

5 October 2015

The Treasury
Invercargill and Tauranga Transfer of Social Housing

**Ensuring Stock Transfers achieve better outcomes for tenants
through a community housing response:
Feedback to the August 2015 Market Sounding Information Memorandums**

The community housing sector is interested in achieving better outcomes for families, communities and individuals, through a local response to delivery across the continuum of social, affordable, and market housing. We support building stronger communities, working toward all New Zealanders being well-housed. Toward that end we suggest that the stock transfer process is a once-in-a-generation opportunity to significantly grow the amount of social and affordable housing delivered through the community housing sector. That was the undertaking expressed in the Housing Shareholders Advisory Group report, and by Government.

As a sector we see the need to provide housing for a further 50,000 people, to grow the stock delivered by the sector by 15,000 homes, to achieve approximately 20,000 homes delivered by the sector by 2020, whilst maintaining the current level of social housing places delivered by HNZC. This is entirely possible if the stock transfer process is dedicated to doing so. The way we do this work matters greatly: to tenants, to communities, and to the community housing sector.

CHA has received feedback on the Market Sounding Information Memorandums that indicates significant further work is required to ensure that stock transfers can deliver better outcomes for families and grow the community housing sector. In the first instance, we suggest that the framework for stock transfers should acknowledge the need for delivering housing solutions across the full housing continuum. It should create incentives for those who are ready to supply more social housing to serve those in greatest need. At the same time it needs to stimulate the supply of affordable housing through better use of the land asset that the stock is currently sitting on. We suggest such clarity is essential and that the documentation should squarely set this regeneration opportunity to the fore. Without such clarity, the proposed approach appears inconsistent with the objectives of Government's Social Housing Reform Programme.

We were pleased to see an acknowledgement that the current stock is not fit-for-purpose. However, we were looking for further certainty as to the terms and conditions on the Government's 'encumbrance and mortgage'. We want to ensure it creates an incentive for regeneration so that better outcomes are achieved. Without this certainty, the framework misses a significant opportunity to clarify the role of the not-for-profit community housing sector for partnering with private sector investment. We suggest that any value uplift that occurs should be clearly retained in the not-for-profit community housing sector. This is how providers will be able to leverage and further increase delivery across the continuum when we know that Government resources are limited. Clearer expression of how value held by Government is transferred to community housing providers would be welcomed.

While we can appreciate that Governments work on a true outcomes-based contracting approach is still underway, that should not stop the stock transfer programme from being able to assess those proposals that can demonstrate how they will achieve better outcomes for both the current tenants and the wider community. We also understand that Government sees itself in a 'price discovery' phase. We would suggest that effort would be better placed in an 'outcomes discovery' phase, as that would match the narrative that we hear around savings occurring through better outcomes. In our view that will likely require greater investment up front, which could be achieved by Government providing clear terms for deferred payment of any sale price agreed. Again, we hope to find that certainty in further information releases.

We were pleased to see acknowledgement of both leasing as well as sale options included; again, further clarity on the terms and conditions would allow proposers to consider how those options best achieve better outcomes within their financial situation.

CHA suggests that Government uses the Market Sounding responses to reconsider and adjust its framework to ensure that the objectives of the Social Housing Reform Programme will be achieved. We want an open and good faith discussion with Government and its advisors that results in a better model. We would have thought that the approaches taken in Tamaki would inform the further thinking required.

To start that discussion, we suggest that Government state how transactions will be assessed to ensure delivery of better outcomes for households, families and individuals in the particular community or region. We suggest that Government should use the following five criteria:

1. Engagement with tenants and communities of interest, to ensure the opportunity is presented for people, should they wish, to move from high needs to a level of independence appropriate to them;
2. Delivery of a fully functioning social and affordable housing continuum, offering affordability pathways, and utilising the retention of proceeds for reinvestment in social and affordable housing;
3. Achieve a consistent local response, in terms of any relevant outcomes in-
 - a. The Maori Housing Strategy (2014)
 - b. The Pacific Economic Strategy (2015-2021)
 - c. any local housing strategy or housing action plan
 - d. any local economic development objectives or plan
4. Operate with social license in the community during the regeneration programme, through a community development approach with the ability to deliver replacement fit-for-purpose housing stock ahead of any tenant relocation;
5. Demonstrate that the outcomes proposed can be measured and evaluated over a 25 year timeframe.

We welcome the opportunity for a good faith discussion that can result in a better model.

Toward that end we invite Government to participate in workshop session with the sector at the CHA IMPACT conference on Thursday 22 October. We currently have a slot available and the time would allow for a wide variety of parties to engage. We are mindful that with the closure of the Social Housing Fund, the sectors was instructed to instead await the programme for how it can utilise IRRS and the use of the government housing stock. Therefore we want to be clear about the settings required for that to work in practice.