Priming the Pump: Access to Capital and Capacity to House New Zealanders

Prepared by
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Educated in New Zealand and England, Sir Ian held Professorships at Cornell University and the University of California, and was Vice-Chancellor of Victoria University of Wellington for three years. For many years, Sir Ian was director of the Max Planck Institute for Aeronomy in Germany, where he was involved in the planning of several space missions, including those of the Voyager planetary explorers, the Giotto space probe and the Ulysses galaxy explorer.

Sir Ian was recognised as one of the great thinkers and communicators in the world of space science, and was a highly respected and influential administrator. A recipient of numerous science awards, he was knighted and named New Zealander of the Year in 1995.

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I first visited Aotearoa in 2005 as an invited guest of Ian Axford Fellow Nick Johnson, his wife Tina and their girls. I couldn't miss the chance to visit them and learn more about this wonderful country. I have known about the Axford Fellowship in Public Policy ever since and often thought about applying for this amazing opportunity, but wasn't sure I had a policy topic that would resonate. After years of accumulated experience in the US, and my general knowledge about the housing crisis here, I thought that this would be an appropriate time to apply.

"You couldn't have come at a better time!" was a resounding theme from many of the housing stakeholders I met during our seven-month stay in Aotearoa. Finding an affordable, warm, safe and healthy place to call home is now a key policy issue confronting most Kiwis living in urban and rural areas alike. The government transition from the National Party to the Labour-led coalition that came to power in late 2017 made my study period particularly relevant. I arrived as new staff at the Ministry of Social Development (MSD), and other Ministries were settling into their roles. In June 2018, the central government announced the creation of a new Ministry of Housing and Urban Development (HUD) to address the critical need.

First, I extend a big thank you to Fulbright New Zealand Board and staff, particularly Penelope Borland, Kyla Orr and Frank Cain, for their patience throughout the application and selection process, followed by my endless questions in preparing to arrive for a seven-month stay. A special thank you to Kyla for her unique approach to guiding the Fellows and ensuring the timely progression of our projects. Thank you also to Roy Ferguson, the Ian Axford Board Chair, for his focus and support for our research. Dr Arthur Grimes was my academic mentor for this project and provided key insight into the New Zealand economy and tax policy; it was an honour to get his counsel.

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A special thank you goes to the reviewers: Dr Arthur Grimes, Chris Glaudel, Adam Allington, Julia Bergman, Rob Wiener (US) and Bethany Chaney (US). Their feedback was critical in helping me to write a more focused and accurate report. The editors on this project Tim Vaughan-Sanders and Nora Mara (US) did an extraordinary job helping to burnish the report into this final document. Thank you to Fulbright New Zealand's Rachel Tilghman for formatting this report into a more accessible document for policymakers. I greatly appreciated the encouragement of former Fellows before and during the Fellowship from Nick and Tina Johnson, Lisa Lunt, Sarah Bolton and Arnell Hinkle.

One of the memorable experiences this program provided was the opportunity to represent the 2018 Fulbright class before the Kaumatua (elders) at Waiwhetu Marae, delivering my remarks in Māori, learning from the Māori perspective about the impact of having their land taken away by pākehā, and the influence of the Treaty of Waitangi. Group sleeping at the marae with my fellow Fulbright cohort and families was a fun and meaningful start to the journey.

Finally, thank you to my wife Susan. She joined me to make the most of this adventure as was possible. Our travels took us to Cape Reinga (the northwesternmost point of Aotearoa NZ), the Waitangi Treaty Grounds and the foothills of Aoraki/Mt Cook. I'm so happy to have explored the nooks and crannies of Wellington, and attended so many festivals with you. I could not have succeeded in this Fellowship without you. Among the most rewarding was the Te Reo Māori introductory class we took at Wellington High School. Thanks to Mike Wolking, my Axford Fellow

colleague and his wife Jackie for telling us about this opportunity and their friendship during this unique and wonderful adventure.

Ngā mihi,

Jeff Mosley
Te Whanganui-a-Tara (the great harbour of Tara-Wellington)
Here-turi-kōkā
Wellington, August 2018

Pictured Above: Traditional New Zealand State Home *(Source: Housing New Zealand Corp.)*

Pictured Above: Contemporary New Zealand State Home *(Source: Housing New Zealand Corp.)*

Executive Summary

Where is the will for all Kiwis to solve the housing crisis? The crisis presents itself in many ways and has been around for years. Increasingly, Kiwis—particularly Māori and Pasifika peoples—are experiencing homelessness and overcrowding, are unable to afford housing that is safe with secure tenures and face declining rates of homeownership. Reports of more than 41,200 homeless Kiwis and estimates of a supply gap of 45,000 to 200,000 affordable homes underscore the magnitude of this crisis. A number of factors contribute to Aotearoa NZ's housing shortage; they include failures in the social fabric, lack of capital gains tax settings, government's varying position as public housing landlord, and the general focus and motivation of developers and investors on the yield of building market rate housing further exacerbating the dearth of affordable housing options.

Housing is a human right. Aotearoa NZ's leaders have articulated the importance of fulfilling this right and have committed to international standards, signing onto the principles of the United Nations (UN) Sustainable Development Goals (SDGs)—including that by 2030 all will have access to adequate, safe and affordable housing. That deadline is only 12 years away. Treasury is adopting the Well-Being Framework in the 2019 Budget. The Living Standards Dashboard for this Framework includes housing, specifically measuring the physical quality and supply necessary to meet the needs of the population. Government is also responding to the UN's recent finding that Aotearoa NZ is not progressing towards its housing goals. Government has increased its attention, goals and funding for those who are most vulnerable by increasing access to emergency shelter and transitional and public housing. Similarly, Community Housing Aotearoa (CHA), the peak body for community housing providers (CHPs), has set a goal to deliver 15,000 public and 85,000 affordable homes by 2030. The public sector, however, needs funding partners to meet its goals.

This report speaks to government and housing stakeholders who aspire to tackle the housing crisis. Government cannot effectively address this crisis on its own. While banks, foundations, iwi and faith-based organisations do invest in affordable housing projects, a more strategic, collaborative approach is required. Discussions with government and Crown officials, lenders, investors, foundation officials, iwi and Māori housing service providers, community providers, and housing industry experts, reveal a clear picture: many understand the extent of the housing crisis and see the need for collective action. A resounding question is: "How can government help, and be there over the long term?"

Increasing housing supply particularly for households with low incomes involves addressing several factors or challenges. Accessing financial capital, sustainable funding and investment, land, skilled labour, and materials are critical in mapping a long-term housing pipeline that meets housing needs and goals. This report focuses not only on the settings necessary to attract private capital and types of financing models that might have traction in Aotearoa NZ, but also on the environment in which funding collaboratives or partnerships or alliances might succeed. Because CHPs, including organisations serving Māori and Pasifika communities, play a critical role in housing delivery alongside the government and Housing New Zealand Corporation (HNZC), the report also examines their capacity-building needs to ensure their development capabilities over the long term.

Recognising the need for greater financial participation in the housing sector by sources in addition to government, I met with representatives from banks, investors, foundations and iwi. When asked what would encourage them to consider playing a larger role, these individuals stressed several common factors: the rate of return on investment, financial product design, program or project scale, risk sharing, team qualifications and performance. Almost all said that government's long-term participation would be a condition to their participation.

This report presents summaries of several housing financing models for consideration in Aotearoa NZ: loan or bond aggregators, infrastructure, consortium and social impact bonds (where a social impact is valued in balance of a less-than-market rate of return), tax increment financing (which lends itself more to an industrial, or non-housing, context but has been used to help support residential development in certain locations) and dedicated funding mechanisms such as housing trust funds. The Low-Income Housing Tax Credit is now the largest financing mechanism for affordable rental housing in the United States; introducing such a model in Aotearoa NZ would require changes to tax laws. The United States also implements housing trust funds, national- and state-level funding pools designed to develop or preserve affordable housing and often leverage other funding and financing.

Examples of multi-sector affordable housing and community facility funding partnerships illustrate how different sectors have collaborated to bring capital to whānau and communities. Key principles of these funding collaborations and partnerships include leadership, clarity of purpose and goals, common values and accountability, balance of power and autonomy, authority at the table, careful idea development/planning processes, clarity and agreement on structure and governance, adequate organisational support, proper recognition and credit, a time frame, benchmarks and a plan for the future.

To get a sense of CHPs' current and future development plans as well as their organisational and project-related capacity issues, I developed and submitted a survey to registered CHPs. Responses show that 27 CHPs, including Māori housing providers, currently have plans to deliver 5,640 public and affordable homes within 24 months and another 970 homes thereafter. One explanation for the lower long-term production was uncertainty about contracts with the government. The results suggested that those CHPs with portfolios in the hundreds of units showed the most appetite for growth. CHPs with portfolios in the thousands planned to develop some units but indicated a focus on strengthening their asset and property management functions.

Investing in the capacity building of CHPs is essential if these organisations are to continue to grow and be relied upon as dynamic, effective community-based providers of public and affordable housing. Between 2004 and 2008, the government provided $14.9 million in capacity-building grants under the Housing Innovation Fund, but these grants are no longer available. The Department of Internal Affairs offers organisational capacity grants and funding for secondments. In the United States, the Department of Housing and Urban Development and Department of Agriculture fund capacity-building activities of community-based not-for-profit organisations, with grants totaling around $184 million.

Finally, several appendices provide summaries of the histories of public and Māori housing, social housing reforms, the role of local councils and policies encouraging additional affordable housing. A case study of a low-income housing tax credit project located in New York City is also included.

Recommendations

The report outlines a set of recommendations and observations around which government, financiers, foundations, iwi, faith-based entities and community-based providers and Māori housing should engage. The recommendations offer a framework for a long-term committed multi-sector partnership or alliance establishing certainty and accountability in addressing the housing crisis. Full explanations of the key recommendations can be found in the main report accompanied by supporting observations.

Key recommendations

1. Commit to long-term government engagement and consistency in housing policy settings and programming.
2. Create a permanent public investment fund to help finance public and affordable housing development.
3. Invest in community housing development partner capacity to ensure expected growth and housing production, outcomes and quality.
4. Promote and incentivise innovation and creative capital.
5. Invest in housing education and progressing households from emergency/transitional housing and public housing towards market rate homeownership.
6. Create a fully independent regulatory agency to strengthen transparency, compliance and accountability for use of government investments.

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Pictured Above: Waimahia Inlet Playground Opening *(Source: New Zealand Housing Foundation)*

Introduction

In 2015 Aotearoa NZ signed onto the United Nations (UN) Sustainable Development Goals (SDGs). According to Girol Karacaoglu, Head of the Victoria University of Wellington School of Government, "It's not a giant leap from here to suggest the ultimate purpose of public policy is to improve people's lives, now and into the future—by enhancing their capabilities and opportunities (i.e. substantive freedoms) to pursue the lives they value. Provided, of course, that in doing so they don't interfere with the substantive freedoms of others to do the same."[1]

Aotearoa NZ was an early adopter of the SDGs, signifying the weight and value it sees in ensuring that quality of life is an important framework for structuring public policy. Target 11.1 (Make cities and human settlements inclusive, safe, resilient and sustainable: By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums) means that Aotearoa NZ has an opportunity to lay a foundation of public policy to meet this and other SDG targets.

Housing, along with income, jobs, community, education, environment, civic engagement, health, life satisfaction, safety, and work-life balance, are key elements to the SDGs and to the Organization for Economic Co-operation and Development's (OECD) Better Life Index.

Aotearoa NZ's housing crisis has impacted residents across the income spectrum, and its toll continues to be felt most by those who can afford it least, mainly because of rising cost and lack of supply across the housing continuum. The OECD's 2011 Economic Survey reported that New Zealand's "rigidity in supply and leanings toward real estate property investment resulted in increased house prices, widening the wealth gap and impacting affordability for those with the least means.... The economic downturn has increased financial pressures on the social housing sector, with a shortage of public dwellings in areas of high demand."[2]

Strong population growth over the past decade—particularly from in-migration, long-standing speculative housing purchases, and lack of new supply—underpins how the crisis has evolved. The Salvation Army's State of the Nation Report 2018[3] cites housing availability, housing affordability, and household-related debt as key factors in understanding the depth and complexity of the crisis. In 2012, The Salvation Army's Alan Johnson cited low productivity of the construction sector and lack of competition as also contributing to fast-rising building costs and sales prices between 2002 and 2007, and to some extent in 2008.[4] Successive governments' reluctance to address tax regulation bias towards property investment continues to impact housing supply and affordability. For example, politicians have long recognised and debated implementing a capital gains tax on rental investment properties but have repeatedly delayed acting on this and other possible measures that may ultimately ease pressures on housing supply and affordability.

