

Details Matter:
Taking Stock of the Community
Housing Sector in Aotearoa

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REFERENCE DOCUMENTS available at: www.communityhousing.org.nz/tools-resources/research

- CHO Stock Profile (CRESA) (17 December 2014)
- Local Government Housing Stock Profile (CRESA) (17 December 2014)
- Aspirations Paper – Final (30 October 2014)
- CHA Changes to “Housing Reform Programme Landscape (MBIE)” (November 2014)
- Way Forward – Tax Status (8 September 2014)
- A Way Forward for Stock Transfers (16 April 2014)
- CHA Response to MBIE Regulatory Consultation (February 2014)

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PREFACE

This paper “Details Matter” is offered to advance discussions on options for how to grow the portion of social and affordable housing delivered by Community Housing Organisations (CHOs). It builds on Community Housing Aotearoa’s “Aspirations Paper” of October 2014 to explore the many issues involved with funding social and affordable housing, providing wraparound services and utilising the Crown’s balance sheet in the form of existing state housing stock as a way to provide equity to fuel the growth of the community housing sector.

This paper outlines the community housing sector’s (the Sector) perspective to deliver better social housing and community outcomes. It is not a complete nor final plan. It is offered to foster dialogue between local and central government, the Sector and the wider New Zealand community regarding the opportunities and challenges we collectively must address.

This paper begins with an analysis of the current state of the Sector including a description of current issues, capacity, stock and organisational capability to deliver more housing. An overview of the role played by Local Government includes a complete survey of their stock, including typology and age data. Exemplar descriptions of organisation aspirations and the barriers they identify to delivering mixed-income, mixed-tenure, healthy communities as the desired model for future development are then presented. Throughout this paper references are made to other reports that contain more detailed information.

Community Housing Aotearoa (CHA) is a national organisation established in 2004 to serve as the umbrella body for New Zealand’s community housing sector. It has a unique position in providing leadership and expertise in community housing, coalescing the views of its housing and service provider members and strategic partners.

Executive Summary

The community housing sector in New Zealand (the Sector), in broad terms, sees a better future. We often reference the Housing Shareholders Advisory Group (HSAG) vision, and support its broad intent. The sector has considered how it would amend the HSAG vision, and suggested the following. A vision where:

All New Zealanders are well-housed, where choices are available across the “Housing Continuum” that meet the varied needs of any household, at a price they can truly afford, today and tomorrow. The Sector sees a future where mixed-income, mixed tenure communities are the norm, with high quality homes that are warm, dry, easy to take care of, and inexpensive to run and maintain. These are homes that enhance health and well-being, homes we can be proud of, in communities that people feel part of, and where every person can have a stake in their future, whether they rent or own their home.

The Sector identified three broad objectives this new approach will ultimately achieve for the Sector and the people that it serves. The starting point is to provide **positive outcomes** for communities, families and individuals. The Sector thinks success should be measured through positive outcomes such as health, well-being, civic engagement, employment, and school achievement. These outcomes are enabled through mixed-income, mixed-tenure communities where community housing organisations work across the housing continuum.

Positive community outcomes can best be achieved through **local responses to delivery** of the necessary services and homes. This approach will increase local partnerships among iwi, the private sector, service providers and community housing organisations, each playing to their natural strengths.

These positive outcomes can only be delivered when there is **long-term certainty of the operating environment** for the community housing sector. This will include enabling regulations; contracting, investing and purchasing frameworks; tax and charitable status; pipeline; funding tools; transaction structures; development; capacity and capability; and research and evaluation.

All New Zealanders will be happy to know that strong, positive and improving community outcomes were the reward for strategic, **long-term** investment decisions. However, to achieve this future state requires **new settings** that prioritise long-term, community outcomes over short-term monetary returns.

How do we shift to an **inter-generational investment** approach? This paper provides an overview of the current social and affordable housing sector providers, their aspirations and identification of the changes required to achieve great long-term community outcomes.

There are genuine opportunities ahead to adopt new approaches to the provision of social and affordable housing, and therefore to help to resolve the housing shortage in New

Zealand. At the same time, we hear some in the Sector express scepticism about whether government is serious about addressing worsening housing affordability, increasing homelessness and child poverty, or simply attempting to offload its responsibility to an already underfunded not-for-profit sector. The Sector is prepared to **partner** with public and private sector entities to advance the three objectives above and action long-term, **sustainable solutions** to the current housing challenges.

The Sector currently provides over 5,000 social and affordable homes across New Zealand. It has benefited from and delivered upon prior investment from the Housing Innovation Fund, the Māori Development Programme and the Social Housing Fund to increase its capacity and build approximately 1,700 new homes and refurbish 900 more. The 91 organisations with publicly available financial information generate annual revenues in excess of \$1.3 billion and hold equity over \$2.1 billion against debt of \$500 million. While these totals cover activities wider than housing, the debt levels are low reflecting the prudent governance of organisations given their tight operating cash flows. There is a clear foundation on which to build new means of delivering social and affordable housing.

The Sector desires a level playing field with the current dominant provider – Housing New Zealand Corporation with around 69,000 homes – and Local Government which delivers another 13,400 homes. It sees important on-going roles for these providers in addition to an increasing role for community housing organisations delivering **mixed-income, mixed-tenure** homes across a wider span of the “Housing Continuum”.

The launch of the independent Transactions Unit, alongside well-coordinated policy initiatives from multiple Crown Ministries, can provide a new platform with new metrics to achieve measurable improvements in well-being. Building upon the existing knowledge and skills of local communities will best address their needs across a broad range of housing, education, health, cultural, civic, economic, and environmental considerations. Coordinated with other private sector activities, it can ensure there are **pathways** across the “**Housing Continuum**” that satisfy changing economic and demographic conditions at different points in life and across New Zealand.

The Sector views the delivery of this report as the start of an **on-going partnership** approach to develop the social and affordable housing market. It believes in several core outcomes including an **increased supply** of housing delivered in mixed-income, mixed-tenure communities. It sees an on-going role for HNZC within this market and believes that stock transfers must include community input and tenant protections. The Sector needs certainty of the operating environment, demonstrated by long-term commitments to the social and affordable housing markets, in order to achieve the vision of **All New Zealanders Well Housed**.

Chapter 1 Current State: CHO Financial and Organisational Capacity

1.1 Chapter Overview

The community housing sector in New Zealand (the Sector) reflects the varied housing needs across the country and responses by many local groups to address them. It is driven by its passion for improving peoples' lives. Most community housing organisations (CHOs) are established as not-for-profit, not for dividend Charitable Trusts/Companies. They are governed by local leaders grounded in their communities and knowledgeable of local needs, delivering innovative solutions that respond to those needs.

