP   |                        | 30% | 1,920  | 480                  | 480                  | 480                  | 480                  | 1,920        | A                |
| <b>Delivered - New</b>  |                        |     |        |                      |                      |                      |                      |              |                  |
|   | Auckland               |     |        | 118                  | 304                  | 81                   |                      | 503          |                  |
|   | Bay of Plenty          |     |        |                      | 30                   | 1                    |                      | 31           |                  |
|   | Canterbury             |     |        | 19                   | 24                   | 28                   |                      | 71           |                  |
|   | East Coast             |     |        |                      | 6                    |                      |                      | 6            |                  |
|   | Waikato                |     |        |                      |                      | 4                    |                      | 4            |                  |
|   | Wellington             |     |        |                      | 18                   |                      |                      | 18           |                  |
|   |                        |     |        | 137                  | 382                  | 114                  |                      | 633          | B                |
| <b>CHP Pipeline</b>   |                        |     |        |                      |                      |                      |                      |              |                  |
|   | Auckland               |     |        |                      | -                    | 370                  | 299                  | 669          |                  |
|   | Bay of Plenty          |     |        |                      | -                    | 34                   | 154                  | 188          |                  |
|   | Canterbury             |     |        |                      | -                    | 118                  | 6                    | 124          |                  |
|   | Central                |     |        |                      |                      | 72                   | 0                    | 72           |                  |
|   | East Coast             |     |        |                      |                      | 18                   | 0                    | 18           |                  |
|   | Northland              |     |        |                      |                      | 3                    | 18                   | 21           |                  |
|   | Southern               |     |        |                      |                      | 15                   | 20                   | 35           |                  |
|   | Waikato                |     |        |                      |                      | -                    | 0                    | -            |                  |
|   | Wellington             |     |        |                      |                      | 25                   | 0                    | 25           |                  |
|   | Other                  |     |        |                      |                      |                      |                      | -            |                  |
|   |                        |     |        |                      |                      | 655                  | 497                  | 1,152        | C                |
| <b>Delivered and Pipeline</b>                                 |                        |     |        | <b>137</b>           | <b>382</b>           | <b>769</b>           | <b>497</b>           | <b>1,785</b> | <b>D = B + C</b> |
| <b>Over Target by</b>   | <b>as at 30/9/2020</b> |     |        | <b>(343)</b>         | <b>(98)</b>          | <b>289</b>           | <b>17</b>            | <b>(135)</b> | <b>E = D - A</b> |



# What we do - 4 Build Type Options

## Build and Own

- CHP designs, builds, owns, and operates and maintains property

## Build to Transfer (rarely used)

- Development Partnership: Developer designs to CHP specifications; Payments at agreed milestones
- Ownership transferred to CHP on build completion

## Turnkey Purchase

- Turnkey Purchase: CHP purchases design from specific design plan
- Ownership transferred to CHP on build completion

## Build to Lease – Standard and Direct Leasing

- Private Developer undertakes entire build process
- Dwelling is leased to CHP on completion (Standard Leasing) or directly to HUD then sub-leased to a CHP (Direct Leasing)





# Types of projects funded and locations – under Gateway 2 – new procurement (contracted)

(December 2018 till 30 November 2020)

| Sum of Total Planned | Build Type            |                    |                     |                   |             |            |
|----------------------|-----------------------|--------------------|---------------------|-------------------|-------------|------------|
| Region               | Turnkey Purchase (TK) | Build and Own (BO) | Build to Lease (BL) | Direct Lease (DL) | Grand Total |            |
| Auckland             | 20                    | 28                 |                     | 68                | 171         | 287        |
| Bay of Plenty        | 20                    |                    |                     | 7                 | 42          | 69         |
| Canterbury           |                       | 126                |                     | 6                 |             | 132        |
| Central              |                       |                    |                     |                   | 72          | 72         |
| East Coast           |                       |                    |                     | 6                 | 18          | 24         |
| Northland            |                       | 3                  |                     |                   | 18          | 21         |
| Southern             | 15                    |                    |                     | 20                |             | 35         |
| Waikato              |                       |                    |                     | 4                 |             | 4          |
| Wellington           |                       | 4                  |                     |                   |             | 4          |
| <b>Grand Total</b>   | <b>55</b>             | <b>161</b>         |                     | <b>111</b>        | <b>321</b>  | <b>648</b> |