The OECD's Better Life Index reported that New Zealanders have a strong sense of community and civic participation; 95 per cent responded that they believe that they know someone they could rely on.[5] In contrast, the proportion of households with low incomes increased from 1988 through 2015.[6] And, the Ministry of Social Development's (MSD) Social Report 2016, found that in 2012

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[1] Karacaoglu, G. (2018)
[2] OECD (2011)
[3] Johnson, A. (2018)
[4] Johnson, A. (2012)
[5] OECD (2011); OECD Better Life Index – New Zealand
[6] Stats NZ (2016)

Aotearoa NZ ranked in the top third of the most unequal countries—on par with Australia ranked at 33, less unequal than the United States and United Kingdom (ranked 40 and 35, respectively) but more unequal than Canada (32).[7] The trend of increasing income inequality, measuring the 80/20 percentile comparison of household incomes, continued from a of ratio of 2.24 in 1988 to 2.61 in 2015.[8] With regard to housing, Aotearoa NZ topped the OECD survey for average ratio of spending on housing costs (26 per cent), based on household gross adjusted disposable income, compared with OECD nations (averaging 21 per cent) and the United States (18 per cent).

Treasury Wellbeing Framework

Treasury's proposed framework includes housing as one of the Wellbeing dimensions. "Living in satisfactory housing conditions is one of the most important aspects of people's lives. Housing is essential to meet basic needs, such as shelter, but it is not just a question of four walls and a roof. Housing should offer a place to sleep and rest where people feel safe and have privacy and personal space; somewhere they can raise a family. All of these elements help make a house a home. And of course there is the question of whether people can afford adequate housing." The indicators that Aotearoa NZ uses to track progress towards those goals include housing affordability, basic sanitation and rooms per person.[9]

Pictured Below: Salvation Army Retirement Village, Auckland (Source: Jeff Mosley & Salvation Army)

The Kiwi egalitarian spirit

Kiwis maintain a notion of egalitarianism: that they care about the least of them, that they are all in this together, that there is a sense of fairness. Alan Johnson concludes in his 2012 report, "Adding It All Up: The Political Economy of Auckland's Housing,"[10] that the failure of New Zealanders, and Aucklanders in particular, to ensure that all Aucklanders have a decent affordable home is due to institutional breakdowns; that these challenges are fundamental and systemic, philosophical and political. "They are fundamental in that New Zealanders have embraced, most often unwittingly, a paradigm or ideology that denies any interest in things such as equity and inequality."[11]

[7] Ministry of Social Development (2016)
[8] Stats NZ, NZ Progress Indicators
[9] King, A. and others (2018)
[10] Johnson, A. (2012)
[11] Johnson (2012), p. 71

At a glance

Key differences separate Aotearoa NZ and the United States. Landmass and population counts are distinctly larger (see Table 1). However, the percentages of those living in cities versus rural areas in Aotearoa NZ and the United States are similar, 86 and 81 per cent urban, respectively.

Table 1: General demographic snapshot: Aotearoa NZ and U.S. Populations12

	Aotearoa NZ	Auckland	United States	California
Landmass (km^2)[13]	268,021	1,102	9,857,348	423,972
Population	4,844,400	1,657,200	325,719,178	39,536,653
Urban (%)[14]	86.3	92.6	80.7	87
Rural (%)	13.7	7.4	19.3	13
Māori (%)	15	10.7		
Pacifica (%)	7.4	14.6	7.4	0.4
Asian (%)	11.8	23.1	5.2	13.9
Native American (%)			1.0	1.1
African American/MELAA (%)[15]	1.2	1.9	12.6	5.5
Hispanic/Latino (%)[16]	**	**	17.3	38.9

Aotearoa NZ's population grew by 351,600 (7.5 per cent) from 2013 through 2017, essentially adding the population of a new Christchurch to the country in a four-year span; Auckland absorbed 47 per cent of this increase.[17] Migration mainly accounts for the strong population growth, with almost 248,000 net new arrivals recorded during this four-year period, or about a 2.5 per cent increase annually.[18]

[12] United Nations (2015)
[13] Sourced from Wikipedia
[14] World Population Review: Auckland; US Census Bureau
[15] MELAA describes the population that is Middle Eastern, Latin American and African.
[16] For Aotearoa NZ and Auckland, these percentages were included within MELAA.
[17] Johnson (2018), p. 58
[18] Ibid, p. 59

Table 2: Housing snapshot: Aotearoa NZ and US Populations 19

	Aotearoa NZ	Auckland	United States	California
Homeownership Rate	63.2	61.5	64.2	55.2
Median Household Income	82,300	92,700	78,668	90,699
Median House Value	487,500	1,056,554	262,643	582,025
Median Monthly Rent	1,704	2,144	1,350	1,844
Number of Homeless (% of pop.)	41,207 (0.9)[20]	23,409 (1.4)[21]	553,742 (0.2)	134,278 (0.3)

Some of Aotearoa NZ's housing characteristics are similar to those in the United States (see Table 2). For example, homeownership, a long-sought goal for whānau, has declined mainly because of substantially increased house values in major urban markets. The housing crisis, though, is being felt throughout the country. "Since 2008, new housing construction in Auckland has failed to keep pace with population growth. Prices in the rest of New Zealand, on the other hand, have risen despite little or no increase in the population-to-dwelling ratio. Throughout the country, record low interest rates have magnified house price increases."[22] The related and cascading effect of Auckland's housing crisis is felt in the broader region in such places as Hamilton, Rotorua, Whangarei and Tauranga, and in Napier, Wellington and Nelson. Queenstown Lakes District exhibited the highest five-year rise (81 per cent) in house values according to Quotable Value and The Salvation Army. Rising house values, growing populations and the lack of housing construction further tightened the constraints on accessible, affordable housing for those at the lower income rungs.

The housing crisis has particularly impacted Māori and Pasifika peoples, who have lower homeownership rates, higher incidences of homelessness and who suffer from overcrowding. From 1986 through 2013, the proportion of Pasifika and Māori living in owner-occupied housing declined at a faster rate (34.8 per cent) than that for the population as a whole (20 per cent). During the

[19] United States: 64.2 per cent, Fourth Quarter 2017 (US Census); highest was 69.2 per cent, Second Quarter 2004; US currency converted to the New Zealand dollar; estimated homeless in 2017 was 553,742; 17 out of every 10,000 (PIT Estimate of People Experiencing Homelessness by Sheltered Status; HUD – The Annual Homeless Assessment Report to Congress: Part 1, p. 8, Exhibit 1.1). California: 55.2 per cent, First Quarter 2018; highest was 60.2 per cent in 2006; Estimate of Homeless Californians 134,278 – estimated greater than 6 per cent of population (PIT Estimate, p. 12).
[20] OECD, Homeless estimate 2015. There were 28,649 homeless in 2001, and 34,000 in 2006.
[21] Auckland Council (2017)
[22] Carey, D. and Barker, A. (2017)

same period the share of Pasifika and Māori children living in owner-occupied housing dropped from about 50.0 per cent to 28.4 and 38.5 per cent, respectively.[23]

The Housing Reality

UN Human Rights Commission Review of Aotearoa NZ's progress on housing

The Review found poor performance on housing such as inadequate housing and other quality of life indicators including childhood poverty. The Commission seeks a housing strategy based on human rights.[24]

The growing homeless counts

The OECD reported that an estimated 41,207 Kiwis were homeless in 2016.[25] Homelessness is generally defined as "living situations where people with no other options to acquire safe and secure housing are without shelter, in temporary accommodation, sharing accommodation with a household or living in uninhabitable housing".[26] As of writing, the government has secured approximately four to five per cent of the places for those seeking shelter. To meet the need for more spaces, the government set goals to provide 643 emergency places by September 2016, and 1,663 places by September 2017; MSD exceeded its 2020 target of 2,155, supplying 2,341 as of June 2018.[27] The Ministry also provided 9,245 Emergency Shelter Special Needs Grants for the quarter ending June 2018.

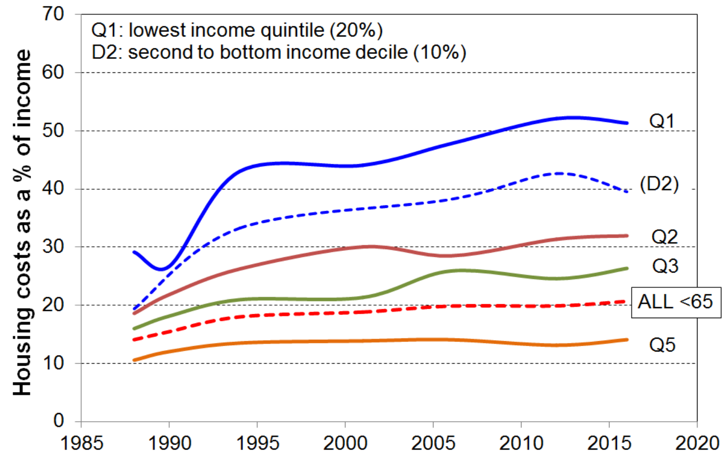
Pictured below: Accessible Properties Auckland and Wellington. *(Source: Accessible Properties)*

[23] Stats NZ (2016)
[24] Davison, Isaac, 24 April 2018
[25] 34,000 were reported homeless in 2006 compared with 28,649 in 2001. OECD, Homeless estimate 2015, p.3
[26] Stats NZ (2015)
[27] Ministry of Social Development (2018)

Housing unaffordability

Figure 1 demonstrates how households at the lowest rungs of the income strata are increasingly paying more for housing. Lines Q1 and D2 represent households at the lowest quintile and next-to-lowest decile, on average paying increasingly more of their income on housing costs from the late 1980s through 2015; during this time frame households in Q1 had housing costs accounting for from 29 per cent to over 50 percent. Those households in D2 had housing costs representing from 19 to 39 percent of their income.[28] In the United States *cost burden* is a well-used standard for measuring housing affordability. In 2014, 83 per cent of households earning less than $15,000 paid more than 30 per cent of their income on housing; 72 per cent of renters and 66 per cent of homeowners were severely cost burdened (paying more than 50 per cent of income on housing).[29] In the ten highest-cost U.S. metro areas, 41 per cent of households were cost burdened in 2013 compared with 34 per cent nationally.[30]

Figure 1: Housing costs as a proportion of household income for those aged under 65



Source: Ministry of Social Development

Housing overcrowding

Another indication of housing constraint is that overcrowding impacts many Kiwis. In 2013 about one in ten New Zealanders, or 398,300 individuals, experienced crowding; slightly over three per cent, or 129,100 individuals, lived in severely overcrowded situations. Despite signs of improving conditions, levels of overcrowding remain high. The proportion of those living in overcrowded dwellings decreased 15 per cent from 1991 to 2015 (11.9 to 10.1); Pasifika household overcrowding also dropped 15 per cent during the same period (46.9 to 39.8) while Māori dwellers experienced a 33 per cent decline (29.7 to 20.0) over the 24 years. Overcrowding is unevenly experienced across the country: most overcrowding in 2013 occurred across the North Island where 11.7 per cent of residents were overcrowded, compared to 5.1 per cent of South Island dwellers in overcrowded situations (see Figure 2).[31]

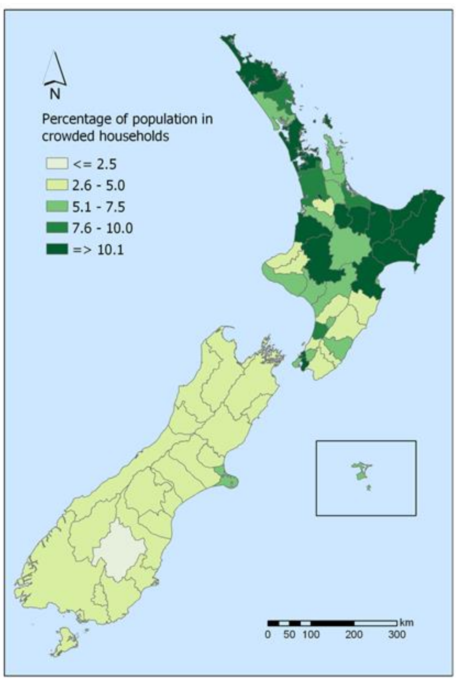


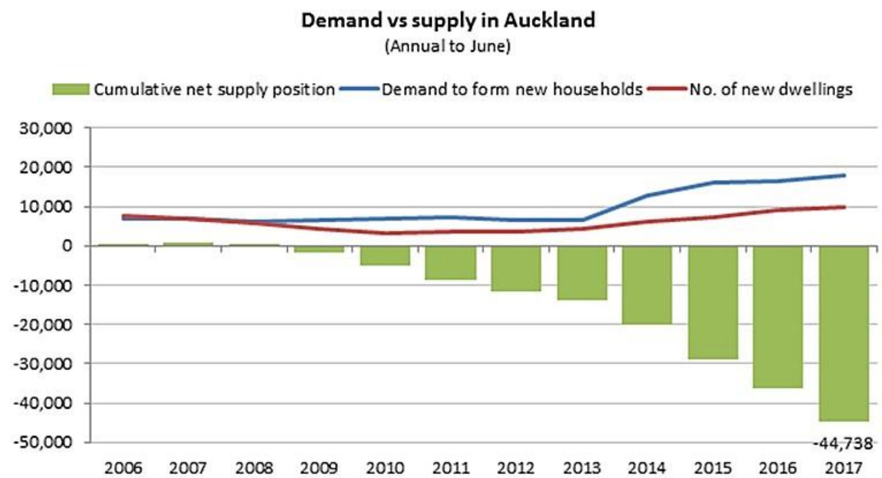
Figure 2: Percentage of population living in crowded households by Territorial Authority 2013[1]
Source: StatsNZ

[28] Perry, B. (2017)
[29] Joint Center for Housing Studies of Harvard University (2017), p. 33
[30] Joint Center for Housing Studies of Harvard University (2015)
[31] Stats NZ (2016), p. 2

Deepening undersupply of housing

A lack of secure rental and ownership housing inventory affordable to whānau and households is one of the main results of policy and market decisions. This lack of inventory, or supply, has been a long-term issue. The Salvation Army's Campbell Roberts reported in his paper, *Housing*, that in 1971 organisations predicted the undersupply of between 15,000 and 20,000 housing units by the mid-1980s.[32] Residential construction has not kept pace with Aotearoa NZ's population growth: between 2012 and 2017, population growth exceeded estimated housing growth by 2.1 per cent.[33] In a March 2018 housing analysis report, the New Zealand Housing Foundation (NZHF) reported that Auckland has a current shortfall of 40,000 homes.[34] The undersupply continues and grows. The trend of the housing shortfall in Auckland, particularly since 2012 (see Figure 3), shows the accumulated shortfall at about 45,000 dwellings by June 2017.