Community Housing Aotearoa (CHA) interviewed executives and trustees of 18 CHOs working in nearly all regions of New Zealand to better understand the state of the Sector, its aspirations, and requirements to provide better housing and community outcomes (see Attachment 1 for the list of organisations interviewed). In addition, publicly available financial information was reviewed and compiled for 91 organisations (see Attachment 2 for the list of these organisations).

1.2 The Sector View

During interviews and from feedback received on Community Housing Aotearoa's draft Aspirations Paper, the Sector expressed strongly the need to increase the supply of social and affordable housing. As discussed further in Chapter 3, a broader mix of tools is deemed essential to increasing stock levels. Announcements that HNZC stock transfers and IRRS subsidy are to be the tools to grow the sector have not yet become fully operational in terms of leveraging investment that enables CHOs to deliver new supply. Recent experience negotiating with Housing New Zealand Corporation regarding stock acquisitions have frustrated many CHOs. The barriers identified are contained in the paper released in April 2014, "A Way Forward for Stock Transfers".

In broad numbers, there is a need to provide homes for an additional 50,000 people by 2020 in addition to the existing stock of social and affordable housing to address declining housing affordability, child poverty, and to move the direction of travel toward ending the housing shortage. This will require new investment from government, the community housing sector and the private sector. There is universal agreement in the Sector that all of the possible future scenarios need to increase overall levels of social and affordable housing, not simply re-allocate the existing homes.

The Sectors feedback on the goal of what the future state might look like ten years from now can be grouped into three views:

Future A where Housing New Zealand Corporation and Local Councils would continue to operate their current level of housing, invest in regeneration and make their stock fit for purpose, and partner with CHOs and the private sector to deliver new, additional stock;

Future B would see a reduction in the total number of homes operated by HNZN and Local Councils, offset by an even higher level of new supply delivered through new builds and the intensification of transferred stock by CHOs;

Future C would result from wider engagement with the sector and all strategic partners. Further work is necessary to identify what the state would look like where “all New Zealanders are well-housed”.

The current and different potential future states are illustrated below:

	<i>Current State</i>	<i>Future A</i>	<i>Future B</i>	<i>Future C</i>
<i>Community Housing Organisations</i>	5,000	20,000	50,000	?
<i>Local Councils</i>	13,400	13,400	10,000	?
<i>Housing New Zealand Corporation</i>	<u>69,000</u>	<u>69,000</u>	<u>60,000</u>	<u>?</u>
<i>TOTAL:</i>	87,400	101,400	120,000	140,000

Community Housing Organisations often expressed concern about the uncertain future role of Housing New Zealand Corporation in the social and affordable housing market. The Sector sees Housing New Zealand Corporation as an important, long-term participant in the developing social and affordable housing market. We all need it to be an exemplar provider, where it is but one of many exemplar providers in a mixed-tenure, mixed income community. A tenant or shared equity homeowner would be able to have choice and be able to expect consistently high quality housing regardless of their provider.

The future envisioned by the Sector is one of increasing options and opportunities, with multiple means for providing housing to those in need. While there are well known portfolio issues with the stock not being fully fit for purpose, there is not support in the Sector for a wholesale winding up of Housing New Zealand Corporation. A plan developed with the engagement of all participants would confirm which future state we are working toward.

1.3 Financial Overview of the Sector

The financial information survey provides solid evidence of the overall strength of organisations in the social and affordable housing sector. The financial information summarised in this report is drawn from financial statements publicly available on an organisation’s website or as reported and posted to the Charities Services website. The summary below provides a snapshot of basic financial information overall, *not just their housing activities*:

Fiscal Year Ending			
31/12/2010	1	31/03/2013	13
30/06/2011	1	30/06/2013	40
30/09/2011	1	30/09/2013	3
31/03/2012	2	31/12/2013	6
30/06/2012	2	31/03/2014	18
30/09/2012	1	30/06/2014	3
Total considered non-current (9%)	8	Total considered current (91%)	83

The eight organisations in the left hand column have not posted recent financials to their website, nor was the information reported on the Charities Services website in August/September 2014 when the survey was undertaken. The remaining 83 reports are considered current when considering the time required to complete the audit, have it accepted by the governing board, and then report it publicly.

The 91 organisations reviewed reported combined totals of:

Revenue:	\$1,358,189,809	Equity:	\$2,147,952,692
Expense:	<u>\$1,224,392,893</u>	Long Term Debt:	\$ 497,383,349
Net Income:	\$ 133,796,916	Debt /Equity Ratio:	0.23
Net Margin:	9.85%		

A wide range of annual revenue is reported by the surveyed organisations, from \$415 to \$319,685,000. A few large organisations skew the average revenue to \$14,925,163 with the median revenue at a lower \$844,546. The labels used to identify the sources of revenue in the financial statements is not consistent across organisations. Where the information was clear, a total of \$509 million or 37% was from government sources (e.g. MSD, Work and Income, CYF, DHBs). Rental income was identified as \$82 million or just 6%. Both numbers are likely to be low due to the reporting limitations. However, the relative dominance of governmental sources is clear.

A distribution of revenues is presented below:

Revenues Reported			
Revenue	# Organisations	CHRA Registered	2014-15 CHA Members
>\$100M	3	1	3
\$50M-\$99M	3	1	3
\$10M-\$49.99M	13	5	12
\$5M-\$9.99M	8	3	6
\$1M-\$4.99M	18	9	11
\$100k-\$999k	33	20	29
\$0-\$99k	13	1	10
Total	91	40	74

(Note: CHRA Registered exceeds number on CHRA list due to affiliates listed under one CHRA Registration number)

Two of the three organisations with revenue over \$100 million are traditional human services charities with the other being a post-settlement Iwi entity.

