



COMMUNITY
HOUSING TRUST

QUEENSTOWN LAKES

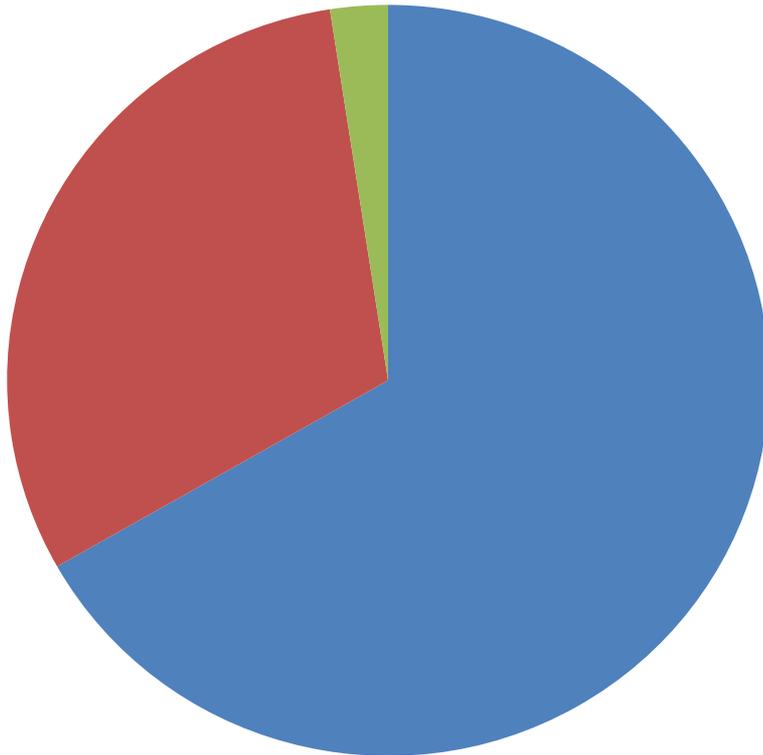
ABOUT THE TRUST

Vision: To ensure adequate housing for committed residents in the district at a cost within their means.

- 9 years operating
- 6 Trustees
- 1.5 Staff
- \$17m equity invested in affordable homes
- Operating throughout QT Lakes District
- Not-for-profit organisation
- Supported by Council, Developers & Crown
- Helped 143 households to date



CAPITAL FUNDING TO DATE



- Developers
- Crown Grants
- Council



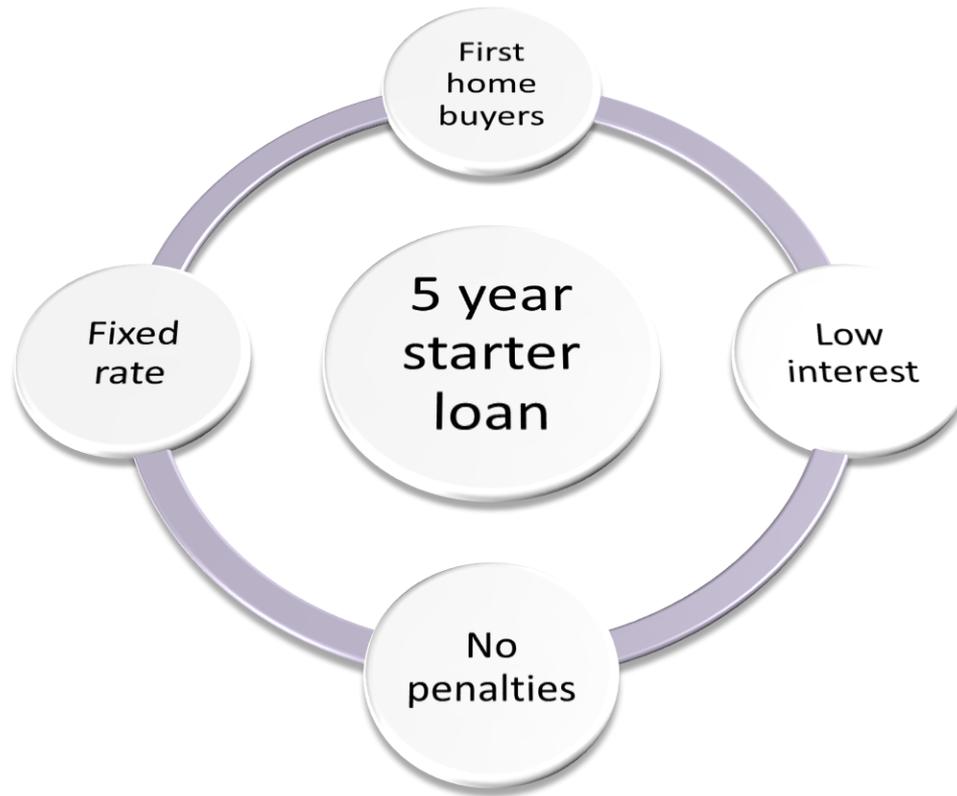
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2012