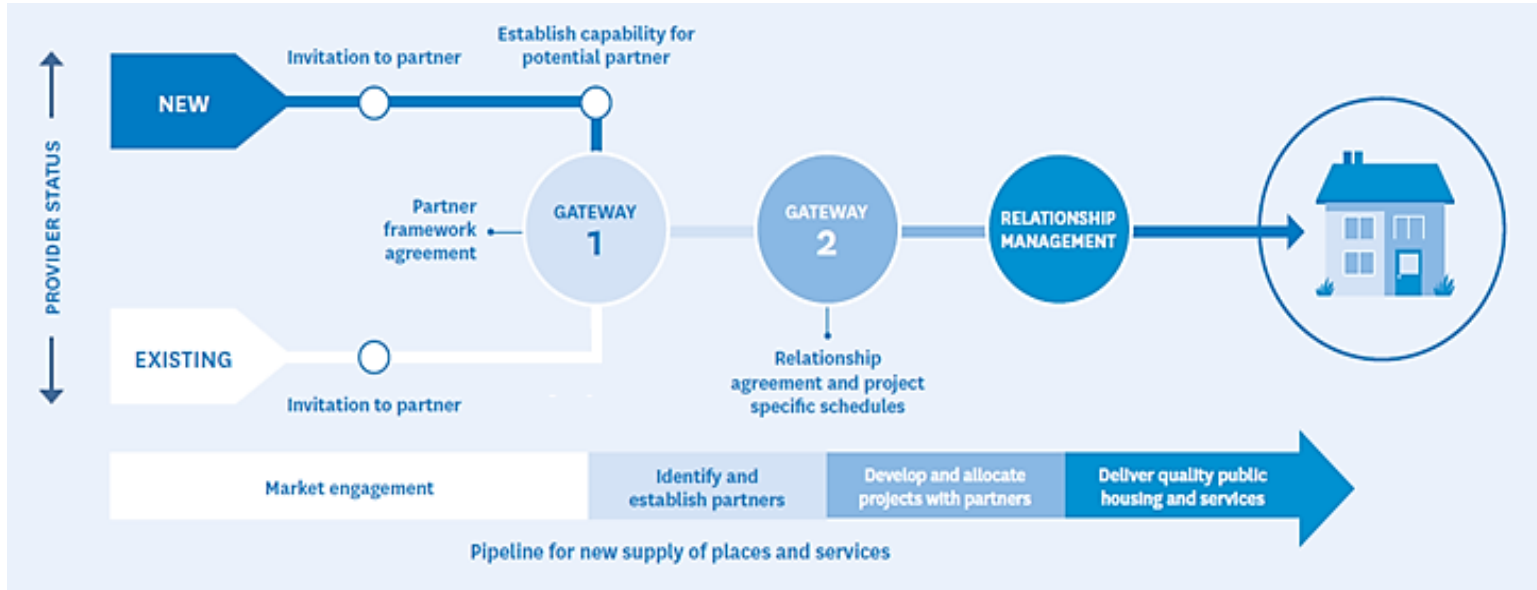
# How we do it - Strategic Partnering

## Strategic Partnering

- Moved away from a 'competitive' approach to working 'collaboratively'
- More effective way of working together to achieve positive social outcomes
- Proven method of achieving quality, efficient results
- Establishing long-term mutually beneficial relationships
- Designed to maintain a consistent approach



# How we do it- Strategic Partnering Pathway



# How we do it - Gateway Process

## **Gateway 1 – Organisation focused**

- ITP is open to CHPs that have achieved CHRA registration
- CHP opts-in to the Panel, submitting application under Invitation to Partner (ITP)
- Application should take no longer than 1 hour to complete

## **Gateway 2 – Project focused**

- You must be a member of the Panel to be able to submit a funding application for Gateway 2
- Project-specific funding proposals are submitted and assessed in a secondary procurement process, with support sought at the Evaluation Panel



# How we do it - Gateway 2

## Format

- Word document and Excel spread sheet - Electronic submission
- <https://www.hud.govt.nz/community-and-public-housing/partner-with-us/become-a-partner/>
- Now on Version 3 published in October 2020
- Version 4 to incorporate MAIHI Principles