Net Income Reported		
Net Income	# Orgs	The overall net income of the organisations is healthy, as evidenced by the net margin of 9.85%. Nineteen organisations reported a loss in the financial period surveyed. None of them had negative equity and the combined loss of \$6.8 million is small compared to their combined equity of nearly \$140 million. None of them had a going concern issue raised by their auditor. The reasons behind the losses are beyond the scope of this paper.
\$5.001M-\$55M	4	
\$500k-5M	14	
\$101k-\$499k	21	
\$0-\$100k	34	
Net loss	18	
Total	91	

Debt and Equity Reported				
Equity	# Orgs	Equity Amount	Debt Amount	Debt/Equity Ratio
>\$100M	5	\$1,476,980,000	\$354,651,000	0.24
\$50M-\$99.99M	2	\$155,415,494	\$20,904,561	0.13
\$10M-\$49.99M	19	\$421,812,456	\$56,874,348	0.12
\$5M-\$9.99M	3	\$22,569, 556	\$15,732,441	0.70
\$1M-\$4.99M	25	\$60,228,487	\$32,121,154	0.53
\$100k-\$999k	23	\$10,430,692	\$13,348,361	1.28
\$0-99k	13	\$628,375	\$2,655,734	4.23
<\$0	1	- \$112,369	\$1,095,750	-
Total	91	\$2,147,952,692	\$497,383,349	0.23

(Note: Only one entity in the \$0-\$99k tier has debt, which is to a related organisation)

Of the organisations reporting equity over \$100 million, two are Iwi, two are traditional human services charities, and one other is a Charitable Trust serving seniors. Regarding debt, the ratios generally indicate prudent borrowing. One Iwi entity comprises \$313,834,000 of the overall debt reported. Excluding that entity, the overall debt/equity ratio is 0.12. No long term liabilities are carried by 38 organisations. Twelve organisations have a debt/equity ratio greater than 1.

Significant providers of debt to organisations able to be identified are:

Commercial banks:	\$47,690,522
Housing New Zealand Corporation:	\$29,094,236
Foundations and Trusts:	\$15,420,611

When looking at the ability of organisations to access debt to finance housing development, many factors must be considered. Interviews with organisations indicated their decision to take on debt to develop new or acquire existing social and affordable housing stock is dependent on the right market conditions. These conditions include long-term certainty of rental income and the price setting for existing stock.

1.4 Past Policy and Public Investment

The main programmes that have provided support to CHOs to build social and affordable housing stock are the Housing Innovation Fund and the Social Housing Fund; including the Māori Demonstration Programme and the Putea Māori components targeting support for Māori organisations. These programmatic resources can be summarised as follows:

Housing Innovation Fund and Social Housing Fund Summary

Year	Type	Capacity Grants	Housing Grants and Loans	Housing Grants
2003/04	HIF	\$ 131,939	\$ 3,311,000	
2004/05	HIF	\$1,019,284	\$ 12,876,397	
2005/06	HIF	\$2,272,396	\$ 16,726,604	
2006/07	HIF	\$1,318,606	\$ 16,748,000	
2007/08	HIF	\$1,855,969	\$ 14,425,164	
2008/09	HIF	\$ 142,383	\$ 14,553,436	
2009/10	HIF	-	\$ 14,336,865	
2010/11	HIF	-	\$ 12,092,796	
2011/12	SHF			\$ 37,450,000
2012/13	SHF			\$ 34,800,000 (est.)
2013/14	SHF			\$ 34,800,000 (est.)
2014/15	SHF			\$ 34,800,000 (est.)
	Total	\$6,770,577	\$105,070,262	\$141,850,000

(Housing Innovation Fund information provided by Housing New Zealand Corporation 1 March 2013)

No official summary of results for the Housing Innovation Fund (HIF) have been published. However, we note that The Salvation Army in its "Give Me Shelter" report (November 2013) estimated between 800-866 new and 900 refurbished homes were produced. About \$10 million of funding was allocated to the Māori Demonstration Programme which produced an estimated 70 homes. The HIF housing grants and loans were available to Local Councils in addition to community housing organisations. CHA estimates that nearly all of the 900 refurbished homes are Local Council owned.

The Social Housing Fund is still delivering homes. While no final numbers are available, CHA estimates that 890 or more new homes will be produced by the Social Housing Fund (SHF) and around 650 of these new homes are not yet completed. CHA also estimates that the SHF leveraged at least \$150 million of additional funding, more than matching the public investment. Unlike the HIF programme, Local Councils were not eligible for these funds. The SHF supported developments across the Housing Continuum, including emergency, affordable rental and shared ownership homes. The breakdown of uses of the funds is identified as:

- \$139.41 million in Housing Grants
- \$2.04 million in Capacity Grants
- \$0.40 million for Chatham Islands Housing Repairs Grants

The Sector responded to these investments and delivered housing as promised. The intended three year allocation of the Social Housing Fund was fully committed after only 18 months, in February 2014. At that time, CHA members identified 21 developments with more than 420 new homes requiring \$46 million of Social Housing Funds ready to go. An allocation of \$10,000,000 annually for each of three years is scheduled to be available beginning July 2015, as per the May 2014 budget. It is unclear what the status is.

This lack of continuity has left CHOs with staff capacity and development opportunities that cannot proceed as expected. This disruption has dampened the momentum in the Sector. This stop/start nature of support is identified by CHOs as damaging to their organisational financial health and their credibility as a partner. The structure of the Housing Innovation Fund loans proved to be an impediment to accessing the subsequent Social Housing Fund financing. Some CHOs were told that they were too leveraged due to the repayment requirements of the Housing Innovation Fund loans when they applied to register for the Social Housing Fund programme. These issues will need to be considered to ensure the strength of the social and affordable housing market going forward.

1.5 Recent Policy and Public Investment

The extension of the Income Related Rent Subsidy to registered Community Housing Providers in April 2014 has been offered as one of the solutions to grow the Sector. This access to Income Related Rent Subsidy has not been extended to tenants living in council housing nor to existing CHO tenants. With new production slowed and low turnover rates, uptake of the IRRS has been low. As our options in Chapter 3 indicate, it requires significant restructuring for it to work as a tool to leverage more housing supply by the Sector.

1.6 Māori Housing

The release of Te Whare Ahura He Oranga Tangata – the Māori Housing Strategy on 1 July 2014 is a significant milestone for the achievement of better housing and community outcomes for Māori in particular and New Zealand in general. It reflects an ambitious approach to:

- Improve housing outcomes for Māori and their whanau; and
- Increase housing choices for Māori by growing the Māori housing sector.

The six “Directions” identified in the Māori Housing Strategy provide good guidance for all housing activity in addition to their particular emphasis on Māori concerns and culturally appropriate responses. To begin implementation of the Strategy, government allocated \$4 million in the 2014/15 budget and in each of the following three years.