Figure 3: Demand vs. supply in Auckland[35]

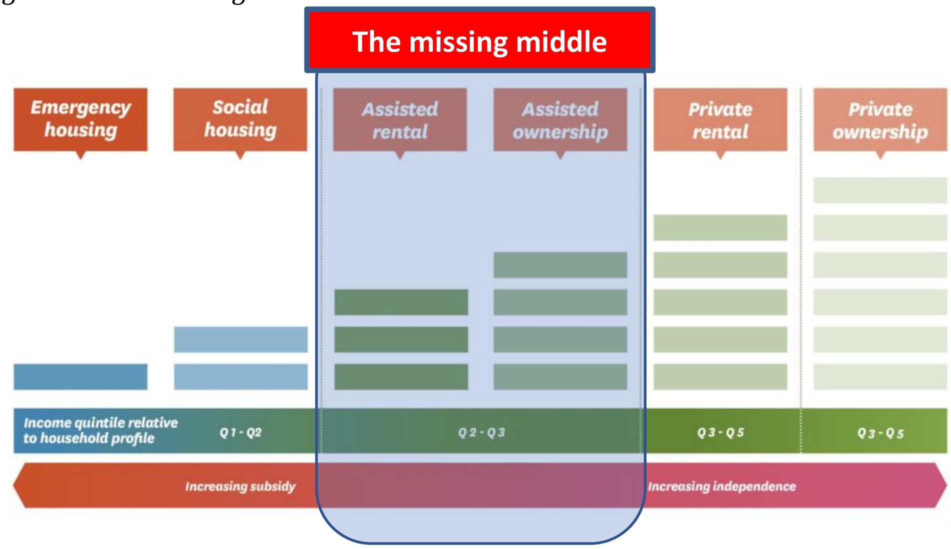


Source: Ministry of Business, Innovation and Employment

Across Aotearoa NZ housing undersupply estimates range from 9,155, estimated by TSA in its report *Kei a Tātou – It Is Us: State of the Nation 2018*, to 71,000, suggested by Minister of Housing and Urban Development Phil Twyford.[36] Another report estimated that the current need is about 200,000 additional affordable rental and ownership homes.[37] Figure 4 illustrates where the undersupply is most apparent along the housing continuum—the "missing middle." The figure demonstrates that, as households progress along the continuum, they face this lack of affordable housing stock; one of the key impacts is that these residents seek to remain either in public housing or in other rental accommodation that may be unhealthy or otherwise of poor quality.

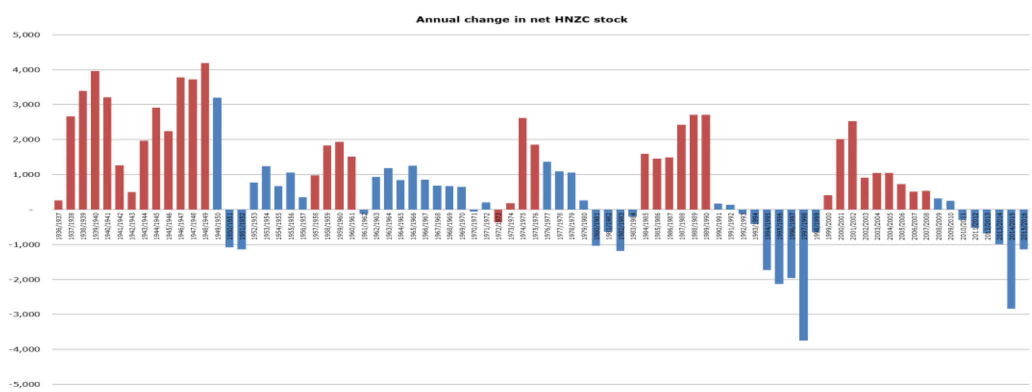
32 The Royal Commission on Social Policy (1988), p. 13
33 Johnson, A. and others (2018), p. 20
34 New Zealand Housing Foundation (2018), p. 6
35 In Figure 2, "Demand to form new households" is derived from Stats NZ data on new households minus new consents.
36 Hogan, Finn, 23 June 2018.
37 Estimate cited by NZHF's Paul Gilberd at 26 July 2018 Housing Crisis presentation, based on Mitchell, I. (2015), p2.

Figure 4: The Housing Continuum



Source: Community Housing Aotearoa

Figure 5: Annual change in net HNZC stock



Source: Ministry of Social Development and Housing New Zealand Corp.

The stock of social (now called "public") housing has also not kept pace with demand.[38] According to MSD's 30 June 2018 Quarterly Report, 8,704 eligible households are waiting for public housing and an additional 1,885 await transfers to more suitable properties.[39] The need for public and affordable housing is likely much greater considering the number of previously eligible households that have been deemed ineligible (not Priority A or B) and have therefore been excluded from the client base despite their level of need or interest.[40] The public housing shortage has had a

[38] The country historically referred to public housing as "state" housing, then later "social" housing, and now "public" housing. Although many people, even within government, still use the term "social" housing, I use "public" housing in this document for consistency.
[39] Cooke, Henry, 18 May 2018
[40] MSD categorises applicants deemed eligible for public housing as either Priority A or B. Priority A refers to people who are considered "at risk" and includes households with a severe and persistent housing need that must be addressed immediately. The household is unable to access and/or sustain suitable, adequate, and affordable alternative housing. Priority B people are those who have a "serious housing need" and includes households with a significant and persistent need. The household is also unable to access and/or sustain suitable, adequate and affordable alternative housing.

significant impact on Māori and Pasifika who relied on public housing's security and affordability. Many of these whānau have found private rental accommodations that are likely to be of lower quality, less affordable and of more unstable tenure.

Figure 5 shows the annual change, since 1937, in social housing managed by HNZC, which delivers most of the country's public housing. The figure illustrates the net stock, accounting for new supply and stock sold, transferred to tenants and community housing providers (CHPs) or otherwise demolished as no longer fit for purpose. The graph is color coded to show the relative net housing supply in relation to the administration at the time—red for Labour, blue for National. Generally, the coding indicates either government's approach to promoting homeownership, its position as direct landlord of public housing, or its response to critical needs such as soldiers returning from the world wars or local councils' inability or unwillingness to increase their council housing portfolios. The continued negative trend from 2002 through 2017 illustrates the extent and chronic nature of the undersupply across Aotearoa NZ. (Note: This figure does not include units owned or leased by CHPs subsidised by the Income-Related Rent Subsidy [IRRS].) The government announced plans in its 2018 Budget to deliver 6,400 new public homes and serve 34,000 families and individuals with access to transitional housing, including the provision of 200 additional places over the next four years.[41]

Current key housing efforts

Public, emergency and transitional housing

As noted above, the government recognises the ongoing supply gap and has committed to building 6,400 new public homes by 2021, averaging 1,600 new builds per annum. Including the existing portfolio, the government projects that it will deliver almost 73,000 public homes by 2022.[42] The government will continue to deliver most of these tenancies through HNZC. As of 30 June 2018, the waiting list was 10,589 households—8,704 waiting plus 1,885 seeking transfer into a more suitable unit or location. General reasons for residents seeking relocation include change in household size, neighborhood problems and issues with unit condition.

Government also continues to increase its current capacity to house those who are homeless. As of 30 June 2018, 288 households were placed, 37 per cent of MSD's total capacity. During the period, 2,341 transitional housing places were tenanted or available to accept new tenants.[43]

Registered Community housing providers

The Ministry of Business, Innovation and Employment–Community Housing Regulatory Authority (MBIE–CHRA) has registered 47 CHPs as Class 1 Social Landlords. These CHPs and additional housing and service providers, including Māori Housing Trusts and Supportive Service Providers, deliver assistance from emergency shelter to affordable housing rental and ownership opportunities. Government's Social Housing Reform Programme enacted in 2010, dating back to the Housing Shareholders Advisory Group (HSAG), was designed to boost community housing providers' ability to shoulder more of the public housing delivery alongside Housing New Zealand

[41] 55 per cent of the 2018 budgeted 6,400 new social/public homes will be located in Auckland: MSD Housing Quarterly Report 30 June 2018
[42] Cooke, Henry, 18 May 2018
[43] MSD Housing Quarterly Report 30 June 2018

Corporation (HNZC). MSD and representatives of the CHP sector are currently working to develop a revised contract and procurement framework to deliver public housing.

Ministry of Housing and Urban Development (HUD)

On 8 June 2018, Housing and Urban Development Minister Phil Twyford announced the creation of a new Ministry for Housing and Urban Development (HUD). HUD will be responsible for addressing and managing the country's overall public and affordable housing delivery needs. In late-2018, HUD will absorb MSD and MBIE's housing policy functions, and possibly delivery and oversight. KiwiBuild and the Housing Commission may be housed under the new ministry. The final structure and role of the new Ministry are pending.

KiwiBuild

KiwiBuild is the government's commitment to build 100,000 affordable homes over 10 years starting in July 2018. It has committed to deliver these new ownership opportunities for first-time homebuyers and "second chancers" earning up to $180,000 ($120,000 for an individual). Current estimated sales prices in Auckland are between $550,000 and $650,000. Government has committed $2 billion to KiwiBuild, which it expects to recycle through the proceeds of the home sales. Half of the builds are planned for Auckland, with the balance mainly to be built in Wellington, Hamilton, Napier-Hastings, Queenstown Lakes District, Tauranga, Whangarei District and Nelson-Tasman. [44]

Moving forward to address the housing crisis

This paper looks at two specific pragmatic responses to the housing problem in Aotearoa NZ. First, the paper examines the role a broader set of capital sources can play in helping to finance and incentivise increased affordable housing delivery, providing examples of public–private partnerships and financing models. Second, the paper highlights the need to support capacity-building efforts of community-based housing providers. Examples of technical assistance and training programs offer models for improving local responses to the communities they serve.

Aotearoa NZ's housing challenges are not new. Addressing them will take the political will of long-term transparent, committed political and financial investment. The country's vision and commitment to adopt international standards and the Wellbeing Framework underscore its intention to improve housing choices for those with the least means. Johnson cites the need for institutional change to occur within the political and bureaucratic institutions but notes that reform needs to consider the conceptual framework on what is right and fair.

> ***"We are having million-dollar conversations about billion-dollar problems, that leadership, vision and bold thinking are critical to address unmet housing needs."****—Washington, DC, Affordable Housing Stakeholder*[45]

Methodology

Through my co-sponsors, the Ministry of Social Development (MSD) and Community Housing Aotearoa (CHA), I had the opportunity to meet various housing stakeholders around Aotearoa NZ. I've met with government officials, for-profit and not-for-profit leaders, CHPs, foundation

[44] MBIE, KiwiBuild (2018)

[45] Washington, DC, Affordable Housing Stakeholder interview

representatives, iwi/Māori housing providers and key observers on housing issues. I also conducted a survey of CHRA-registered CHPs to assess their housing development activities, pipeline, capacity needs, and other topics related to delivering housing. MSD also invited me to participate in a policy working group looking at the regulatory and funding settings needed to boost private sector investment in addressing elements of public and affordable housing, signaling government's interest in this space.

Pictured Above: Waimahia Inlet Development, Auckland *(Source: New Zealand Housing Foundation)*

Pictured Above: Tamaki Regeneration Corp., South Auckland *(Source: Tamaki Regeneration Corp.)*

Recommendations and Observations

KEY RECOMMENDATION ONE

Government must commit to long-term engagement and consistency in housing policy settings and programming. The nature of planning and developing affordable housing requires committed and consistent long-term policy support and investment.

Observation: Future housing direction and engagement

Prior and current governments have chosen to continue to include CHPs and other organisations as partners in delivering public housing. Government sees the value of non-governmental, third-party housing providers as key partners, but is this relationship certain over the long term if these organisations do not fit government's housing development plans? For example, MSD has contracts with CHPs to deliver 5,339 IRRS places. Further, Minister Twyford has spoken on the importance of community housing providers as partners.