**Who needs to complete the application** - Public Housing Strategic Partners (CHPs)

## Before you apply

- List of pre-conditions

## When to Apply

- Anytime during the year
  - Christmas holiday period
- Approximately four weeks to assess and take to Evaluation Panel
  - If supported, would then be recommended for delegated authority sign-off



# How we do it - Value for Money Framework

**The application has four main components for providers to complete (application is organised by these criteria):**

- Deliverability
- Fit for Purpose
- Financial Viability
- Price (whole of life cost)

## **Value for money**

- The principle of *value for money* is about getting the best possible outcome over the whole-of-life of the house(s)
- Doesn't always mean that it's the cheapest option



# How we do it - “Open Book” Assessment vs. Benchmarks

- We provide guidance to CHPs on their proposed cost structure for each application
- If our benchmark data indicates that a CHPs costings are too high or too low, we discuss the rationale for the underlying cost differences.

## Average Opex and Capex Costs over #75 projects / #1748 Places

| Cost Item               | Cost per year per unit |
|-------------------------|------------------------|
| Vacancy                 | 201                    |
| Rates                   | 1,230                  |
| Insurance               | 828                    |
| Repairs and Maintenance | 1,880                  |
| Capital Renewals        | 712                    |
| Utility Expenses        | 149                    |
| Tenancy Management      | 2,337                  |
| Other Expenses          | 1,012                  |
| Total Expenses          | 8,349                  |



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# Workflow and New Processes

- All opportunities recorded in HUD opportunity register
- New "Opportunity Feedback Form" for assessing early stage opportunities
  - Early stage “go” or “no go” assessment
  - Maps:
    - Demand data
    - CHP pipeline
    - Existing KO Stock: [Central Record of State Land \(arcgis.com\)](https://arcgis.com)
- Work with BDM and team to develop strong proposals
- Q&A Form for “Rinse Through” of draft application
  - Coordinates feedback on draft proposals and be clear what is required for the final version



# Workflow process on applications

- Final application and all mandatory documents submitted to Procurement Inbox
- Evaluation undertaken, approval memo prepared and taken to Evaluation Panel for support
  - Weekly Evaluation Panel Meetings (under review)
  - If Supported:
    - Delegated authority review and sign-off
    - Letter of Approval to CHP, typically with conditions of contracting
    - Contracting (HUD legal instructed to prepare Capacity Services Agreement- CSA)
      - New Electronic Signatures protocols
    - CSA then signed with "Conditions Precedent"
      - Contracts commence once all conditions are satisfied
      - Projects then handed over to HUD Contract Management Team



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# Value for Money Criteria and Weightings

| Main Criteria       | Weighting |
|---------------------|-----------|
| Ability to Deliver  | 20%       |
| Fit for Purpose     | 30%       |
| Financial Viability | 30%       |
| Price               | 20%       |



# Rating Scale

- Score of 5 and above is considered a 'Pass' for each of the main evaluation criterion
- Lower ratings scores to be discussed by Evaluation Panel
- Decisions made on a case-by-case basis

| Description   | Rating |
|---|--------|
| <b>Excellent</b><br>Significantly exceeds the Criterion                     | 9-10   |
| <b>Good</b><br>Exceeds the criteria in some aspects                         | 7-8    |
| <b>Acceptable</b><br>Meets the criterion in full, but at a minimal level    | 5-6    |
| <b>Minor Reservations</b><br>Marginally deficient                           | 3-4    |
| <b>Serious Reservations</b><br>Significant issues that need to be addressed | 1-2    |
| <b>Unacceptable</b><br>Significant issues not capable of being resolved     | 0      |



# How we do it - Why do we need all of this?

## Lets CHPs

- Know what we expect- online and clear
- Gather and present their financial information in a structured manner and ensure that all material items are covered (nothing missed)

## Lets HUD

- Review proposals in a similar **structure** and level of detail
- Make a like for like comparison (Operating Supplement v Upfront Funding)
- Evaluate if the proposal is **financial viable** in Year 1 to Year 25
- Ensure the costs sit within **benchmarks**
- Compute the whole of life cost for the HUD investment



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- **The 'market'**
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# The market - what we are seeing now