The Māori Housing Strategy is also consistent with the vision for social and affordable housing described in the Aspirations Paper. The participation of Iwi and Māori is fundamental to achieving better community outcomes. The reasons for this include a natural alignment with Māori cultural and economic aspirations and also the land owning potential of Māori Land Trusts and Post-Settlement Governance Entity Iwi groups. The latter

may also have a Right of First Refusal (RFR) to Crown land, special development opportunities and/or Housing New Zealand Corporation stock

1.7 Social and Affordable Housing Market Participants

In addition to the role CHOs will play to support the good functioning and growth of the social and affordable housing market, many key participants will need to play critical roles. These include:

- Central Government – responsible for overall policy and market shaping through its budget, regulatory and law-making powers.
- Housing New Zealand Corporation – continuing role as significant provider in housing markets across New Zealand. Participant in stock transfer transactions to achieve portfolio realignment goals and address needs of local communities.
- Local Government – continuing provider of social housing in many communities. Potential partner in stock transfer transactions where community needs are better met by other providers. Responsible for planning and consenting to foster mixed-income, mixed-tenure communities.
- Iwi and Māori – continuing providers of social services and housing in their rohe. Increasing owners of housing by exercising Right of First Refusal for Housing New Zealand Corporation stock. Potential financial and asset-providing partners with CHOs.
- Tagata Pasifika - an organised and connected community that has partnered to an early extent with CHOs to participate in housing projects to the benefit of their people (e.g. the Matanikolo Project in Mangere). While there is no current housing strategy for the Tagata Pasifika, transfers of Housing New Zealand Corporation stock would be an opportunity for the Pasifika community to grow an asset base.
- Technical Intermediary – independent experts bridging the technical assistance needs of the Sector for financial, real estate and other expertise during the development of the social and affordable housing market.
- Private Developers – providers of market rate housing serving significant portions of the Housing Continuum. Potential partners in consortia for stock regeneration.
- Private Debt/Equity Institutions – potential new partners in social and affordable housing if policy and market settings are favourable.

Work is needed on role clarity for each participant.

Chapter 2 Regional Stock and Capability Summary

2.1 Chapter Overview

This chapter provides an overview of current housing stock owned and/or managed by CHOs and also Local Government. It also introduces regional summaries in recognition that the issues involved in the social and affordable housing market vary significantly across the country due to local and regional conditions.

2.2 Community Housing Organisation Stock

The current contribution of CHOs to the total amount of social and affordable housing is at least 4,021 homes with an estimated minimum of 9,700 beds. This is detailed in the report prepared by the Centre for Research, Evaluation and Social Assessment (CRESA) on behalf of Community Housing Aotearoa. In all, 86 stock survey responses were received from organisations either currently providing housing or with stated intentions to do so in the future. The CRESA survey respondents forecast around 670 additional units to be provided. CHA believes most of these units are ones which have Social Housing Fund commitments and will be completed over the next two to three years.

Based on the response rates from organisations, CHA estimates that the total amount of housing provided if all organisations had responded would be over 5,000 homes. Prior estimates of the amount of stock were between 3,000 and 7,000 homes.

The largest amount of stock is held in Auckland with 1,098 homes followed by the Wellington region with 933 homes (See Chapter 2.4 for summary). The local nature of their activities is confirmed by the high percentage owning stock in only one Council area (76% of CHA affiliated organisations). The identified stock is distributed across 58 city or district councils, with more than a quarter of all stock reported in Auckland. There is stock in every Region and the amount is generally aligned in size with the major regional centres.

Long term rental accommodation is the most common type of housing provided, but the full Housing Continuum from night shelters and emergency accommodation to home-ownership is identified in the survey. The stock appears better distributed to meet current demand for smaller and larger units, with over 22% with four or more bedrooms and only 15% three bedroom. Two bedroom (19%) and Bedsit/one bedroom units (27%) are nearly half the overall reported stock.

The existing stock reported by Community Housing Organisations is summarised below:

Council Area	Bedsit/1-bedroom	2-bedrooms	3-bedrooms	4+-bedrooms
Auckland Council	482	273	90	199
Ashburton DC	3	4	1	5
Buller DC	0	1	0	2
Carterton DC	5	8	5	4
Central Otago DC	19	0	0	0
Chatham Islands	0	3	6	0
Christchurch CC	142	63	26	36
Clutha DC	1	1	0	3
Dunedin CC	96	46	18	16
Far North DC	9	1	1	2
Gisborne DC	16	18	4	13
Gore DC	1	1	0	3
Hamilton CC	119	78	20	45
Hastings DC	4	10	6	23
Hauraki DC	1	2	1	6
Horowhenua DC	1	3	0	4
Hutt CC	99	18	11	23
Invercargill DC	5	7	2	21
Kapiti DC	10	11	3	3
Kawerau	0	0	0	0
Manawatu DC	3	2	0	3
Marlborough DC	5	7	5	7
Masterton DC	41	119	185	37
Matamata-Piako DC	3	23	13	7
Napier CC	11	16	23	23
Nelson CC	59	7	4	9
New Plymouth DC	26	20	4	14
Opotiki DC	1	2	1	4
Otorohanga DC	0	2	0	3
Palmerston North CC	24	8	3	16
Porirua CC	12	12	5	18
Queenstown Lakes DC	11	9	49	6
Rangitikei DC	1	1	0	3
Rotorua DC	1	2	2	9
Ruapehu DC	0	1	0	1
South Taranaki DC	3	5	1	9
South Waikato DC	0	0	1	7
South Wairarapa DC	2	7	9	6
Southland DC	2	2	1	0
Stratford DC	1	1	0	1
Tarua DC	6	25	39	7
Tasman DC	28	3	7	4
Taupo DC	4	4	0	5
Tauranga CC	22	42	12	28
Thames-Coromandel DC	8	4	3	6
Timaru DC	28	7	2	13
Upper Hutt CC	49	5	1	9
Waikato DC	1	2	2	8
Waimakariri DC	9	3	4	1
Waipa DC	3	3	3	3
Wairoa DC	1	1	11	2
Waitaki DC	7	8	2	6
Waitomo DC	0	1	0	3
Wanganui DC	4	7	2	15
Wellington CC	68	67	23	58
Western Bay of Plenty DC	0	0	0	0
Westland DC	1	1	0	3
Whakatane DC	3	5	0	2
Whangarei DC	28	16	4	28

Survey respondents reported a variety of ways to set rents, generally between 70 to 90 percent of market rents. Some respondents set rents at a proportion of tenant income and others provided accommodation associated with health or welfare service contracts with no separation of the amount for rents or other services. The wide range of rents shown in the table below is reflective of these varying methods of rent setting. As noted in Chapter 1.5, CHOs gained access to the Income Related Rent subsidy in April 2014. As this was limited to only new tenancies it is too early to understand what impact this has had on the range of rents reported.