If successive governments choose another path to addressing public housing, and possibly stop addressing affordable housing altogether, the central government role as an engaged and reliably consistent development partner will be broken. One of the concerns from private financiers and foundation officials is what government will do: Will it be there for the long term? For example, government's intervening commitment to providing public housing has resulted in years of no net new supply from which government is still struggling to rebound.

Observation: Access to debt

Accessing conventional debt capital was not reported to be an issue; however, the uncertainty of government shifts in ideology and priorities brings development pipeline uncertainty for CHPs. Lenders have also expressed concern about serving a greater role given the lack of certainty of long-term government engagement. Both lenders and government officials regarded most CHPs as immature and risk adverse, preferring to minimise exposure of their balance sheets to greater debt. CHPs may also be reluctant to jeopardise their core non-housing operations. One CHP leader suggested that he may need to lay off housing development staff until he knows when future MSD Requests for Proposals (RFPs) will be posted. CHPs experienced a gap in capital funding when the Social Housing Fund ended in early 2014 and when the government began capital support (which only exists for Auckland developments) in December 2015;[46] these gaps have left CHPs wary of government reliability to fund projects. The risk tolerance of CHP boards and the basis for their positions need to be better understood to identify under what conditions these organisations may consider developing additional public and affordable housing.

Pictured Above: New Housing Construction in Queenstown Lakes Region (Source: Jeff Mosley)

[46] Barber, Paul, 7 April 2017

Observation: Current development plans

Current government efforts led by MSD, MBIE, and HNZC and its subsidiary, Homes. Land. Community. (HLC), focus on progressing KiwiBuild and other public (including emergency and transitional) and affordable housing development. It is unclear how ministries will include high-capacity CHP and Māori Housing Trusts in ongoing development plans. Currently, government does not mandate CHP involvement in large-scale community regeneration projects. For example, while HLC is currently talking with two CHPs about a possible partnership, it is not required to engage and involve these community-based organisations in these strategic projects. CHPs and other community-based providers have local relationships, develop and provide tenancy services, and can provide other assets while also building their pipeline as a partner to HLC. HLC will master plan community regeneration projects in five Auckland communities and intends to undertake projects across other Aotearoa NZ urban areas. There is potential for the HNZC subsidiary to partner with CHPs and other developers, beyond purchasing finished lots. This potential for development partnerships must be directed by the government. It also requires capacity building and the readiness to engage by community-based providers.

Observation: Perception of CHP readiness

Four CHPs have portfolios of between 2,000 and 3,000 units; 14 CHPs have hundreds of units; and 26 have unit counts below 100.[47] My interviews and observations show CHPs have the development capacity, track record and appetite to develop more housing in the public and affordable space. Despite good examples of partnership or collaboration, competition amongst CHPs is the prevailing atmosphere given the RFP process for IRRS awards.

The MSD Housing Supply team cites several challenges: the small volume of units that CHPs can deliver, the quality of CHPs' proposals showing deficiencies in developing pro formas and causing concern for capacity, and the perceived inability of CHPs to provide housing at the scale the government wants.

Observation: Concentration risk in mid-density housing

There is risk in concentrating Priority A and B households in medium- and high-density developments. The potential risk to these vulnerable populations and surrounding neighbours should be considered when making public investment strategies. A short-term public housing supply resolution could result in medium- to longer-term negative societal impacts. International experiences have raised concern over creating concentrations of at-risk populations and have shifted away from this model; further study is warranted.

For example, the US and UK have shifted away from high concentration public housing and have redeveloped these buildings on a smaller scale.

KEY RECOMMENDATION TWO

Create a permanent public investment fund to help finance public and affordable housing development. A fund that is "insulated" from political terms would help create a level of funding certainty to developers to plan a pipeline of projects designed to meet current and forecasted demand. Private, philanthropic foundations, and faith-based investors could invest in this pool to help ensure government's commitment to a multisector funding partnership. Government alone does not have the funding to deliver all the new supply for public and affordable housing. It must actively participate in long-term funding collaboratives to ensure multisector investment and realise the funded outcomes, meeting SDG and Treasury Wellbeing

[47] CHA database as at May 2018

Framework metrics. Create mutually agreed-upon financial and social return benchmarks for developers under a multisector investment pool.

Observation: Collaborations and partnerships

Creating a public–private partnership (PPP) collaborative framework with investors, foundations, government, iwi and CHPs/Māori Housing Trusts over the medium to long term requires government to recommit to supporting and growing CHPs as long-term providers of public and affordable housing. Larger-scale projects, particularly in and around Auckland, such as Waimahia Inlet that produced 300 new homes, include multiple CHPs, iwi and Māori Housing Trusts and demonstrate that partnerships may be a good model to replicate. Government should prioritise, or otherwise encourage, collaborative development projects. Collaborative, or joint venture, development projects with mature and emerging CHPs can help with practical knowledge sharing.

Observation: Capital-oriented public–private partnerships

Increasing housing production benefits from:

- publicly identifiable and trackable goals for all funding/financing institutions to measure their guarantee, finance or investment in housing from emergency through affordable as called for in the SDGs and Treasury Wellbeing Framework.
- adoption of tax incentives for private capital investment to help increase supply of housing from emergency spaces through affordable ownerships and rental housing.
- funding models presented for infrastructure in Aotearoa NZ context. For example, US states and other countries use some form of real estate transfer-related fees or similar methods to fund affordable housing trusts.

Observation: Lenders and investors

Other funding and financing sectors (i.e., banks, foundations, and equity investors) have played important but limited roles to date, traditionally providing loans or seeking a market rate of return on their equity investments. These sources could be somewhat flexible on the financial return provided that the projects generate a social return and that the scale of the projects is large enough to be financially worthwhile. To warrant its investment, one foundation seeks innovation in the project or program, long-term government commitment, and that all parties share in the risk. Government could attract equity investments with a form of long-term guaranty as part of a partnership structure.

(Note: Queenstown Lakes Community Housing Trust anticipated foreign equity investment in a current affordable housing scheme, but the investor pulled out because of uncertainties created by the pending Overseas Foreign Investment Bill.)

Observation: Iwi prospects

Iwi, in general as they exit the treaty settlement process, may participate as commercial lenders/investors in projects with potential social and cultural benefits.[48]

[48] Hutching, Chris, 17 May 2018

Observation: Land inventory

There is no comprehensive land inventory of Crown, government, local district, or religious institutions. The Productivity Commission in 2015 called for such a comprehensive inventory of land owned by the Crown or the government. Untapping Crown, government, council, iwi, and church-owned land, and enabling its purchase at an affordable price will be necessary to help create development opportunities for housing lower-income households. Iwi take varying approaches to providing housing opportunities. Certain iwi will use their land to develop housing opportunities for their members and whānau; others will not use their land but will instead consider commercial ventures that will benefit their members.

To ensure long-term housing affordability, land donated or sold by the Crown/central government may include long-term encumbrances.

KEY RECOMMENDATION THREE

Invest in community housing development partner capacity to ensure expected growth and housing production, outcomes and quality. Develop and strengthen not-for-profit capacity-building infrastructure. Create pathways to ensure non-public partners in community regeneration projects (starting with initial planning), particularly when government wholly-owned subsidiaries and public joint ventures own or manage these projects.

Observation: Multilateral support for capacity building

Current government capacity-building support comes through support of peak bodies. Government, philanthropic, religious, and private sector organisations (banks/investors) should create a collaborative capacity-building fund to nurture and grow the not-for-profit housing provider sector. The fund, akin to the operating support government provided with the Housing Innovation Fund, would provide for core operating support grants, and possible working capital lines of credit for those organisations mature enough for that facility. It would fund, through the peak bodies, ongoing sector networking opportunities and hold annual conferences for greater knowledge-sharing opportunities.

The fund would also create fellowships like BBVA Compass to have cohorts for those in the public, not-for-profit, private, and philanthropic sectors to, together, learn organisational and project-related skills and issues. The fellowship could have a cohort for emerging professionals, mid-career individuals and executive leaders. Finally, the fund would support more secondments like the DIA Community Internship Programme, which has a current HNZC staffer placed at Dwell Housing Trust. This is an excellent model of gaining perspective and sharing knowledge that could be expanded.

Observation: Foundation support for sector capacity building

Foundations provide direct funding and favorable loan investments to particular CHPs but have no sector-wide or country-wide focus on capacity building. One organisation, the Rata Foundation, has Knowledge Sharing as one of its investment priorities, but its footprint is limited to the northern regions of the South Island.

Observation: General government funding for sector capacity building

No direct sector-wide funding currently exists to build CHPs or other NGOs aside from MSD's contract with CHA and Te Puni Kōkiri's (TPK) contract with Te Matapihi. MSD, MBIE, HNZC and TPK support the Australasia Housing Institute (AHI). Emerge Aotearoa, Accessible Properties, and Wellington CC are AHI corporate members as well. CHPs pay a nominal membership fee to CHA.

Observation: Knowledge sharing facilitates collaboration and investment

For example, knowledge can be shared with churches or other faith-based institution that have land and the opportunity to invest or lend land for housing; teach them about options for participating, including providing replicable models. Another example involves Housing First. MSD, local districts and providers have started several Communities of Practice where stakeholders are able to discuss issues and learn lessons to best support those who are homeless.

KEY RECOMMENDATION FOUR

Promote and incentivise innovation and creative capital. There are good models to replicate.

Observation: Innovation from CHPs

There are CHPs with innovative ideas that are broadly recognised for leading "new-to-Aotearoa NZ development models" to create affordable ownership and rental housing, and partnerships, that are worthy of government support, promotion, and investment. For example, CHPs introduced the shared equity ownership model to Aotearoa NZ.

Observation: Charitable review process

Consideration must be given to the Charities Act process and its impact on unleashing or hindering innovation to serve those who may not meet the definition of poverty but who nevertheless struggle to secure affordable housing.

Observation: Recycle and reinvest

The sale of public housing units at the end of their useful life to He Korowai Trust for new homeownership opportunities is a replicable model that government, councils, and HNZC should consider. House sales or transfers to Māori Trusts and CHPs, with discounts accounting for transport, rehabilitation, and energy-saving upgrade costs.

Pictured Above: He Korowai Trust Whare Ora Kaitaia (Source: He Korowai Trust)

Observation: A better transparent, communicative environment will help yield better outcomes.

An independent Public/Affordable Housing Ombudsperson position can help ensure housing well-being. The Ombudsperson position would:

- monitor and evaluate public and affordable development, ensuring demand is being met, and that value for money is assured.
- likely be independent of government, collaborating with central and local levels and affiliates to ensure transparency and performance on stated goals, including tenancies that are affordable, secure, warm, and healthy.
- ensure that stronger tenancy laws are enforced.
- ensure greater transparency in government procurement and contracting and development process via regular funding announcements, production performance publications.
- convene all housing stakeholders to address delivery, gaps or challenges, performance, and innovation.

KEY RECOMMENDATION FIVE

Invest in housing education and progressing households from emergency/transitional housing and public housing towards market rate homeownership. Success would be more assured by mandating homeownership education with benchmarks.

Observation: Housing Education and Support

Housing Education was a feature of government's prior Housing Strategy with a focus on Māori and Pasifika; these programs were consolidated into the Home Ownership Education Program (HOEP). With continued declining home ownership rates for all New Zealanders, specifically for Māori and Pasifika, the HOEP should be reviewed, updated, and offered anew.

KEY RECOMMENDATION SIX

Create a fully independent regulatory agency. Shift the Community Housing Regulatory Authority and oversight function of HNZC and Tamaki Regeneration Corporation into this new regulatory agency. It is important to have independent regulatory review operate separate from ministries with operational and policy functions, providing objective and transparent oversight. The regulatory agency would report to the Minister of Housing and Urban Development and other associated ministers. Maintaining a regulatory function from within a "parent" or "host" ministry may have economic advantages (e.g., operations cost efficiencies), but it could create blurred, or perceived conflicts of interest.

Enable further classes beyond Class 1 Social Landlord. MSD is negotiating contracts with different types of providers, including for-profit entities that may be able to deliver quality housing, but these contracts were not originally intended for the Class 1 designation. Creating additional classes provides government the flexibility to partner, monitor, and regulate.

Observation: Current oversight

With the creation of HUD, and the government's plan to shift CHRA and the oversight function of HNZC and Tamaki to the new entity, now is an appropriate time to consider this recommendation. Creating a fully independent regulatory body gives certainty to ministers, Treasury, and other stakeholders that an objective neutral entity helps ensure performance goals and government compliance standards are met and that regulated providers maintain ability to perform their functions.

"The challenge may be less a matter of coming up with effective strategies for increasing the production of affordable housing than a challenge of generating the political will across the region and across sectors to bring these ideas to fruition. The mobilization of public sector, business, and not-for-profit advocates working together throughout the region will be the linchpin for making progress"—Rick Cohen[49]

[49] Cohen, R. (2015)

Pictured Above: Accessible Properties Senior Development, Hamilton *(Source Accessible Prosperities)*

Pictured Above: Shotover Country Development, Queenstown Lakes *(Source: Queenstown Lakes Community Housing Trust)*

Capital and Public-Private Partnership (or Alliance) Models

This section provides observations on Aotearoa NZ public and affordable housing sector funding, financing, and investing. The country's current ability to address the supply of public and affordable housing remains insufficient. Continued and expanded public investment in delivering funding for emergency shelter, transitional housing, and public housing is noteworthy but only part of the answer for substantially reducing the gap in the housing supply, particularly at the lower end of the housing continuum.