- Strongest pipelines in Auckland and Christchurch
  - Market rents in many other areas make projects more challenging
- Increase in applications for Build to Lease
  - Increase in perceived value of long-term government funded contracts
  - Many proposals not “Fit for Purpose” for long-term public housing - may be suitable for Transitional housing
- Tightening of bank financing requirements
  - Indicative letters of finance vs. credit approved finance
- Desire for clarity on funding settings and decisions around Budget 2020
  - To be effective, Strategic Partnering requires clarity on future funding settings and potential pipeline





# What we want to cover in this webinar:

- Who we are, what we do and how we do it
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- The 'market'
- **Introduction to the design guidelines**



# Introduction to the Design Guidelines

## Why the Guidelines?

- Alignment with Kāinga Ora standards, but modified for CHP's
- Deliver good quality homes to vulnerable clients
- Help CHPs to find good development locations and typologies
- Let developers know our intentions
- Chapters align with HUD's assessment criteria for applications (refer v3)

## What is Included?

- Housing type and location
- Site layout and design
- Building planning and design
- Designing for nature and the environment
- Designing for affordability and durability
- Specific design considerations for Māori and differing housing typologies



# Introduction to the Design Guidelines

## Key elements – tables of basic parameters

| Table 1: MINIMUM TOTAL FLOOR AREA FOR ANY DWELLING          |                  |                  |                   |                   |                   |                   |
|---|------------------|------------------|-------------------|-------------------|-------------------|-------------------|
| <i>House size</i>   | 1 bed            | 2 bed            | 3 bed             | 4 bed             | 5 bed             | 6 bed             |
| <b>Number of occupants</b>                                  | 2                | 4                | 6                 | 8                 | 10                | 12                |
| <b>Single storey<br/>Minimum gross floor area</b>           | 50m <sup>2</sup> | 70m <sup>2</sup> | 95m <sup>2</sup>  | 118m <sup>2</sup> | 146m <sup>2</sup> | 160m <sup>2</sup> |
| <b>Double storey<br/>Minimum gross floor area</b>           | n/a              | 82m <sup>2</sup> | 107m <sup>2</sup> | 130m <sup>2</sup> | 155m <sup>2</sup> | 175m <sup>2</sup> |
| <b>Minimum combined area<br/>kitchen, dining and living</b> | 27m <sup>2</sup> | 36m <sup>2</sup> | 46m <sup>2</sup>  | 52m <sup>2</sup>  | 61m <sup>2</sup>  | 67m <sup>2</sup>  |



# Introduction to the Design Guidelines

## What information needs to be provided with application?

- Outlined in Version 3 of the application form
- Dimensioned plans and elevations (aligns with RC and BC)
- Landscape plans
- Gross Floor Area!
- Fittings, fixtures and specifications

## Why do we need this?

- Aligns with Kāinga Ora assessment process
- Ensure the CHP and HUD both know what is being funded and that it is built



# Introduction to the Design Guidelines

## Next Steps - When is the Guide coming?

- Draft complete December 2020
- Approval for release January 2021
- Engagement and consultation with the sector (inc. Te Matapihi, CHA) February-March 2021
- Final publication and release May 2021

## What to do in the interim?

- Apply table or KO M255 std
- Discuss variations with friendly and approachable HUD Housing Supply Team





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# Questions?



# Closing Karakia:

Whakairia ake ngā korero

Kia wātea i te ara takatū

Kia mau ki ngā uara

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Kia Kōkiritia

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# Examples





# Build /Own

## The Salvation Army, Royal Oak

- Royal Oak is a 50-unit development with 47 one-bedroom and 3 two-bedroom units.
- All units are Lifemark 4 and target social housing tenants.
- The project is partially funded by HUD with 18% upfront capital funding and 32% OS.
- HUD has a capacity contract for 25 years with TSA.
- Completed November 2019



# Build to Transfer

## Papatoetoe, Auckland

- 22 one-bedroom and 5 two-bedroom units
- Completed February 2020
- Build to Transfer –
  - Developer - obtains Land, obtains all consents, pays all professional fees in design and consenting), obtains a fixed price construction contract.
  - CHP picks up project after fixed price contract, pays development fees, connection of services fees, and construction costs, and the developers costs and margin.