Weekly Rents by Unit Size

Unit Size	\$/week Range	
	Min	Max
Bedroom with communal facilities	\$105	\$134
Bedsit/1 Bedroom	\$85	\$340
2 Bedroom	\$110	\$400
3 Bedrooms	\$100	\$500
4 or more Bedrooms	\$148	\$525

2.3 Local Government Community Housing Stock

After Housing New Zealand Corporation, the largest provider of social and affordable housing is Local Government. To understand the nature of their housing stock, Community Housing Aotearoa commissioned the Centre for Research, Evaluation and Social Assessment (CRESA) to prepare a report on the same (see Attachment 6 for a copy of this report).

A brief summary of the results in the report is presented here:

	Under 100	101-500	Over 500	TOTAL
Portfolio Sizes:				13,400
# of Councils:	33	25	4	62

Typology		Size		Age	
Detached dwellings	4%	Bedsits	23%	Up to 1950	4%
Apartment/tower blocks	13%	1 Bedroom	66%	1951-1977	39%
Semi-detached dwellings	39%	2 Bedroom	7%	1978-2006	44%
Low-rise/multi-unit	44%	3+ Bedrooms	4%	2006 or later	13%

Council rents are not set in a consistent manner. While it may be of interest to speculate why, the important factor is that tenants face differing costs based on factors including their income, “market” rents in the area or as a proportion of superannuation benefits. Assuming affordability is 25% of income going to rents, those on superannuation alone would require

additional support through the Accommodation Supplement, even with the low rents identified by these accommodative policies. As noted in Chapter 1.5, council tenants are not eligible for the Income Related Rent Subsidy. The range of rents reported are summarised here:

Weekly Rents for Council Bedsits, One Bedroom and Two Bedroom Units

Unit Size	\$/week Range Single		\$/week Range Couples	
	Min	Max	Min	Max
Bedsit	\$45	\$165	\$45	\$165
1 Bedroom	\$60	\$200	\$60	\$220
2 Bedrooms	\$80	\$235	\$60	\$235
Superannuation Income	\$/week Single	25% Affordability	\$/week Couple	25% Affordability
	\$421.76	\$105.44	\$638.46	\$159.62

Based on the age of council housing and the range of rents charged, it is likely that a significant portion of the housing is not sustainable. Raising rents is not a solution as many residents simply lack the economic resources to afford a rent level that provides a sustainable cash flow to maintain the housing over time. The existing residents, mainly elderly and disabled, would face eviction and the impact of this is the potential addition of several thousands to the “A” waitlist. As discussed above, the Income Related Rent Subsidy is not available for Council housing, denying Council’s the opportunity to increase cash flow to market levels and sustain their housing assets.

To address the issue of sustainability, Councils are starting to review their options. Whakatane District Council and Hamilton City Council have announced their intentions to sell their social housing stock with requirements that it continue to be operated as social housing. Christchurch City Council is implementing a plan to relinquish control of its portfolio to a new corporation able to become a registered Community Housing Provider to access the Income Related Rent subsidy. Other Councils are likely to also explore their options in the near future.

2.4 Regional Summaries

The relative amounts of stock owned by CHOs and Local Councils varies significantly across regions. CHA is planning future work to develop Regional summaries incorporating the above stock information of both CHOs and Local Councils. Ideally the Housing New Zealand Stock will also be included. In addition, the current roles performed by CHOs and their interest/capability to increase housing services in each region needs further attention.

The table below presents a summary of the information available at this time.

Region	# CHO Stock	# Councils with Stock	# Council Stock
Northland	35	3	368
Auckland	1,098	1	1,412
Waikato	392	8	846
Bay of Plenty	142	5	564
Gisborne	52	1	132
Hawke's Bay	114	4	676
Manawatu-Wanganui	175	6	988
Taranaki	85	3	226
Wellington	908	7	2,840
Marlborough	24	1	177
Nelson	78	1	142
Tasman	42	1	101
Canterbury	346	9	3,254
West Coast	8	3	224
Otago	299	4	1,171
Southland	45	3	290
Chatham Islands	19	1	4

2.5 Aligning Assets and Participants

Further work is required to investigate the settings for the Local Government sector to understand how CHOs' new operating environment and Government policy settings can be aligned to turn council housing assets into long term sustainable housing. The lack of a level playing field between Local Government and other social and affordable housing market participants is a market distortion with negative economic and social consequences. The concerns of vulnerable residents about their security of tenure is likely to negatively impact their well-being. The resources consumed to restructure the council housing portfolios would benefit from alignment with the new market structure that the Ministry of Business, Innovation and Employment and the Establishment Unit are working on, to provide equal opportunities.

Another important component of further work is to analyse the Ministry of Social Development's housing needs and waiting list data along with the CHO, Local Government and Housing New Zealand Corporation existing stock. This analysis would document the overlap/gaps in existing stock and service provision capability with household needs. Targeted interventions could then be designed to appropriately adjust supply to meet the demand. By adopting a community outcomes approach as discussed in Chapter 3 of this paper, the investment required would be tailored to deliver long term benefits based on an overall community plan bringing multiple partners to the table when necessary.

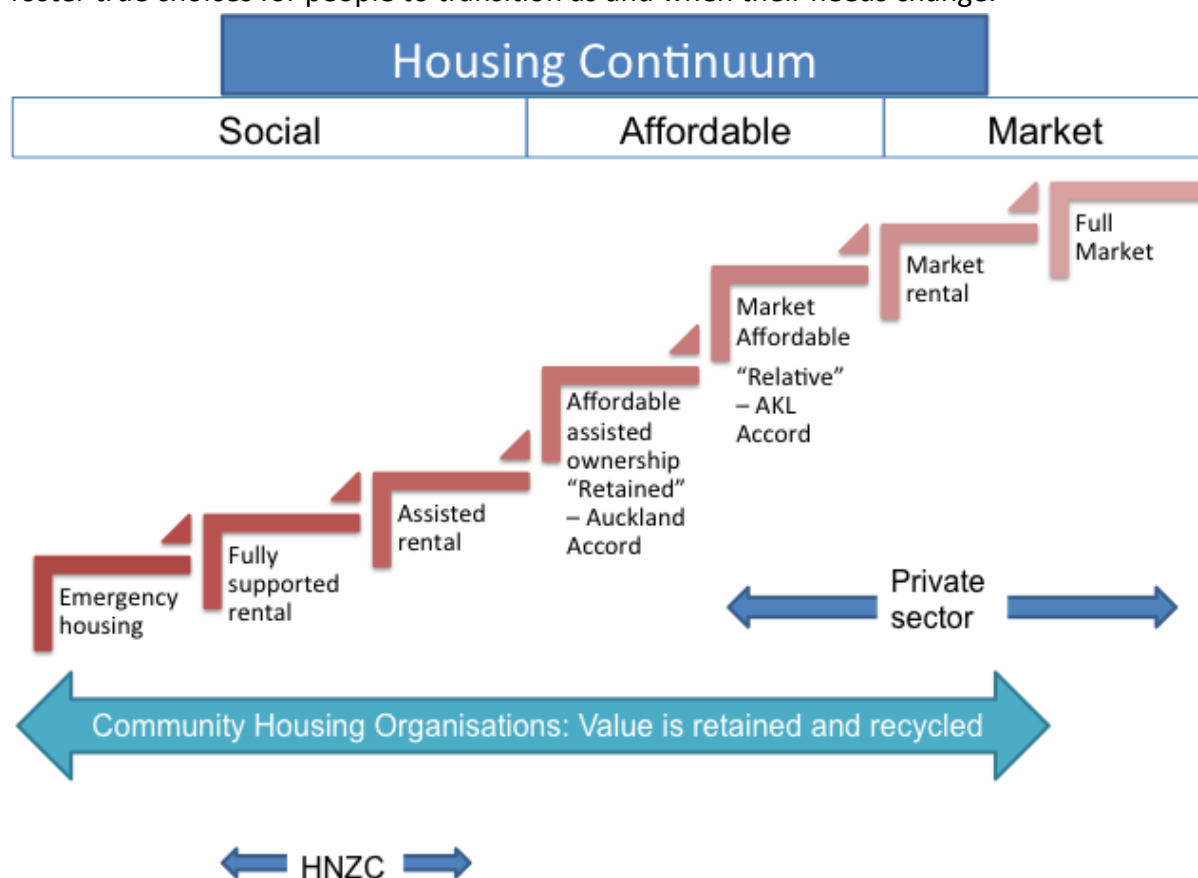
Chapter 3 Entity Aspirations and Barriers