A multisector collaborative approach could improve housing supply, affordability, tenure stability, healthy living and broader community benefit. While it can be argued that adding supply of public housing will alleviate demand across the continuum, it is not clear that the government and councils have the resources to fund the supply to a level sufficient to soften the markets in high-pressure areas like Auckland, Christchurch, Wellington, Hamilton, Tauranga and others to create stable and affordable rental and purchasable housing opportunities.

Local councils, in general, have seen housing as a central government function; their direct financial investment would result in increased rates and impact their borrowing limits. Other housing-related variables and priorities are primarily in central government's purview, such as addressing vacant investor-owned housing (Auckland alone has an estimated 20,000 or more empty units[50]) and reintroducing housing stock shuttered because of perceived meth residue exposure.[51]

Focusing on meeting the housing needs of all vulnerable individuals, from those who are chronically homeless to those living in insecure residences, provides an opportunity to focus the potential resources of the private and philanthropic sectors to partner with government to bring new and greater capital into the public/affordable housing continuum. Ministries, for example, are also looking at the housing crisis not only for public housing but also to spur opportunities for affordable housing. KiwiBuild is government's flagship effort to deliver affordable homes, and to catalyse other housing developments for families seeking to transition from public housing or to live more affordably. HUD may also explore how government can participate to expand shared equity ownership efforts.

Private banks

Private banks/lending institutions currently provide debt capital to CHPs for the development of public and affordable housing. Lenders interviewed from ANZ Bank and BNZ Bank are comfortable with lending on projects that include IRRS contracts and upfront development and operating support grants as they help mitigate construction risks. Banks will, however, limit or ration capital to developers to minimise risk exposure.

The bankers interviewed said that, while comfortable with lending on these types of projects, they would consider other investment structures, like equity, but would review these requests from a different perspective. They raised factors such as rate of return, scale of development, risk exposure, reputation risk from performance, and certainty of government's involvement as key considerations to consider offers of investment.

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[50] Wane, Joanna, 18 September 2017

[51] Recent estimates are that 1,600 HNZC units were shuttered, and that 240 of them can be immediately opened based on new meth-screening protocols.

Note: The US enacted the Community Reinvestment Act (CRA) in 1977 to encourage banks to meet the borrowing needs of all segments of the communities from which they take deposits, reducing discriminatory 'redlining' practices. Redlining is a practice of denying resources, such as mortgage lending, primarily to low-income, predominantly minority communities. Researchers from the Federal Reserve Bank of Philadelphia studied the effect of CRA on low income communities. They found that CRA made mortgage financing more accessible to these communities and families by changing the sources and amount of credit. The study research results also found that without CRA banks were more likely to reduce the supply of mortgage financing in these communities.[52] Banks are examined by their regulatory agencies at regular intervals on their lending, investment and services in these communities. 'Needs to Improve' or 'Substantial Noncompliance' composite CRA ratings could have an impact on regulators' review of banks requests to undertake activities such as mergers, acquisitions, or expansion.

Investors

Representatives from NZ Superannuation Fund and New Ground Capital (NGC) were interviewed. Both firms to date have limited investments in affordable housing or housing with stable tenures. Issues cited for the lack of investment include questions of pipeline/scale, rate of return, and government's role. The scale of Aotearoa NZ's affordable housing sector is small, maybe too small on its own to attract equity investors, but NGC, launched in 2014, plans to increase the scale of social investments and affordable long-term secure housing opportunities. First, NGC's core strategies are to develop relatively large scale and long-term Build-to-Rent housing investments and partner to create impact funds to spur financial and social impacts. NGC established a new Impact Fund which could be a starting point to seek social investments in housing. It developed the Impact Enterprise Fund in environmental, agricultural and social areas. The firm is currently involved in developing 208 properties with NZ Super and Ngai Tahu Property at Hobsonville Point, retaining 47 as long-term rentals, and 49 rental homes near the RNZAF air base at Whenuapai. It is also participating in a 230-unit new build in Queenstown Lakes where it will sell 28 affordable homes. QLCHT is also purchasing 50 units in the same private development.

Iwi

Only one iwi, Ngai Tahu, was interviewed through a survey. The Iwi representative indicated that the Iwi focuses on commercial development activities, including market-rate housing that may include affordable units. Investments that yield a commercial rate of return and benefit tribal members of the Iwi would be considered, but it provides direct support for their hapu and whānau through educational scholarships and other localised support.

Philanthropic foundations

Philanthropy is a potential sector source for increased investment to support housing for low-income households. Three foundations were interviewed: Tindall Foundation, Foundation North, and Rata Foundation. Two of those interviewed currently provide ongoing grants to CHPs, Iwi/Māori Housing Trusts, and other Māori Social Service providers that provide emergency, transitional, and affordable housing. The third foundation previously had a focus on supporting

[52] Deing, L. and Nakamura, L. (2017), pp. 16–17

housing programs—including favorable financing on specific projects—but now focuses on capacity building.

When asked about their interest in alternative financing for affordable housing, the foundation officials interviewed cited their grant-making and philanthropic lending for projects. Thinking about investing in a more systematic way from their balance sheets, foundation officials reflected similar elements as the lenders, including that they could consider a less-than-market rate of return as long as there was a social return. One funder went on to say that innovation was a part of its criteria, and it would want to see that included in the investment framework. They also sought a long-term commitment by government and saw this as an important, necessary, component of the partnership.

Summarising these engagements

The lack of sufficient public housing, and the strain on whānau and other households living with limited resources to secure private market rental and homeownership, calls for continued and increased investment for affordable housing options. Government and councils have created joint venture development partnerships such as Tamaki Regeneration Corporation, through which it launched a community regeneration program in South Auckland. Homes. Land. Community. (HLC), a wholly owned subsidiary of HNZC, continues to pursue large-scale community redevelopment projects designed to include market rate and affordable rental and homeownership opportunities. These developments are also planned to redevelop existing public housing as part of the offered tenure mix.

The takeaway from these discussions was that these sectors are interested in doing more to support affordable and mixed-income housing development. Several factors toward these sectors playing a larger role include:

- Rate of return: Traditionally all seek a market rate of return but several suggested they'd consider at least no economic loss level as long as there is a social return;
- Product design: The design of the financial product must not be complex or "boutique," so it will be easier for institutions to consider it alongside existing products and tools without requiring substantive changes in business practices and risk measures;
- Scale: Project size, or scale, would have to be taken into consideration;
- Risk: Clear understanding and expectation of risk sharing among parties;
- Developer/Team: Track record and performance on delivery;
- Government: Each sector expected that government would participate in these projects as a condition but questioned how reliable a partner government would be over the long term.

Financing Models

The following are general descriptions of various financing models that can be considered as potential housing investment vehicles. Most of these models involve long-term public-private strategic funding or project-specific partnerships. First, this is an opportunity to explore social impact investing through bonds. Social Impact Bonds are described and the recent NZ Social Enterprise Opportunity is identified as a potential financing vehicle. Two of the models, the Low-Income Housing Tax Credit and Tax Increment Financing would require consideration by the Tax Working Group. Finally, a set of innovative housing financing tools are described, housing trusts funds to leverage homeownership partnership lending with concessionary features, and the California housing pool fund capitalisation from Greenhouse Cap and Trade Program.

Housing loan/bond aggregators

An affordable housing bond aggregator would raise funds at lower rates from the wholesale bond market for not-for-profit CHPs developing housing for low-income households. Fundraising is meant to be efficient with reduced costs as opposed to more costly direct lender/investor one-off transactions. In an Australian model its goal is to raise $63.1 million over four years.[53] The bond is guaranteed by government, thereby reducing risk to the facility and lowering the interest rate paid to the investor.

Infrastructure bonds

Affordable housing supply bonds would reduce the cost of funding available for CHPs, boosting their capacity to increase housing supply for low-income households. The bonds would be attractive to investors through tax incentives and government guarantees. Australia's Affordable Housing Finance Corp. offers the following types:

1. Social housing growth bonds: Zero-interest long-term loans (10 per cent of bonds issued)
2. Tax smart housing supply bonds: Fixed-rate long-term bonds at 6 per cent return with a tax incentive (no tax paid on return) (20 per cent of bonds issued)
3. AAA housing supply bonds: Long-term fixed-interest (5 per cent return) with appeal to institutional investors (70 per cent of bonds issued).[54]

The consortium model

This is a proposal of shared Australian federal, state, and territorial subsidy outlays to enable borrowings to acquire dwellings for low- to moderate-income households at income-related (i.e., below market) rents. It is worth noting for an Aotearoa NZ context that local governments in partnerships with CHPs could possibly work with Local Government Funding Agency (LGFA) to engage the central government to access greater IRRS contracts to create more public housing opportunities to meet local demand. Macquarie Bank proposed it would pool retail equity for the acquisition of rental dwellings managed by CHPs.[55]

Social Impact Bonds (SIBs)

Aotearoa NZ first explored SIBs around health and social initiatives.[56] SIBs have been used in the United States, United Kingdom, and Australia since 2010.[57] Generally, government engages a contract manager to deliver an outcome-based result (e.g., families living with greater health outcomes or living more affordably, securely, and with improved rent/mortgage payment behaviors). The targeted outcomes, time frames, and target population are identified and agreed upon. The manager solicits investments from entities like banks/investors, other large corporations, philanthropic organisations, and individuals. Bond issuances are then made to investors. The manager oversees the program delivery by vendors or service providers. The government pays the manager the invested capital, plus a return, if the targeted outcomes are met.

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[53] AHURI Brief (2017)
[54] Ibid, p. 11
[55] Ibid
[56] Chambers, Dr C., 10 August 2015, p. 1
[57] Ibid

No return is paid if the targets are not met.[58] Unlike conventional bond financing, under a SIB, capital is repaid only if the social outcome is achieved.

New Zealand Social Enterprise Opportunity (Department of Internal Affairs and Akina Foundation)

Aotearoa NZ recently launched a new version of Social Impact Initiative with an intensive framework on sector growth. In May 2018, the Department of Internal Affairs, Akina Foundation, and CENT (Community Enterprise Network Trust) launched the Impact Initiative, a three-year effort to support the growth of the social enterprise sector.[59]

In 2018 the Minister for Community and Voluntary Sector approved the Social Enterprise Sector Development Programme, a collaboration with the Akina Foundation, to deliver this initiative. The expected outcomes in the first year include:

- Sector engagement: Define scope and needs of the sector and develop engagement strategy; this program prioritises youth and Māori with the overlapping benefit of developing public and affordable housing.
- Developing capability: Plan ongoing capability development throughout life of the program, and establish networks for social enterprises through regional hubs (could be supported by community trusts).
- Access to finance: Identify capital barriers and growth requirements.
- Access to markets: Establish easily accessible social procurement approaches and marketplaces.
- Communications: Promote benefits of social enterprise to improve understanding of sector's role in Aotearoa NZ's economy.[60]

The Governance Group will assess actual outcomes in relation to those anticipated at the outset. The initiative states that the overall outcomes for the program are

- A thriving social enterprise sector;
- Sector contribution to meet the government's economic, social, and environmental goals; and
- Government development of a clear statement of its ongoing direct commitment to the social enterprise sector beyond this program.

This initiative clearly underpins the argument that meeting the housing crisis and undersupply of public and affordable housing stock requires a visionary, long-lasting, multisector partnership and investment to address the systemic gaps.

Clarity and advocacy will be needed to see that there is, or can be, agreement of public and affordable housing as a social enterprise. Programs in the United Kingdom and Australia offer models of affordable housing development and ongoing activities as social enterprises. For example, housing associations and social enterprises partner to create greater operations and service efficiencies and effectiveness, and social enterprises offer flexibility and expertise.[61]

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[58] Ibid

[59] See www.theimpactinitiative.org.nz

[60] Department of Internal Affairs (2018); The Impact Initiative (2018)

[61] Pati, Anita, 10 January 2011

Low-Income Housing Tax Credit (LIHTC)

The LIHTC is an affordable rental housing development tool implemented through the U.S. Internal Revenue Tax Code. Private companies can reduce their future tax liabilities by purchasing these credits, thereby injecting equity into an affordable rental housing development, leveraging federal, state, local, and charitable financing and contributions. There are two types of credits: 9 per cent and 4 percent. The 9 per cent credit is applied for on a competitive basis, typically used for new construction. Four per cent credit allocations are noncompetitive and used with tax-exempt bonds for rehabilitation and new construction along with tax exempt bonds.[62] For 10 years the investors are able to claim a tax credit roughly equal to 9 per cent or 4 per cent of the project's qualified cost of construction. Used throughout the United States, between 1987 and 2014 the LIHTC helped finance the development of 2.78 million homes in 43,092 projects, approximately 107,000 dwellings per year.[63] See Appendix E for an LIHTC case study.