# Turnkey

## Mahia Road, Manurewa

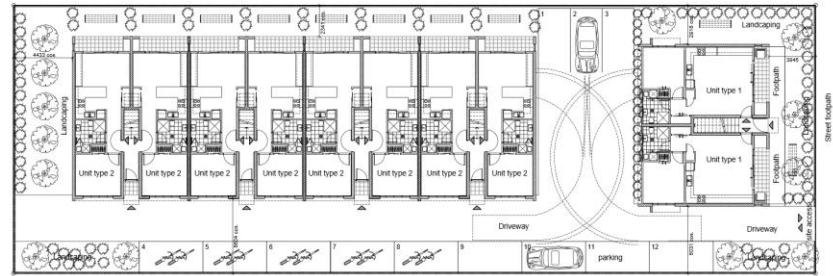
- Greenfield development of 112 homes in Manurewa of which 51 will be for public housing. Balance for Kiwibuild and private sales
- Mixed tenure community including public housing through three Community Housing Providers (CHPs) - Accessible Properties, Penina Health Trust and Emerge Aotearoa
- CHPs are purchasing turnkey (deposit paid and balance on CCC). Developer leasing approx. 10 units to CHP on long term lease (15 years)
- A mix of 1, 2 and 5 bedroom homes, all Lifemark 3 or 4 Star rated and providing good accessibility
- Development due to complete end of 2020, with CCC and tenanting achieved on several units in September.



# Build to Lease

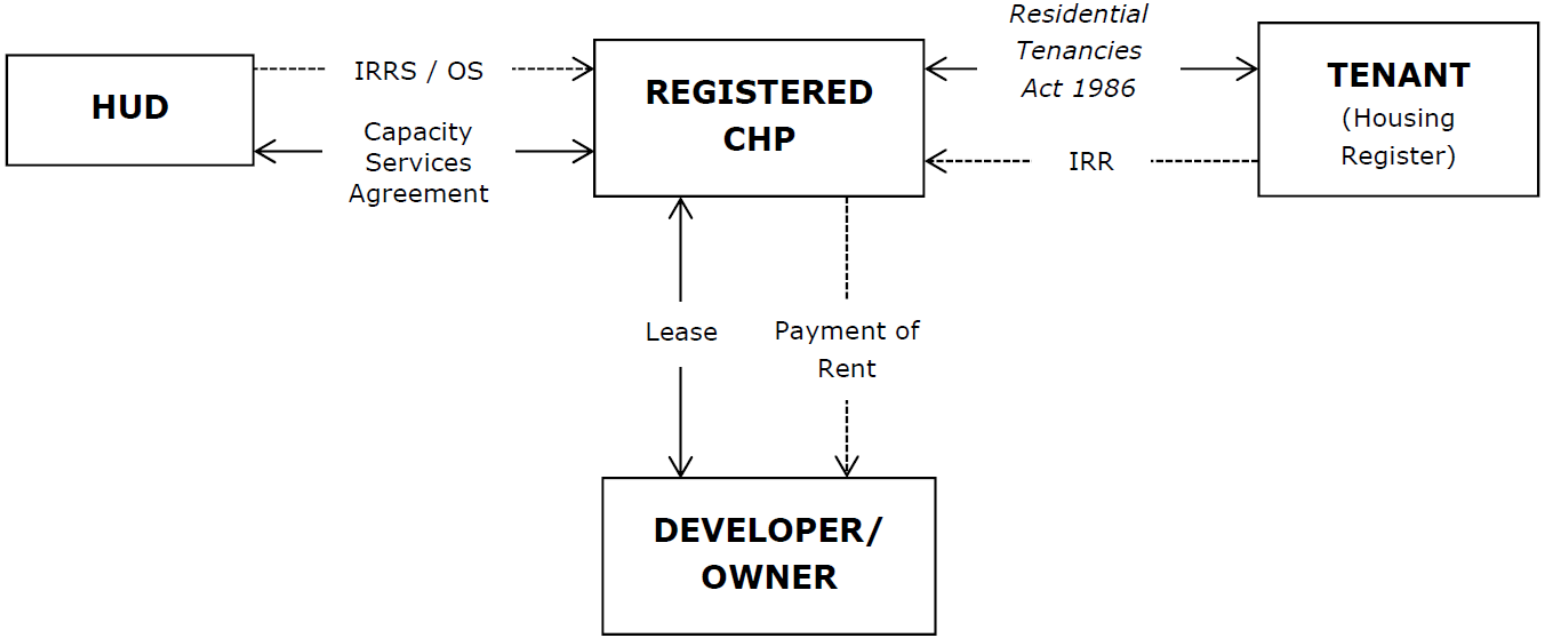
## St George Street, Papatoetoe

- 20 x 1 Bedroom units
- Construction commenced July 2020
- CHP entered into 10 years lease with a right of renewal for 5 years. CHP entered into IRRS Capacity Contract with HUD for 10 years
- Operating supplement to be paid on top of market rent of \$450 per week per unit for the term of the contract term.