3.1 Chapter Overview

This Chapter provides a summary of aspirations expressed by Sector participants, which are then illustrated in profiles of a subset of seven organisations, built from their interviews, to illustrate the aspirations of community housing organisations. It describes their level of interest in expanding their role(s), increasing or maintaining stock levels, and working in a wider geographic area. Following this is a summary regarding the barriers to CHO provision of housing drawn from all the interviews conducted and feedback received from other organisations.

3.2 Aspirations Expressed by the Sector

A consistent message from organisations is the need to provide clear pathways that offer lower income people hope for a better future. This means addressing the full continuum from emergency housing through to secure tenure rental and pathways into homeownership in local markets across the country. They also identified the best community and family outcomes resulting from mixed-income, mixed-tenure communities. Developing these communities would allow CHO's the ability to meet high need and to foster true choices for people to transition as and when their needs change.



Most expressed an interest in growth, but also identified the need for the proper conditions to foster that growth. There is a general interest in existing Housing New Zealand stock, but

only with terms and conditions that would enable them to meet local housing need with various forms of tenure and resident services. In areas of high unmet demand, organisations expressed a view that redevelopment and intensification resulting in additional units is what they would want to achieve. In areas of low or falling demand, organisations would consider acquiring and operating the stock so long as it was financially feasible to make the stock fit for purpose, in terms of size, condition, form of tenure, and location in their community. The exact terms and conditions of any transaction were stated to be critically important to their interest in existing stock.

While not universal, most across the sector see a consortia approach as one that fosters collaboration and allows the growth of a diverse set of organisations able to grow to their strengths, and to partner (through a few well-established transaction structures) to respond to both need and opportunities.

Sector participants commonly expressed growth not as a goal but as a means of delivering better community outcomes. Growing the community housing sector in New Zealand is not just about more leverage for the taxpayers' dollar. It is about achieving better outcomes for people and communities, as well as the government. The growth path for the Sector is expressed as one driven by values and the vision of achieving better outcomes for people living in social housing and for the wider community.

3.3 Selected Entity Aspirations

Housing Organisation A is a CHRA registered organisation which has provided housing for over 30 years. It recently merged with a service provider. This provided real estate expertise to the service provider and services expertise to the housing provider. Its current portfolio is about 50 homes, but with growth aspirations stated in the organisation's Strategic Plan to achieve 500 homes by 2017. The staffing and systems requirements to achieve this growth have been scoped. The organisation has expanded from rental housing provision into shared ownership using resources provided by the Social Housing Fund. The organisation is also expanding geographically from a prior focus within one city to a regional footprint. CHA estimates that 6-8 organisations have many of the characteristics of this profile.

Housing Organisation B is a CHRA registered organisation which has provided housing and supportive services targeted to disabled single people and families for over ten years. It has traditionally focused on tenancy/property management and supportive services and wishes to maintain that focus. It operates in a smaller regional city with about 60 homes owned or managed on behalf of others. It is currently exploring opportunities to expand into neighbouring regions. Due to resource constraints, the organisation finds it hard to have sufficient staff at the right levels and with the requisite skills. Most of the staff are part-time. It prefers to develop in-house capacity rather than hire consultants. CHA estimates that 4-5 organisations have many of the characteristics of this profile.

Housing Organisation C is a 30 year old CHRA registered organisation providing mental health and addiction services at a regional level to 1200-1500 clients at any given time. Its involvement in social housing came from the objective of supporting health outcomes and the critical role a home played in achieving this. The nearly 100 homes it provides, including some group homes, are a combination of owned, leased from HNZC, and leased from private owners. The organisation has about 40 new homes currently under development. The organisation has aspirations for growth and has a goal of 300 tenancies within five years. It would rather be a big niche provider than a general provider of housing, but sees the advantages of scale and with the right settings would consider expanding its services. It is open to working elsewhere in the country, but has no interest in competing with existing providers or duplicating services for the sake of expansion. It has dedicated operations and administrative staff to support service delivery and feels its systems are streamlined and fit for purpose. Regarding HNZC stock transfers, it would require all tenancies to be eligible for IRRS, a low or nil purchase price, and capital grants to make the stock fit for purpose. CHA estimates that 5-8 organisations have many of the characteristics of this profile.

Housing Organisation D is a national provider of accommodation and supportive services, but is not a CHRA registered provider. It provides around 300 homes currently, in a combination of owned and leased stock. The organisation has the financial resources and administrative capacity to expand its housing operations. It is currently assessing the required conditions to add several hundred to several thousands of homes through HNZC stock transfers. At the higher end, this would mean an expansion of the households served beyond its traditional focus. It feels that the location of the acquired stock would need to be geographically limited to achieve management efficiencies. To make such a move, the organisation would require a 20 year window of certainty on policy and funding settings. It would undertake a house by house assessment to ensure the organisation is not encumbered with homes of poor quality which do not meet market demand. Its overall interest in participation is driven by whether it can deliver better housing outcomes. CHA estimates that 2-3 organisations have many of the characteristics of this profile.

