

30 January 2015

TO: Members of the Auckland Community Housing Providers Network and Community Housing organisations working in Auckland Special Housing Areas

FM: Scott Figenshow, Director, Community Housing Aotearoa

RE: Suggested IRRS Contract terms for use with Housing Bond loans

CHA encourages all CHRA Registered CHOs working in Auckland (including those who plan to become registered and/or who are partnering with CHRA registered organisations), and who may be considering new residential developments in Special Housing Areas, to submit a Registration of Interest to the Ministry of Social Development's call for IRRS Housing Services in Auckland. For background information, please see:

For the MSD ROI: <http://www.communityhousing.org.nz/news/12-december-2014/>

For Auckland Housing Bonds: <http://communityhousing.org.nz/projects-partnerships/>

This is a significant opportunity to leverage the lower cost of finance that the Auckland Housing Bonds would be able to provide. We understand the proposed timings for both projects align well: By 1 July 2015 we anticipate the first Housing Bond commitments to be available, with anticipated delivery of the first housing between six and eighteen months thereafter.

Organisations wishing to develop new residential properties are asked to consider the following terms when responding to the IRRS ROI:

- a minimum five year initial contract term at a Market Rent
- a minimum five year automatic renewal of the contract term, subject only to satisfaction of all performance standards, for a cumulative term equal to the length of any borrowing by the CHO (eg 25 years)
- flexibility to move the market rent allocation from one unit to another, at the CHO's discretion
- the frequency of adjustment of the market rent, and how the quality of the home is factored into the rent level.

The first two provisions would allow both Auckland Housing Bonds and subsequent bank lenders to underwrite the CHO's development (or purchase of existing units) on a long-term mortgage using a market rent for an equal duration to the term of any bank lending.

This last provision is to allow a CHO to start with leased properties, and then move the market rent contract allocation to a unit that it would complete as part of a retained affordable development in a special housing area, once that unit is complete and ready for occupancy.

CHA looks forward to working with all providers and MSD and Auckland Council to fine tune these provisions over the coming months.

Please contact us with any questions.