Starter Loans

A MORTGAGE KICKER THAT LOCKS IN AFFORDABILITY FOR FIRST HOME BUYERS



A NEW HOUSING BOND TO FUND STARTER LOANS



- A fixed interest investment for 5 years
- Monthly P+I to CLT - rate .5% above 5 year Gov. bond rate
- Interest rate to homeowner .75% points above this
- QLCHT's repayments to CLT guaranteed by Council with an Indemnity back from QLCHT to Council
- No entry/exit/management fees for investor or borrowers

2016 – A REDUNDANT PROGRAMME



- Interest rates at all time historical lows
- Households refinancing with commercial banks and incurring no penalties from QLCHT by doing so
- QLCHT continuing to pay P&I to CLT but unable to recycle funds – only available for Starter Loans
- Programme no longer providing a return to QLCHT
- Only 12 out of 26 Starter Loans remaining today

WHAT TO DO?

- Ask households to refinance with market banks and repay CLT in full?
- Waste of philanthropic funding!
- What else could we do with that money?

SHOTOVER COUNTRY



- 44 Lot development 12 km from Queenstown
- QLCHT selling 33 houses into SO and keeping 11 as rentals
- QLCHT's SO equity = \$3.6m based on 2015 sale values

THE CLT DEAL

- Proposal to CLT to buy QLCHT's equity at 2016 value less 5% discount – estimated to be around \$4.3m January 2016
- QLCHT to manage properties on behalf of CLT at nil cost
- No dividend yield for CLT – just capital return
- Independent modelling projected acceptable internal rate of return and profit for CLT based on average inflation
- 10 year sunset clause for 33 households



WHAT WENT WRONG

- Queenstown property market spiralling out of control
- Valuations undertaken in July 2016 meant CLT's purchase price on 33 properties = \$4.9m (including 5% discount)
- CLT balked fearing market crash and loss of value on investment
- “The return is no longer up to the risk, lack of security, complexity and compliance in order to meet the new financial reporting standards...”
- Changes in CLT's own investments over last 4 months meant they have had to reconsider their other illiquid assets/investments.



WHERE TO NOW?

- Starter Loan portfolio of 12 loans sold to SBS
- CLT agreed to convert the Housing Bonds loan to a Rental Property 5 year loan of \$4m for 11 rentals
- Council guarantee on QLCHT's performance to remain in place even though 50% LVR
- Monthly P&I at 4% interest rate with balloon amount to be repaid in 5 years (or renegotiated)



LESSONS LEARNT

- SO equity a hard sell in a rampantly spiralling market
- CLT hesitant about taking equity position in the residential property market due to the inherent risks when compared against investing in Govt. bonds, etc.
- Not much more we could have done much differently - we were just caught out by the massive rises which occurred between conception and implementation.
- Council guarantee important to our investor



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