Housing Organisation E is a CHRA registered provider of housing and supportive services within a single region. Due to its organisational mandate, it will not expand its ownership of housing outside the region. However, it is currently collaborating with organisations inside and outside the region, sharing expertise and experience. Its client focus is on Maori and Pacific peoples. The organisation provides homeownership and rental housing opportunities and does seek to grow. It is currently developing over 60 new homes in a mixed-tenure, mixed-income, and ethnically inclusive community. It views the goal of its housing activities as revitalising the community. The funding for upfront planning costs is a constraint on its work. It has strong staff capability with a quantity surveyor, project manager, financial specialist, and a community engagement and liaison manager. It has an interest in HNZC stock, but feels the only value is in the potential of the land as the homes are perceived as poor quality and likely to require demolition. The proposed terms and financial supports are critical to their interest. The organisation perceives a greater opportunity in acquiring local Council stock. CHA estimates that over a dozen organisations have many of the characteristics of this profile.

Housing Organisation F is a local community housing trust affiliated with a large national social services and pensioner housing organisation established over 100 years ago, with significant assets. Ongoing discussions with the other CHO's and the City Council have progressed such that there is support to form a group structure that could bring together the CHO stock, Council stock, and HNZC stock and deliver mixed tenure, mixed income outcomes to address a wide range of local housing need. A motivation for such a group structure is to retain the HNZC assets in the community, and not see them sold to fund need elsewhere in the country. The group is unclear how to get that message across to government, as efforts to date have not yielded much. While this organisation provides pensioner stock, it would prefer to operate as part of a full continuum of housing choices. It is thought that the group structure would be able to achieve administrative and asset management efficiencies across the city that they each struggle to achieve on their own. CHA estimates that if this first such regional structure were successful, that there could be 5-10 further regional group structures that would have many of the characteristics of this profile.

Housing Organisation G is a national community housing organisation with local branches around the country. It is affiliated with an international organisation over 30 years old that provides some level of support – a mix of policy and operational matters. The number of homes delivered varies based on local need and resources, yet is largely sustainable as a result of charitable donations which often comprise over half of the funding the organisation receives. To deliver a greater volume of new housing, long term certainty of government investment is required- with such a long history, the organisation has seen many shifts in government policy and is wary of taking on new commitments that would put the organisation in financial difficulty. The housing delivered is a form of assisted homeownership, however rental options are part of adding new tenure options. Some branches provide contract services to other CHO's – whether tenancy support, asset management or maintenance services. The organisation has its own annual conferences and shares best practice among its branches. The organisation sees community involvement as a key input- and thus community development as a key output that is just as significant as the direct provision of housing. CHA estimates that 2-3 organisations have many of the characteristics of this profile.

3.4 Barriers Identified

A lack of long-term policy settings was an over-arching theme expressed in the interviews. Executives and trustees expressed reservation, based on prior experience, to commit further resources without a greater certainty regarding the Government's commitment to be a long term partner. Fifteen of the CHO interviews and five of the sector participant interviews identified the need for longer term policy direction. They are looking for certainty of policy direction which would enable them to leverage financial and human resources to provide additional housing. The major issues to be addressed are described below.

1. Contracting / Purchasing / Investing Framework. Organisations expressed concerns about the alignment of housing and services provision contracts. They identified the need for the commitment of required resources for both activities to ensure they are not burdened with high needs tenancies without the long term resources to effectively provide high quality management and services. Thirteen CHOs and six other sector participants identified this need during interviews.

Organisations also expressed concern about traditional competitive tendering processes on several dimensions. Thirteen CHOs and five other sector participants commented on this. The competitive process requires a significant investment of human and financial resources for an uncertain outcome. Smaller organisations felt disadvantaged under this model. The Sector is concerned about a race to the bottom based on lowest tendered price as the only consideration, sacrificing quality. They want an assurance that improved outcomes for communities, families and individuals are central to the evaluation of proposals.

2. Transaction Structures. Establishing transaction structures aligned with the contracting framework will strengthen the developing social and affordable housing market. Providing certainty of the transaction structures will drive down risk and cost. The structures should also align with the chosen funding tools. They would clearly define roles and responsibilities of the parties to the transaction. This would facilitate the engagement of the private sector in partnership with a CHO. For example, in a Special Housing Area, CHO involvement delivers retained affordable housing within a larger scheme. Other structures need to be developed which address Iwi land holdings. Establishing a suite of transaction structures will provide certainty to all parties involved; government, CHOs and commercial partners.

3. Tax and Charitable Status. The current uncertainty regarding the charitable status of CHOs, particularly those addressing the home ownership aspirations of New Zealand families, is causing considerable problems for the Sector. In our interviews, thirteen CHOs and four other sector participants expressed concerns about this issue. Executives and trustees described a disproportionate amount of their time consumed by this issue compared to operating their core business. They also identified it as a barrier to recruitment of new board members. They are greatly concerned about the potential direct tax costs, but also the indirect costs of professional tax and legal advice required to continue addressing their local housing needs while complying with legal obligations.

The Sector believes the right tax settings can enable alternative income streams and the provision of a range of services across the Housing Continuum. It seeks confirmation of the central role of the non-profit, no private pecuniary gain structure of trusts as a core means by which public investment is retained and recycled.

4. Regulation: Regulation is accepted by the Sector as necessary for the proper operation of a social and affordable housing market. The Sector interviews expressed the belief that a well-structured and properly implemented regulatory framework can provide confidence to all participants for on-going large scale investment in the Sector. At present, this is absent. Eleven of the CHOs interviewed confirmed that the stalled implementation of regulations of other classes (in addition to Class 1 – Social Landlord) is a barrier to their work in the social

and affordable housing market. Groups interested in operating as owner/asset manager or developer, but not providing tenancy management services, do not have a defined regulatory framework.

The key point is to develop smart regulation. As noted in the financial section, many organisations are already significant contractors with government but many also obtain half of their resources from private sources. There is a concern about duplicative requirements and a desire to see streamlined and coordinated reporting and auditing procedures. Bringing new private resources to the table can be assisted by a smart regulatory framework.

5. Funding Tools: Sector participants expressed a strong need for consistent funding, in whatever form it takes. In interviews, sixteen CHOs and three other sector participants identified the start/stop nature of prior funding programs as a barrier to the provision of social housing. They stated that it was difficult to increase investment from banks, social investors, and other institutions when they could not demonstrate the availability of resources required to match those investments. The feast/famine approach has resulted in reputational damage/credibility as a partner, when prior programmes were abruptly changed or no longer funded. Commercial partners may have a willingness to work with CHOs but know there are few resources available. The requirement for long term certainty was commonly mentioned in relation to potential stock transfers.

