

Executive Summary

Report of the Findings of the Community Housing Sector

Getting Ready Project

Session 2: Capital Consensus 15 February 2018

Facilitated by Leonie Freeman

On behalf of
Community Housing Aotearoa

Background

This is the second session in an evolving series, designed to 'dive deep' into an aspect of sector transformation: how we access adequate capital to work towards All New Zealanders well-housed.

Following the Community Housing Aotearoa (CHA) IMPACT Conference in June 2017, discussion within the CHP sector has focused on the realisation "*to make a bigger difference we have to do things differently*". CHA is calling it the 'Getting Ready' project.

The first 'Getting Ready' workshop was held on 23 November 2017 and the findings documented in a report of that date. From the November session, it was agreed that each of four areas would be worked on:

- 1) Capital: Back a Housing Impact Fund that brings socially responsible private capital to work alongside government capital and bank debt, to activate the shared ownership and rent-to-buy opportunities across the housing affordability continuum.
- 2) Central Purchasing / Procurement at scale: Agreement to utilise a procurement structure with a set of prefabrication builders, by utilising a common plan book, with agreed pricing, to drive up quality and keep costs low, still offering 'mass customisation' within agreed parameters. Providers want to commit to a pipeline, and use that bulk purchasing agreement to be available to any registered CHP. This means letting go of a small degree of modification in exchange for group benefits.
- 3) Treat the land differently: recognise that holding land by community housing trusts, and not expecting a market return is a good use when they deliver affordable rental and ownership options; the work involved is in looking at the structures, such as land trusts, leasehold programmes and covenants that ensure we retain affordability now and in the future.
- 4) Ending homelessness: Making homelessness rare, brief and non-recurring, by delivering enough great quality affordable homes and building strong communities, which will happen as we use our Capital and treat land differently, activating prefabrication capacity to deliver.

This workshop on the 15 February 2018 is the next step in the journey, focused on 'Capital'. The day was divided into two parts. For those who didn't attend the November workshop an introductory segment on Key Issues and Innovation was provided. Those who attended the November workshop joined at 11.30 with the purpose being to advance the Capital discussion, which is reported in this executive summary.

Participating organisations attending this workshop:

Bishops Action Foundation	CRESA
ComCare	LinkPeople
Abbeyfield	Independent Māori Statutory Board
New Zealand Housing Foundation	Community Housing Aotearoa
Homes of Choice	Tauranga Community Housing Trust
Airedale Property Trust	Ōtautahi Community Housing Trust
Stepping Stone Trust	Queenstown Lakes Community Housing Trust
Haumaru Housing	Habitat for Humanity – Invercargill, Christchurch and
Monte Cecilia Housing trust	Auckland

Process of the Getting Ready – Capital workshop

There were three initial presentations on Capital and developing at scale and they were provided by:

Julie Scott – Queenstown Lakes Community Housing Trust
Cate Kearney – Ōtautahi Community Housing Trust
Paul Gilberd – New Zealand Housing Foundation.

Summary of Julie's messages:

- The new tax legislation allows for a Community Housing Entity under the Income Tax Act, not via Charities Services
- We use a Trust structure that is tax exempt, with wholly-owned companies
- Joint Ventures use partnerships
- External capital for SHEP uses a partnership with a Trust-owned company, offering a License to Occupy form of tenure to the household.

Summary of Cate's messages:

- We took a lot of advice and it gave us a range of scenarios, sometime conflicting
- The 'solution' appeared to be overly complicated for what we wanted to do: build and operate homes
- We distilled the advice back down to a simple structure that we think will work well
- We have retained the LP for complex builds or Joint ventures.

Summary of Paul's messages:

- The Housing Impact Fund (HIF) is a Fund designed explicitly to support the delivery of Assisted Rental (AR) and Affordable Equity (AE) programmes AND to deliver an agreed fixed return to investors
- Who is behind it? New Ground Capital as experienced and licenced money managers and issuers of Funds and NZ Housing Foundation as the service delivery partner overseeing the AR and AE programmes
- Why do we need it? Because there is a lack of long-term cheap capital available for the delivery of large scale new affordable housing supply
- Who will invest in it and why? Large scale institutions will be attracted to this product because it protects their capital and provides a modest but guaranteed long-term return
- What support do we need from the CHP sector? CHPs can explicitly support this HIF initiative by saying they want the Government and agencies to support this Fund and provide the Guarantee.

