

# New Zealand Community Housing Funding

Building better communities together



# The issue...

- Community Housing Providers - capital constrained, needed to acquire housing at less than market value
- In 2013 Auckland Council and Community Housing Aotearoa (CHA) identified need for mechanism that would enable CHPs to access to non bank funding for development of housing at below market, and to identify and manage risks
- Designed to maximise opportunities provided through Special Housing Areas – leverage and retain value created
- Finance provided at master planning stage, providing commitment to purchase land
- Delivering mixed income, mixed tenure communities, by fostering development partnerships

## What was needed...

- Leveraging new social responsible investment into community housing
- Bringing together public and private finance
- Stimulating the private sector to partner with CHPs, increasing capacity
- Facilitating the building and retention of equity in CHPs – as proven stewards of community resources, deliver housing that meets local needs
- Creating new social and affordable supply in Auckland

# Establishing NZCHF...

NZCHF is an independent company, wholly owned by CHA

- October 2013 – CHA AGM endorses workstream of sector-wide Housing Bond initiative
- May 2014 – Auckland Housing Bonds – scoping report produced
- July 2014 – Auckland Council Housing Project Office commissions work to deliver Housing Action Plan actions
- December 2015 - Established as New Zealand Housing Bonds Ltd and Board of directors appointed
- April 2016 - Changed to New Zealand Community Housing Funding Ltd (NZCHF) to better reflected refocus on syndicated lending and broader objectives beyond Bonds

# The syndicated loan product...

- Raising \$30m to be secured through syndicated lending managed by a lead arranger BNZ, together with up to three other banks and one or two philanthropic investors
- Conditional commitment by The Tindall Foundation
- Funding to be structured as a Syndicated Loan offer. Supported by first loss guarantee from Auckland Council of \$6m
- Provide development finance to CHPs for social and affordable housing. CHPs refinance on completion
- Loans to be spread across Auckland, projects and borrowers to maximise impact and minimise risk

# What did we need to do?

- Registered Company
- Registered as a Financial Services Provider
- Developed risk frameworks and compliance schedules to meet obligations under Anti-Money Laundering Act requirements
- Established bank accounts
- Established Management Services Agreement to meet operational requirements
- BNZ appointed as Lead Syndicator and provider of Agency Services
- Trustee appointed

# What did we learn?

- That NZCHF as the intermediary was viewed as a start-up and lacked capital
- Social and affordable housing is not a mature asset class in NZ
- Auckland Council Guarantee needed to be fully available as first loss guarantee to minimise risk
- Banks are already lending directly to community housing providers
- There is an immature regulatory and subsidy environment
- Despite initial interest, syndicated lending commitments were not secured
- **CHPs need equity before they can progress discussions on a loan product**
- **NZCHF has offered support to further initiatives and discussions with stakeholders are ongoing**