Community Housing Organisations feel constrained by the lack of additional tools and resources to deliver housing. Sixteen CHOs and four other sector participants mentioned the need for new tools. The access to IRR subsidy has provided more choice for tenants, but has not resulted in increased CHO borrowing ability to deliver more stock as the funding is not assured long term. CHOs identified the need for both financial and policy tools to support the production of new homes.

One such tool which could provide a bridge between up-front capital requirements and future income streams from the IRR subsidy is a Housing Bond. The December 2014 confirmation of an Auckland Council guarantee facility of \$6M to a lever a sector-led, socially responsible investment of \$30M is a positive step, demonstrating the CHO and local government sectors are working together to put new tools on the table. This would lend to CHOs on the cost of land acquisition and construction, which allows CHO's to turn land into homes – then repay by borrowing from commercial lenders on the value of the completed homes.

This may provide an alternate means for continued production, and reduce the need for Social Housing Fund capital grants. With the forecast SHF amounts of \$10 million per year beginning in 2015/16, there will not be sufficient capital grants to maintain the momentum created by previous budget allocations. New financial tools must be created to address the need for additional production which bring new resources to the table. By providing an investment return to private capital, housing bonds are a tool to attract the new capital sources required to complement government investment.

Closing Thoughts

It is clear that we are in the midst of a fundamental change in the way in which social and affordable housing is delivered in New Zealand. This represents a challenge to all concerned about ensuring access to decent, safe, warm, affordable and appropriate housing for all New Zealanders. The monopoly approach with a single state provider delivered for many decades. Demographic and social changes in recent times have made that model less successful.

The path forward is not entirely clear, but must be travelled. New Zealand's community housing organisations are prepared to forge a new path forward working collaboratively with all strategic partners. It is clear that they see the desired destination as one where better outcomes are realised for communities, families and individuals. It needs to be based in local responses to the unique circumstances and resources available within each community. To get there, we must all be prepared to journey together with certainty of the rules for the long term. By doing so, we can deliver mixed-income, mixed-tenure communities where everyone has a place, no matter where they are on their personal journey along the housing continuum.

It is time to be bold and act.

-end-

ATTACHMENT 1 – List Organisations Interviewed

Airedale Property Trust	Marlborough Sustainable Housing Trust
Auckland and Onehunga Hostels Endowment Trust (Te Tumu Kainga)	Monte Cecilia Housing Trust
Christchurch City Council	New Zealand Housing Foundation
ComCare Trust	PACT Otago
Community Housing Trust	Papakāinga Solutions Ltd.
Dunedin City Council	Presbyterian Support Otago
Dwell Housing Trust	Salvation Army
Habitat for Humanity NZ	SmartGrowth Housing Affordability Forum
Just Housing Otepoti Dunedin	Southside Management Group
Keys Social Housing Limited (Wise Group)	Tauranga Community Housing Trust
Ladder Trust	Tamaki Redevelopment Company
Lifewise Trust	Te Runanga o Kirikiriroa Trust
Māori Trustee (Te Tumu Paeroa)	Trust House Foundation
	Vision West Community Trust

ATTACHMENT 2 – Organisations in Financial Survey

Abbeyfield Christchurch Incorporated	Chinese New Settlers Services Trust
Abbeyfield Dunedin Incorporated	Christchurch Methodist Central Mission
Abbeyfield Golden Bay Incorporated	Cobham Street Trust (South West Baptist Church)
Abbeyfield Greymouth Incorporated	ComCare Trust
Abbeyfield Inc	Community of Living Trust
Abbeyfield Masterton Incorporated	Community of Refuge Trust
Abbeyfield Mata Close Limited	Compassion Housing Ltd
Abbeyfield Motueka Incorporated	Coromandel Independent Living Trust
Abbeyfield Nelson Incorporated	Dingwall Trust
Abbeyfield Palmerston North Incorporated	Dunedin Community Care Trust
Abbeyfield Trust Properties Limited	Gateway Housing Trust
Abbeyfield Waikato Incorporated	Golden Bay Housing Trust
Abbeyfield Wakatipu Incorporated	Habitat for Humanity, NZ
Abbeyfield Wanganui Incorporated	Hamilton Residential Trust/HRT Property Trust
Abbeyfield Westport Incorporated	He Korowai Trust
Abbeyfield Whangarei Incorporated	He Oranga mo Nga Uri Tuku Iho Trust (Pahiitaua & Other Blocks Trust)
Abbeyfield Auckland Inc	PARS
Accessible Properties	Houhanga Rongo Trust Board
Airedale Property Trust	Housing Foundation Limited (NZHF)
Atamu EFKS Porirua Inc	Housing Plus Charitable Foundation
Atareira/Schizophrenia Fellowship Wellington Branch Incorporated	Island Child Charitable Trust
Auckland and Onehunga Hostels Endowment Trust (Te Tumu Kainga)	Just Housing Otepoti Dunedin
Auckland Community Housing Trust	Kahungunu Executive Ki Te Wairoa Charitable Trust (No. 2)
Bays Community Housing Trust	Keys Social Housing Limited
Beckenham Community Housing Trust	

Ladder Trust	Spectrum Care Trust Board
Lifewise Trust	Stepping Stone Trust
Manaia Health PHO	Tauranga Community Housing Trust
Marlborough Sustainable Housing Trust	Te Hau Ora o Kaikohe
Mercy Villas	Te Kainga Oranga Trust
Methodist Mission Northern	Te Kotuku ki Te Rangi Trust
Methodist Mission Southern	Te Runanga o Kirikiriroa Trust
Monte Cecilia Housing Trust	Te Runanga o Ngai Awa
Nelson Tasman Housing Trust	Te Runanga o Ngai Tahu
New Zealand Housing Foundation	Te Runanga o Ngati Porou
Nga Hau E Wha National Marae	Te Taiwhenua o Heretaunga
PACT Dunedin	Te Tomika Trust
Port Nicholson Block Settlement Trust	Te Urumingi Whanau Trust
Presbyterian Support New Zealand	The Selwyn Foundation
Presbyterian Support Southland	The Vintage Village Trust / Abbeyfield Ellesmere
Queenstown Lakes Community Housing Trust	Trust House Foundation
Recovery Solutions Property Trust	Vision West Community Trust
Richmond Services	Waiohiki Community Charitable Trust
Richmond Services Ltd/Richmond New Zealand Trust	Wesley Community Action
Salvation Army	Whangarei Accessible Housing Trust
	Whatever it Takes