Tax increment financing (TIF)

TIF is a project-financing tool used mainly by municipalities across most of the United States to fund economic development and affordable housing projects. Under this financing method localities use increased property taxes to help fund new economic or affordable housing development projects in a designated targeted area of blight or otherwise in need of regeneration. The basic elements of the TIF involve the creation of a particular taxing district, or authority, by local government and the certification of the property tax base of the TIF district and local property tax rates. When the district's tax receipts increase, the increased taxes paid above the base value go to the authority, which uses the incremental increase to pay qualified costs incurred by the TIF project.[64] TIFs are complex tools typically used in larger urban areas, and usually leverage other project financing.

[62] Keightley, M. (2018), p. 4
[63] Heaton, Andrew, 4 October 2017
[64] Reinke, Bill, 'Tax Credit Financing and Affordable Housing in Minnesota: The Very Basics', PowerPoint Presentation

Uplift America Initiative

Click here for a summary of this initiative.

June 2018

UPLIFT AMERICA

2017 Progress Report

UPLIFT AMERICA

www.upliftamerica.org

Housing Trust Funds (HTFs)

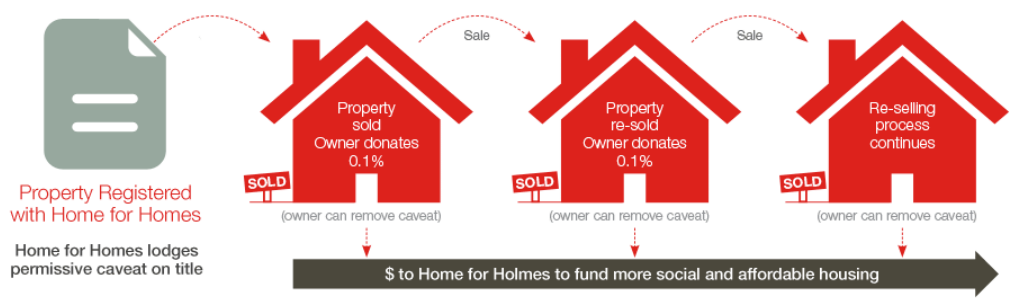
The United States has two versions of HTFs. The federal HTF is capitalised from surplus revenues generated from secondary market entities Fannie Mae and Freddie Mac; it can also be funded through federal appropriation. Administered by the U.S. Department of Housing and Urban Development, the federal HTF supports the development of housing for extremely low- and very low-income households, including homeless families. Between 2016 and 2018, the HTF was capitalised at $174 million, $219 million, and $266.8 million, respectively, for extremely low-income, very low-income, and homeless households.[65] Money from the HTF can be used for housing acquisition, construction, rehabilitation, and preservation, and typically supplements other federal housing program investments. The proceeds can be made available in the form of equity investments, interest-bearing or non-interest-bearing loans, interest subsidies, deferred payment loans, and grants.[66] The long-term affordability requirements range from 30 to 50 years based on the amount of the funds invested in a particular project.

A second type of HTF in the United States is that run by states or local jurisdictions to create affordable housing projects that benefit low-income households; the proceeds can be used for purposes similar to the national HTF. These trust funds are capitalised by proceeds from real estate transfer taxes, one-time government general fund infusions, or funds taken from other programs or activities.[67] General revenue sources for capitalising HTFs, and the number of states that use them, are real estate transfer taxes (13 states), document recording fees (9), and interest on real estate or title escrow accounts (5). In 2010/11, state HTFs collected almost $450 million.[68] California's housing trust fund, for example, is capitalised by recordation fees from refinancing, attachment of liens and other encumbrances.[69]

Australian Trust Fund Model

In Australia, The Big Issue is a not-for-profit social enterprise that develops solutions for those who are homeless or otherwise marginalised or disadvantaged. The Big Issue created Homes for Homes (H4H), an investment source for increasing the supply of public and affordable housing.[70] H4H expects to raise over $2.4 billion over 30 years; in June 2017, the Australian government invested $6 million in H4H toward the development of a 75-apartment complex. "Under this initiative, individual homeowners or national property developers are helping those who don't have a roof over their head…." The base funding is a real estate transfer fee of 0.001 per cent of each sale; essentially, developers agree to register the units in their properties to participate in these transfer fees. Over the long term these voluntary donations, $500 on a $500,000 property, will generate a significant pool of funding to be provided through H4H to community housing providers to build more public and affordable houses.[71]

Figure 6: Homes for Homes Real Estate Transfer Fee Capitalisation Scheme



[65] National Low Income Housing Coalition (2018)
[66] HUD Exchange (2018)
[67] Housing Trust Fund Project (2013), p. 8
[68] Ibid, p. 7
[69] Communications with CCRH's Rob Wiener
[70] Homes For Homes (2018)
[71] Porter MP, Hon. Christian, 28 June 2017

The Rural Home Loan Partnership (RHLP)

The RHLP program is an initiative of the U.S. Department of Agriculture's (USDA) Rural Housing Service (RHS). Created at a time when federal resources for supporting homeownership in rural areas were scarce, the RHLP works to bring local financial institutions, community-based development corporations (CDCs), and local RHS officials and resources together in order to provide greater credit access for those who typically lack access to conventional long-term mortgage financing. Each loan must have the participation of a leverage loan from a bank, a state or local government lender, or a not-for-profit organisation that provides subsidised loans or grants; and it must involve a local not-for-profit organisation or CDC. Attracting bank capital served two goals: (1) to leverage and expand the federal funding reach into these underserved communities with the addition of mortgage capital and (2) to extend private sector investment into these communities by incentivising banks to participate in a relatively low-risk partnership structure.

- Under the leveraged loan program, the RHS provides a low-cost, fixed-rate second mortgage to cover up to 60 per cent of the cost of the home. The local financial institution will provide a long-term, fixed-rate senior mortgage loan of generally no more than 40 per cent of the home's value.
- A CDC typically assists the borrower with homebuyer education and counseling, and loan packaging for both notes. It also frequently contributes money through grants from other federal, state, or local government, or charitable sources.
- Since 2003 USDA has provided $542,818,116 in loans to 6,644 families leveraging approximately $220 million. The benefit of the RHLP is that low-income families are able to purchase or build their affordable homes with public sector low-interest loans leveraged with primarily private lender financing. The families were guided and counseled by CDCs, which may have also brought grant funds to assist with down payment assistance. Attracting private sector financing into the low-income affordable homeownership sector is one of the strategic goals of the RHLP.[72]

California Cap and Trade Program funding affordable housing

In 2006 California passed the California Global Warming Solutions Act to reduce Greenhouse Gas emissions to 1990 levels by 2020; the Act also created the Cap and Trade Program and the Greenhouse Gas Reduction Fund (GGRF) through which to make climate investments. In 2014, in part to address the loss in 2011 of the state's redevelopment agencies, which provided about $1 billion annually in development capital, the state created the Affordable Housing and Sustainable Communities Program (AHSC). Under this program 20 per cent of the GGRF is targeted to affordable housing and transit improvements. The Cap and Trade Program has been extended to 2030, and to date $6.1 billion has been appropriated to investment programs, with $960 million to AHSC. AHSC development requirements include:

- Reducing greenhouse gas emissions by reducing vehicle miles traveled
- Funding in-fill housing projects that encourage change transportation mode
- Directing investment towards the most disadvantaged communities in the state.[73]

[72] Communications with USDA-Rural Housing Service; author estimation on leverage
[73] Wiener, R. (2018)

In 2015 alone, California's Cap and Trade program provided $122 million in funding for affordable housing to support the new supply of 800 new units across 28 projects in southern California for lower-income residents. The overall goal is that the Cap and Trade scheme will provide around $400 million annually. The State legislature-created California Strategic Growth Council's Executive Director, Mike McCoy, said, "The banks really like state money being in the project.… It creates a lot of certainty. I always say, 'Our dollars are better than your dollars'."[74, 75]

Pictured Above: Jennings and Jersey Streets Subdivision, Auckland (Source: Housing New Zealand Corp.)

[74] Huang, Josie, 23 June 2015

[75] California is proposing two housing fund initiatives. It has created a millionaire's tax to fund mental health care services. The proposal will allocate seven per cent of the tax proceeds and create a bond fund to generate $2 billion for housing those who are homeless and suffering from mental illness. The other initiative is the authorisation to sell $4 billion in housing bonds for various housing programs with a matching grant effort to help capitalise housing trust funds. Source: Communications with Rob Wiener.

Multisector Partnership and Alliances

As the government develops the new Ministry of Housing and Urban Development (HUD) and explores financial capital sources willing to partner to deliver more public and affordable housing, it is opportune to look at how the public sector can collaborate and partner with other sectors to deliver these assets. Thinking about effective collaboration and partnership efforts should also include consideration of how the government tells the story on meeting the SDGs and Treasury's Well-Being Framework.

As outlined in the previous section, banks and investors, iwi, foundations, CHPs and Māori housing representatives have a role to play in increasing the supply of public and affordable housing. Scaling up beyond specific project transactions presents the need for these sectors to partner on, design, and deliver long-term affordable financial tools and settings.

The partnerships occur on multiple levels, not just among government, financial, and philanthropic sectors for setting the financial investment framework but also among the CHPs, local councils, and other local partners including builders and service providers. There are already strong examples of CHPs working together and with Māori organisation to meet the needs of whānau, hapu, and pākehā.

As local conditions evolve, partnerships may likely include new or expanded sets of participants among government, foundations, the business sector, and not-for-profits. Beneficial impacts of working through a public–private partnership framework include:

- Greater transparency
- Increased project collaboration/increased efficiency in delivery
- Increased innovation
- New participants delivering services
- CHPs and Māori organisations delivering impactful housing options in a cost-effective manner, developing a more business-oriented approach.

Challenging impacts of working through this framework include:

- Danger of social benefits being compromised by more business-oriented influences that prioritise other outcomes[76]
- For-profit encroachment into activities usually undertaken by not-for-profits
- Joint venture partnerships between for-profit and not-for-profit organisations skewed towards the for-profit.

Housing, however, was seen to open up a strategic opportunity for a government–foundation partnership, but these arrangements with shared authority and shared credit require trust and strong management. Best practices of successful partnerships include:

- Commitment from executive leadership
- Well-designed and well-defined management process
- Effective communication with all
- Adequate resources

[76] Ibid

- The right opportunity and the right partners.[77]

More specific to funding collaboratives, key important dynamics include:

- Leadership
- Clarity of purpose and goals
- Common values and accountability
- Balance of power and autonomy
- Authority at the table
- Careful idea development/planning process
- Clarity and agreement on structure and governance
- Adequate organisational support
- Proper recognition and credit
- A time frame, benchmarks, and a plan for the future.[78]

Uplift America Fund

The Uplift America Fund is a newly created U.S. public–private partnership, officially launched in 2016. The Fund leverages federal resources, bank financing, and private sector grants to infuse capital into persistently low-wealth rural areas across the United States. The loans and grants go to community-oriented not-for-profit lenders who "re-lend" them to community facility projects like health clinics, schools, libraries, and childcare centers. The Fund has provided $401 million in USDA Community Facilities program funds to local not-for-profit lenders experienced in addressing poverty in areas across rural America, so far leveraging $423 million in support from banks and foundations. To date 20 community-based organisations have received USDA loans and private grants. Ninety-three projects are in the pipeline, at an estimated $217million in loans.

The Fund helps lenders remain a vital community resource by providing them the opportunity not only to secure and invest large amounts of needed capital but also to build their own internal capacity and scale of operations. The Fund allocates grants to lenders to boost their capacity building in areas such as staffing, technical assistance (TA), and community planning. It provides net assistance to strengthen lenders' balance sheets and allows borrowing of these resources. Banks also make financial guarantees to the lenders to enhance USDA's consideration.

Key strategic partners to the Fund include USDA, Bank of America, Mary Reynolds Babcock Foundation, Prosperity Now, Hope Credit Union, Fahe, Rural Communities Assistance Corporation (RCAC), Local Initiatives Support Corporation (LISC), Housing Assistance Council (HAC), First Nations OWEESTA, and NeighborWorks America (NWA). The bullets above outlining key important dynamics of funding collaboratives were all relevant to collectively championing the idea of the Fund, seeking alliances, navigating past challenges, articulating the community need and merits of the Fund, and sharing in its success.

[77] Ibid
[78] Ibid

Waimahia Inlet and Maanaki Tairawhiti

Partnership models are not new to Aotearoa NZ. Existing partnerships illustrate the strength of multisector participation either to directly deliver affordable housing, as in the Waimahia Inlet Special Housing Area (SHA), or to improve the lives of at-risk whānau/families, as in the Manaaki Tairawhiti/Gisborne/Wairoa (MT) Place-Based Initiative (PBI).

Waimahia Inlet SHA represents Auckland's first SHA. The community development project began in 2014 and includes 300 mixed-income ownership and rental homes. The development partners of The Tamaki Makaurau Community Housing include: Nga Mana Whenua o Tamaki Makaurau (Tamaki Collective), NZHF, Te Tumu Kainga, and CORT Community Housing. The central government provided a $20 million working capital grant. Māori whānau benefit directly from this development,[79] which was designed to offer affordable opportunities through efforts such as rent-to-buy structures, Homesaver, and community rental and shared-equity schemes. Seventy per cent of the homes are assisted affordable with the remaining 30 per cent sold at market rate. Construction of 295 homes is almost complete,[80] and the development was fully sold out as of March 2018.