Steps Going Forward for the Capital Consensus 100 day plan

1. Publish the knowledge on limited partnerships, limited liability companies and their relationship to the parent Trust from Cate, Paul, Julie , Peter (Habitat), and Gabby (Haumaru) and Peter (Homes of Choice)
2. How do we know we are delivering both the social and investor returns? What would a shared resource to measure performance look like? Figure this out and get it in place – so we can show the impacts and achievements of the whole sector
3. Articulate what the multiple scale funds are:
 - a. For philanthropic trusts: how they invest their balance sheets, how that flows to CHPs
 - b. The Housing Impact Fund
 - c. SHEP- and who it serves
4. Build the whole sector's aspirational pipeline
5. Organise our work – to be ready with the funds, how we resource this, getting it ready for deployment (create a Sector Prospectus); include clarity of what the sector can do without worrying about government, then what we can do when we partner with government
6. Co-investment: like the EECA model – requires local match to access the Crown investment
7. Inclusionary Zoning: show why this is a reliable co-investment tool, more local authorities should use it, not a single solution but part of a suite, a solution for the local match
8. Use Crown vehicle to take on public debt and convert it to equity
9. Housing is a pathway to regional development
10. Tax Working Group: Organise our position for GST rebate for social and affordable housing
11. Guarantee: explore both Council and central government guarantees for SHEP and HIF and show the case why they will lift whole sector performance
12. Council Development Contributions – encourage other councils to follow Christchurch lead – can the waiver be reinvested into the housing. Consider including this in the suite of tools that local govt can use, map them by impact on delivering more homes (high vs low) and cost to Council (low vs high).

Tactics for our pipeline

- a) Prepare our case for the 2019 budget
- b) If we generate \$X capital funds, then government should match (the matching/partnering argument)
- c) Get into the budget cycle – and say the same to both government and philanthropic
- d) We are a partner with government, not an agent of government
- e) Message to Government: if you don't get in here to partner with us, you will miss out.

What next?

Four key issues/ questions were identified as a result of the discussion to date. These were:

- 1) What is the sector pipeline currently and what could it look like?
- 2) The issue is not always land – what is the land resource within the CHP sector? That is the message to government could be:
 - a. We have this land and we are willing to use it
 - b. We have the building industry with us and have different relationships with you
 - c. We need capital
- 3) What is the menu of funds, or do you need a single fund and strengths and weaknesses of these different approaches?
- 4) How to change the emphasis from social to community- providing range of services.

People met around these four actions to advance each one:

Action 1: Sector pipeline Report

- We want to achieve solid and consistent Reporting and Accountability
- List each project; across the top: initial feasibility, board approval, milestones, consenting, procurement, construction, delivery
- Shift: Planned (budgeted) vs Actual pipeline, (to make the Delays visible, and why they occur) – build on template from Leonie and check it with what we already do in the Supply Survey
- Habitat invercargill can do 10% of their local need
- Issue: situation where the costs are higher than completed value – worry is that the model with external capital won't work. Even when you own long-term.

Action 2: what is the land resource in the CHP sector

- Do the deep dive into leasehold for long-term affordability. There are alternative options to existing ground leases eg prepaid ground leases.
- How we treat the land differently – do work on this
- Scott reminded group that was to be a separate deep dive like today, get it scheduled. Kay reminded the group about the Accessory dwelling units report.

Action 3: Build a Sector Prospectus

- Set the clear structure of Funds: and implement nationwide rollout of SHEP and Housing Impact Fund fund 1 and 2
- Look at bringing back SHU funding at scale – we show where and how this works, and in what circumstances it matches the SHEP and Housing Impact Fund
- People like the idea of showing we bring matching funds to the table – say what that is and how it works.

Action 4: Strong, consistent Advocacy

- Be the strongest voice for the sector
- Have defined sector outcomes
- Being the social landlord at scale
- Provide stronger navigation to social services and not let HNZN occupy this space
- Re-ignite the conversation around the housing continuum
- CHPs actively engaged across the continuum, modeling of how we deliver, the value case from our sector
- One idea is a national website to identify household need. This could be a way for families to express their housing need not captured by the social housing register (not the highest priority for whole group; difficult to develop, should be done by government).

CHA was asked to collate and organise these into next steps for further action by the Sector.

Always remember – the future is never pre-ordained. We have the opportunity to create it.

*“Never believe that a few caring people can't change the world.
For, indeed, that's all who ever have.”
Margaret Mead*