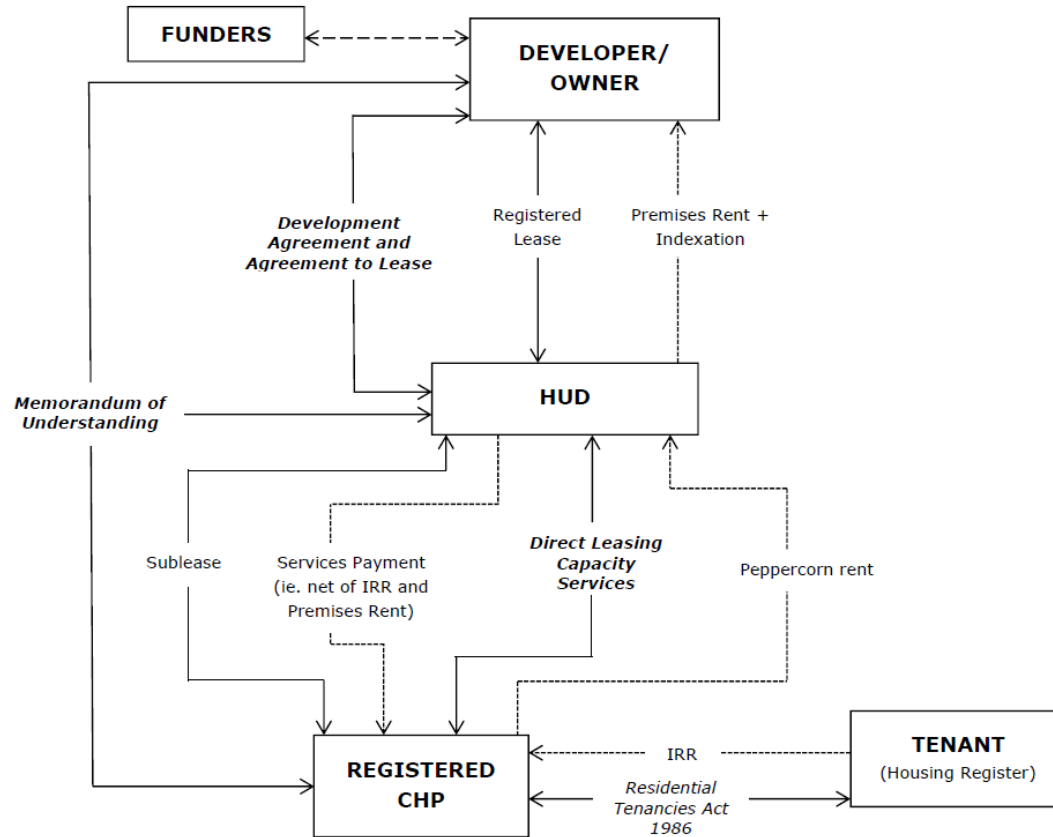
# Standard Leasing Model

**Standard model** (CHP leasing from private developer / owner):



# Direct Leasing Model

*Direct Leasing model:*



# Key Criteria for Direct Leasing

## The project:

- Is larger than 20 units and has the potential to be replicated in other geographies throughout the country.
- Cannot be delivered using a standard leasing structure.

## The developer/owner/investor:

- Must first proceed through a due diligence review to show capacity, character and capital.
- Track record with asset management is a key element of the analysis.
- Must not be a registered CHP.

## The CHP Partner:

- Submits the application and must be comfortable with the designs and spec as well as proposed split of property and asset roles and responsibilities.



# Direct Leasing

## 321 Victoria Ave. Whanganui

- Former Midtown Motor Lodge - conversion and construction of a new housing block
- 26 units: 10 one-bedroom, 14 two-bedroom and 2 three-bedroom apartments
- Coming online online late 2020
- Partnership between Compass Housing Services New Zealand and SOHO Group (a subsidiary of Wallace Development).