Above: Waimahia Inlet community (Source: New Zealand Housing Foundation)

Maanaki Tairawhiti (MT) represents an innovative response to whānau in distress. It is one of three central government–supported PBIs designed to improve outcomes for at-risk children and their whānau. The other two PBIs operate in Kainga Ora (Northland) and South Auckland, each with a different focus and strategy. Through these initiatives central government ministries, local public NGOs, and iwi leaders collaborate to develop flexible, collective, and tailored responses to the needs of families in their communities. The overall goal is that each PBI will become a social investment board empowered to start, stop, or modify contracts. MSD is the lead ministry for these PBIs, each of which is developing pathways that work for those communities. MT's approach to meeting families' challenges is to identify, track, and improve the government systems they navigate to realise sustainable outcomes. The initiative will work with 50 at-risk hard-to-engage whānau, and with 12 social sector governance groups. More details can be found at www.MT.org.nz. and Appendix F.

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79 Harrowell, Chris, 10 November 2015

80 New Zealand Housing Foundation (2018); communications with Paul Gilbert

Capacity-Building Tools

"There is no shame in talking about capacity. A growing organisation needs staffing and other capacity supports."—Alison Cadman, Dwell Housing Trust

The government has supported the CHP sector to grow and deliver public and affordable housing. Under the Social Housing Reform Programme, the government sought to involve the "third sector" alongside HNZC to provide public housing to eligible families and individuals. With the participation of these organisations, now known as CHPs, the government saw an opportunity to diversify part of the social housing portfolio, by having local organisations deliver these services; there are also community-based housing providers who are not registered CHPs. Developers planning to construct, or redevelop, housing put years into planning, feasibility, securing funding and financing, acquiring land, and navigating the consenting process, even before the groundbreaking. Providing capacity building supports is critical to help ensure these organisations have the internal capacity to effectively and efficiently undertake these parts of the development process. If organisations decide to only acquire housing units it still requires organisational and project-based support to ensure they have effective acquisition strategies that fit their mission.

Without improved capacity of these local organisations, however, delivery on the SDGs or the Well-Being Framework will be limited. It is important to address the capacity of CHPs to reliably meet the housing and broader community development needs of the communities and families they serve and to ensure that those residents and communities realise longer-term benefits. Supportive governmental policies, funding, and sustainable organisations are critical for the CHP sector to expand its production of public and affordable housing,[81] just as they are critical for all providers of emergency, transitional, public, and affordable housing.

Internationally, not-for-profit housing organisations' relationships have generally shifted from, but in several cases may still retain, distinct, voluntary, philanthropic entities that are independent of government and rely on private charitable funding for capacity building support.

CHP Survey

I sent a supplemental survey to all of the registered CHPs in April to assess their development plans for the short term (12–24 months) and medium term (25–36 months). The 27 that responded (61 per cent response rate[82]) reported that they plan to manage, acquire, or develop 5,640 homes in the short term. The respondents projected that another 970 homes would be brought under management, acquired, or developed in the medium term. Two of the CHPs reported that they plan to focus on consolidating their property portfolios and are arranging to acquire a part of their leased stock, with approximately 1,590 total units concerned.[83]

CHPs surveyed play, many of the respondents serve multiple roles, from Tenancy Manager (85 percent) to Property/Asset Manager (77 percent) to Real Estate Owner (81 percent). Fewer

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[81] Gilmour, T. (2007), p. 2

[82] There were 44 registered CHPs when the survey was administered.

[83] An estimate of HLC's planned regeneration developments in Northcote, Māngere and Mt Roskill calls for the build of 6,340 public and 7,240 affordable homes, in addition to 6,720 over the next five to 15 years, which presents a potential construction pipeline opportunity in which CHPs may participate. HLC's Mark Fraser confirmed that HLC will master plan and manage development for public and affordable housing. While HLC has started discussions with a couple of CHPs about development opportunities, he confirmed that HNZC has not received direction or a mandate from Government to include CHPs in the master planning or build out.

reported serving as developers (65 percent) or supportive service providers (46 percent). Most respondents who currently serve these roles reported their intent to continue these functions; however, a few plan to discontinue certain roles going forward while others plan to assume new roles.

Regarding their partners, the CHPs identified local government (31 percent) and government ministries—MSD (73 percent), MBIE (35 percent), TPK (4 percent), and HNZC (69 percent). Other partners included foundations (38 percent), lenders/bankers (35 percent), equity providers (23 percent), other CHPs (27 percent), iwi (23 percent), CHA (42 percent), and Te Matapihi (4 percent). Twelve per cent of other partners include a church order, for-profit developer, other CHPs and Māori Trusts, and non-housing-related NGOs.

CHP Survey Results

Understanding CHPs' capacity-related issues and their ability to meet the needs of their clients—whānau, hāpu, iwi and communities—is critical to helping develop the building blocks for long-term sector growth and reliability. The author's survey asked registered CHPs about key issues related to their organisational development capacity and ability to undertake projects (see Table 3 for responses about these two areas).

Table 3. CHP responses to survey questions on capacity

Organisational capacity	Project-related capacity
Lack of skilled staff and its impact on undertaking required operations, admin, and pursue opportunities (6)	Financing projects (7)
Ability to address lack of government financial support for development projects—need effective development and financing pipeline and assurances (5)	Developing a project pipeline (6)
Creating and managing effective partnerships (4)	Government purchasing strategy—lack of commitment, continuity, and changing funding/procurement mechanisms (5)
Improve and balance tenancy management with property and asset management functions (4)	Developing and managing effective partnerships (4)
Identifying and training board members (3)	Timing delays in funding decisions (4)
Financial management (2)	Consenting (4)
Addressing councils' capacity to engage and support CHPs in delivering affordable and social housing (1)	Negotiating contracts (3)
Maximising best practices to ensure efficient and effective outcomes (1)	Securing land, including at competitive pricing with HNZC and HLC (3)
Increasing waiting lists (1)	Review of legislative and regulatory framework (2)
Managing volunteers (1)	Local development contribution costs and facility supply fees (2)
Succession planning (1)	Project management (2)
	Not enough rental supply (1)

Other topics/issues raised by CHPs:

- No access to affordable land: government and council land is sold at market prices, which CHPs can't afford ("We can't pay $500,000 for 500 m^2 in Auckland and then build affordable housing on it.")
- Project-consenting delays and costs in Auckland range from six months to two years with additional costs from $50,000 to $200,000.
- Change of government slows down activity for six months.
- Changing requirements of MSD are an issue, e.g., new encumbrances.
- The need is so great, everyone understands it, and yet raising money to allow us to buy and build is still so hard.
- CHPs are well meaning, but not well-honed machines; but board members are not that good. There needs to be a reset, some catalyst that someone needs to show that CHPs can be well-run businesses.

Technical Assistance and Training

A fundamental element to capacity building is knowledge sharing, building organisations' ability to plan and deliver housing and other essential services to whānau, households, and communities. Technical assistance (TA) and training, or a hybrid delivery, provides opportunities for organisations to build or deepen their capacity to undertake and successfully deliver projects. TA can take several forms that best fit the needs of the organisation and project. TA can be proactive, helping to increase capacity prior to an activity, or reactive, responding to an obstacle or identified deficiency. Project-related assistance typically focuses on housing and community economic development, feasibility analysis to program completion, and funding and financing of housing development. Community engagement and planning, project team building, and housing program development are other program- or project-related topics. Organisational development TA topics generally include governance, leadership, fundraising, and grant writing. TA may be linked to or follow up on training, be directed from a funder, or follow an organisation's being rejected for funding or financing.

Trainings can take the form of place-based events, remote learnings, and use of materials such as forms, case studies, and pre-recorded videos. Place-based events can range from large conferences and symposiums with multiple workshops or breakout sessions. CHA and Te Matapihi convene bi-annual conferences hosting knowledge-sharing opportunities around housing policy and program updates, case studies, and technical project/organisational skills learnings. U.S. not-for-profit organisations like HAC, NWA, LISC, Enterprise Community Partners (ECP), National Council of State Housing Agencies, and National Affordable Housing and Redevelopment Organization (NAHRO) deliver national, regional, and web-based or virtual learning opportunities. Several of these organisations offer accreditation opportunities. Australasian Housing Institute (AHI) serves Australia and Aotearoa NZ housing professionals with training and accreditation opportunities.

Peer exchanges offer an intensive small group learning opportunity for housing professionals to learn from their peers about a particular topic. These on-site trainings offer fundamental instruction on the topic combined with practical guidance from an expert peer. For example, a group of two to four organisations travels to the host peer to learn, observe, and have informal discussions around a particular topic. Organisations have responded that peer exchanges are effective ways of learning concepts in a real-world context alongside and from their industry colleagues. Funders have regarded peer exchanges as cost prohibitive, but the format may have more utility and affordability in an Aotearoa NZ context. Peer exchanges may complement a TA engagement because the recipient may better understand and adopt the learnings from a peer in addition to the TA provider.

Cost-effective ways of sharing knowledge include web-based trainings, case studies, forms, and templates. Web-based trainings are flexible in duration and format, effectively ranging from one-hour single sessions to 15–20-minute micro sessions that are part of an ongoing series on a particular topic. Case studies, forms, and templates are used mainly as stand-alone or reinforcing supplements to TA.

It is important for providers, recipients, and funders of TA and knowledge sharing to identify, articulate, and ultimately measure the short- and long-term outcomes from knowledge sharing. Project funders seek to make an impact with their investment into a housing, infrastructure, or economic development project. The training and TA should reflect that priority, and result in stronger, more resilient organisations and development projects that are cost effective, delivered on time, and meet the needs of the intended hāpu, whānau, households, and communities.

Pictured Above: Dwell Housing's Alison Cadman at Vennell Street Opening.

Sources of Support for Capacity Building

CHPs rely heavily on government funding for delivering public housing in a contractual framework, a procurement of services. Government is more than a funder in the delivery of housing; it sees itself as a partner, but the partner versus contractual relationship can be difficult to navigate. Dwell Housing Trust's Alison Cadman and staff said that the settings do not provide ability to develop a pipeline, that government moves from one policy change to another, and that there is no consistency or traction on policy.

Who pays for capacity building? Government, except for TPK and the Department of Internal Affairs' (DIA) Community Organisation Grants Scheme (COGS),[84] currently does not provide capacity-building support. CHPs see that government expects them to address capacity building through their contract fee income and other sources. HNZC administered housing development grants and loans and capacity-building grants to the CHPs as a result of the Social Housing Reform Programme. Housing Innovation Fund (HIF) loans and grants enabled local councils and CHPs to develop housing. The Social Housing Fund (SHF) enabled CHP housing development from emergency shelter spaces to affordable rental and ownership homes. Organisational capacity grants were also made available to CHPs to enable them to undertake these developments.[85]

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[84] COGS, which is no longer active, provided operational costs for one year. DIA also offers the Lottery Community request, which provides multi-year operational funding. This fund is provided to a larger set of organisations that serve communities through an array of cultural, social, educational and other services.
[85] Community Housing Aotearoa (2015), p. 10

Rata Foundation's Karyn McLeod reported that their support for and investment in capacity-building efforts have increased significantly over the past 12–18 months. The Foundation is looking at practices that build capacity, with not-for-profit leadership development a particular focus.

The Institute of Directors (IOD) is an Aotearoa NZ nonprofit that supports governance capacity among organisations. IOD provides training and coaching to board, or council, members to ensure they have the necessary skills to effectively guide their organisations, including understanding their strategic responsibilities, financial management, and other functions. TPK contracts with IOD to provide board governance training to Māori housing organisations. CHA's technical support subsidiary, Community Housing Solutions (CHS) also provides board development training as part of their array of services.

Capacity-building support in the United States

The U.S. Department of Housing and Urban Development (USHUD) provides various loans, grants, and other project-related financial assistance to further its key development priorities. USHUD works through three direct grantees, known as intermediaries, which direct support to and invest in CDCs and their programs. The three intermediaries are LISC, Enterprise Community Partners (ECP), and Habitat for Humanity; combined funding totaled $35 million annually from fiscal year (FY) 2015 to FY2018.[86]

HUD Section 4 Capacity Building for Community Development and Affordable Housing Program (Section 4)

Section 4 is the key national program designed to build the technical development and organisational capacity of CDCs and community-based housing development organisations (CHDOs) whose mission and goals are to carry out community development and affordable housing activities benefitting those with low-incomes. Eligible activities include training, education, support, and advice from regional planning and public engagement to technical development and property/asset management.

HUD HOME Investment Partnerships Program (HOME)

HOME is a formula grant program to states and localities for use in locally determined housing programs that benefit low-income households, often in partnership with CHDOs, CDCs, and other organisations.[87] Eligible housing activities include acquisition, construction and/or rehabilitation for rent or ownership, and direct rental assistance to low-income individuals. The FY2018 allocation is $1.362 billion.

HUD HOME CHDO Operating Support

The state or locality, called the Participating Jurisdiction, is authorised to provide special assistance to CHDOs in furtherance of approved activity. The assistance may come in the form of project pre-

[86] HOME CHDO, HUD Exchange

[87] Under HOME at least 15 per cent of a state or locality's grants must be set aside for CHDO activities. Generally, a CHDO "is a private not-for-profit, community-based organization that has staff with the capacity to develop affordable housing for the community it serves. In order to qualify for designation as a CHDO, the organization must meet certain requirements pertaining to their legal status, organizational structure, and capacity and experience." In order to access the set-aside a CHDO must serve as owner, developer, or project sponsor of a CHDO-eligible activity.

development loans, operating assistance, use of HOME project proceeds, and capacity-building assistance.[88]

HUD Rural Capacity Building Program (RCB)

RCB is a tailored capacity-building initiative to enhance the capacity of local governments, Indian tribes, rural CDCs and CHDOs, and other housing development organisations undertaking affordable housing and community development activities that benefit low- and moderate-income people in rural areas. HUD funds five national and regional experts to assist these local entities. Annual allocation was $5 million in FY2015–18.

NeighborWorks America (NWA)

Since 1978 NWA, a U.S. federally chartered organisation, has focused on supporting the affordable housing and community development landscape across the country. NWA focuses on building technical, management, and leadership skills of practitioners focused on development, counseling, financing activities, governance, and thought leadership. NWA creates and maintains a network of over 245 community-based affiliates with assessments, core grant funding, access to development financing, coaching, and performance measurement tools to help organisations meet their goals. NWA has invested $70 billion in communities, helping to acquire, construct, and preserve 152,400 rental homes and to support the construction of, or assist homeowners with counseling to secure, 731,000 homes. NWA also participates in policy and partnership development.[89] NWA was funded at $140,000,000 in both FY2017 and FY2018.

USDA Rural Community Development Initiative (RCDI)

USDA supports the capacity of not-for-profit housing and community development organisations, localities, and federally recognised tribes planning to undertake housing, facility, and community economic development projects in rural areas. Under RCDI, USDA funds organisations with expertise in housing and community facilities development, community economic development, and organisational management with grants to train and provide TA to rural and Native American communities. With three-year awards ranging from $50,000 to $250,000, grantees develop a plan of assistance to grow the capacity of these housing organisations to achieve core outcomes. Sub-grant awards are also provided to help support functions related to the planned projects. Current program funding is $4 million.[90]

Community Development Financial Institutions (CDFIs)

CDFIs are community-focused not-for-profit financial organisations whose missions are to provide responsible, affordable lending capital to low wealth communities and their residents. CDFI is a designation made by the US Department of the Treasury CDFI Fund. A part of the US community economic development industry since 1973 these entities help finance residential and commercial real estate projects, small businesses, micro enterprises and other not-for-profit firms. Since 1985, CDFIs provided $5 billion in lending to low-income communities and individuals and $48 billion overall across the Country resulting in around 1.5 million homes created, one million jobs created

[88] CHDO Requirements and Activities, US Department of Housing and Urban Development, p. 3–17
[89] NeighborWorks America (2018)
[90] United States Department of Agriculture (2018)

or retained, and 192,000 businesses and microenterprises developed or expanded. Targeted beneficiaries include those who are low-income, people of color, women, and rural communities.[91]

Rural West Internship Program for Diversity in Nonprofit Housing and Community Development

Over the past 20 years the Internship Program has sought to increase staff diversity within the affordable housing and community development field, particularly throughout the rural western region. The Internship focuses on introducing university students from low-income rural communities, people of color and whom are culturally and linguistically diverse. The Program has placed and trained over 170 students throughout California, Oregon and Washington.[92]

[91] Opportunity Finance Network
[92] Communications with Rob Wiener

Appendix A: A History of Aotearoa NZ Public Housing[93]

Mid- to late-1800s

Government saw a need to house as many people as possible early in the country's history, particularly by providing housing for immigrants and workers. The government's early role as a direct landlord, or houser, was somewhat by default as local jurisdictions and councils were ill equipped to play this role, given other key issues such as infrastructure and health concerns due to growing slum-like conditions.

Early 1900s

The government created a state house loan program to provide those without their own land an opportunity to purchase or rent their dwellings. Successive administrations determined that government should not serve as a landlord and ended the loan program but did see the need to assist localities. Under the Housing Act of 1919, the government authorised funding enabling local councils to borrow to build worker dwellings.[94]

Late 1930s to 1950s: State housing takes hold

State housing began in 1937.[95] As World War II progressed, and with soldiers returning home, government saw housing as a pressing need and obligation to support soldiers and their families. In the 1950s, the National government, responding to discontent with and inefficiencies in the prior Labour government's housing delivery, emphasised limiting access to this housing to those who truly needed it. In turn it promoted homeownership as an alternative to renting by enticing dwellers to buy their homes.

1950s to 1990s

Successive National and Labour governments took different ideological approaches to housing those with the least means and maintaining or disinvesting themselves of the stock. While the government intermittently built houses between 1950 and 1990, the larger focus was on the provision of concessionary mortgages for first-time homebuyers. From the mid-1950s to the mid-1960s, the preference of homeownership over government as landlord resulted in a misperception of state housing and the people who lived there.[96] As Olssen et al. point out, government agency restructuring has regularly occurred along with the acquisition, building, and sale of state houses. Between 1937, when the first state house was built in Miramar, Wellington, and 1975, 27,090 (35 percent) of the 77,231 state houses were sold. Until the 1990s sales were offered only to renters already occupying these homes.[97]

The 1990s brought significant structural changes to the agencies responsible for state housing as well as to the portfolio itself. Johnson refers to "Private Landlordism," where a more tenure-neutral period rose, leaving choice, or circumstance to the consumer. With the rise in rent prices, and systemic undersupply, it is more circumstance than choice that those with no or low wealth seek to secure any form of housing. Under National leadership, the Minister of Housing took a new

[93] See also Ben Schrader's analysis of state housing, 'Housing and government'
[94] Bassett, M. and Malpass, L. (2013), p. 9
[95] Ibid, p. 11
[96] Ibid
[97] Olssen, A. and others (2010), pp. 1–10

direction on state housing with reforms starting in 1991.[98] Government sought to address inequities and inefficiencies in the subsidised rent schemes. Institutional change occurred where Housing Corporation of New Zealand was split into three entities: Housing Corp of New Zealand (HCNZ), which dealt with the mortgage portfolio that was largely since sold off to the private market; Housing New Zealand Corporation (HNZC), which was charged with managing the state rental portfolio; and the Ministry of Housing, which addressed tenancy disputes and advised the government. HNZC was created as a Crown entity intended to operate with a market-like orientation. The Homestart program, providing mortgages, was terminated.

Government introduced market-related pricing to create a new benchmark for setting rates. The Accommodation Supplement (AS) was introduced in 1993 to help households living in state housing or other accommodations, to set a level playing field for families, and to incentivise prudent behavior in the face of market rent pressures.

HNZC leveraged this market-based pricing approach to drive its new leasing and sale strategies. Responding to the high demand for houses, HNZC created the Home Leasing Programme, leasing stock from private landlords rather than purchasing or building new housing. It fostered sales of existing stock at this time not only with the intent of promoting ownership, as part of the government's priorities—fulfilling the Kiwi dream—but also to rebalance the portfolio, shedding stock located in areas of less demand based on the market rental portfolio. Existing tenants were first offered the opportunity to purchase homes, whether their own or other HNZC stock. It also reevaluated vacant state housing stock to determine if it would be re-leased, sold to other HNZC renters, or sold on the open market. A relatively large-scale Community Partner sale, over 500 state homes, was made to two trusts;[99] however, a larger sale, of up to 3,000 state houses to Porirua Community Trust, met resistance.[100]

Early 2000s

Labour was reinstalled from 1999 through 2008, and enacted another shift in housing delivery strategy based on the most pressing need. The overall individual and block sales of state homes were terminated, and the Income Related Rents was reestablished. In 2001 the government consolidated three housing delivery entities—Housing New Zealand Limited, Community Housing Ltd., and HCNZ—into Housing New Zealand Corporation (HNZC). HNZC also assumed the role of advising on policy, so it had a combined housing policy and delivery function.[101] HNZC established the Rural Housing Programme designed to focus on substandard housing in rural areas with a focus on Northland, East Coast, and Eastern Bay of Plenty. Under this scheme HNZC focused on increasing the number of state houses in these regions. It also made home repair and infrastructure improvement loans available. Through this effort it focused on partnership development opportunities with iwi and local community organisations to help pave the way to deliver housing over the long-term.

Established in 2003, and operated by HNZC, the Housing Innovation Fund (HIF), capitalised at $63 million, was designed as a four-year demonstration program to "help community-based groups,

98 Ibid, p. 4
99 Ibid, p. 8
100 Schrader, B. (2005), pp. 74–75
101 Olssen, p. 8

local government bodies, Māori and iwi to provide more housing for people on low incomes or those with special needs, which is what Rotorua District Council is doing."[102]

Through HIF, third sector social housing providers were offered suspensory loans or conditional grants for the purposes of building social housing. Loans and grants were made at $25 to $30 million annually to NGOs, local councils and Māori providers to develop social housing.[103] The HIF allocated $115 million in loans and grants to help develop 1,752 homes. Government also provided $14.9 million in 201 capacity grants.[104]

Government provided homeownership education as part of its Housing Strategy, 'Building the Future' between 2005 and 2010. Recognising the particular decline in ownership among Māori and Pasifika Government established the Low Deposit Rural Lending Programme (LDRL) with 13 providers for Māori and Pacific Peoples' Home Ownership Programme (PPHOP) with two providers for Pasifika. These programs were folded under the Home Ownership Education Program (HOEP) in 2006. Over 22,400 participants were assisted between 2006 and 2011; an additional 2,088 participated in 2011-2012 when the programme ended reportedly due to declining interest.[105] The Welcome Home Loan mortgage product began in 2005 and assisted around 1,000 households to become first-time homebuyers. It provided loan insurance for mortgages up to $200,000 without a deposit. Papakainga was also created primarily to help Māori households access financing, particularly where land with multiple owners was an issue.

2008 to 2011

From 2008 through 2011, the National government asserted its preference for reducing state housing by reintroducing sales of stock to tenants, thereby promoting homeownership by selling off state rental portfolio.

HNZC also began to undertake large-scale community development projects including Hobsonville Point, with an initial 3,000 homes planned. Earthwork began in October 2009, and the first home was finished in 2011; when fully finished the project will have built 4,500 homes.

The Community Renewal project was launched to strengthen community ties by improving the condition and look of state homes scattered or clustered in existing neighborhoods.

Government also focused on reestablishing its role in promoting homeownership by providing lending assistance. For example, HNZC launched the Low Deposit Rural Lending scheme to approximately 200 households that have completed a course and saved a 3 per cent deposit.

In 2010, as part of the wider public housing reform program changes, the government transferred responsibility for public housing funding to the Social Housing Unit and stopped issuing new HIF loans.[106] The Social Housing Fund was created in 2011 to help community-housing providers to build new social houses. It was initially capitalised at $143 million; it was terminated in early 2014 and subsequently replaced with capital grants available only for Auckland social housing developments.

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[102] Beehive, 18 November 2004
[103] Communications with Ian Mitchell
[104] Communications with HNZC's Don Badman
[105] Ibid
[106] Housing New Zealand, 8 February 2017

Appendix B: Current Public Housing Structure

Aotearoa NZ provides public housing mainly through central government agencies, but also through local and regional councils and community-based providers and Māori Housing Trusts. Most of the housing delivered is through HNZC, a Crown entity, and the 47 CHRA registered CHPs.[107]

The central government delivers public tenancies and supports affordable housing options in two general ways. First, the Accommodation Supplement (AS) provides targeted financial assistance to income-eligible renters and owners in the private market space experiencing high accommodation costs. As of the quarter ending June 2018 government has paid $364 million to 284,686 or on average $1,279 per quarter. MSD also directly provides tenancies and wraparound services, including emergency shelter spaces and transitional housing, for income-eligible beneficiaries by contracting with HNZC and CHPs and other housing providers. MSD thus sets the conditions for how the public housing market operates. In six cities CHPs can enter into contract with MSD, which funds these housing opportunities with a combination of long-term Income-Related Rent Subsidy (IRRS) payments and upfront operating grants for direct construction or acquisition of units from private developers. CHPs can access long-term operating grants only in areas of high demand determined by MSD. These grants cover 50 per cent (Auckland) or 35 per cent (Whangarei, Wellington, Hamilton, Lower Hutt, and Christchurch) of development costs helping to enable the build of new units. Other contracts are short-term 'spot contracts'. The projected public housing pipeline over the next two to three years calls for 5,321 homes, over half of which (51 percent) will be developed by HNZC.[108] CHPs and other housing and service providers operate shelters for those who are homeless and transitional housing for whanau and others seeking to progress towards more stable housing arrangements.

HNZC builds, owns, and manages most of Aotearoa NZ's public housing supply. As of 30 June 2018, it operates 61,800 homes,[109] 92 per cent of the overall public housing supply. The largest landlord of the assisted housing stock, with a large-scale development capacity and relationship with government, HNZC is tasked with participating in key regeneration projects. It manages several programs and participates in several partnerships:

- HNZC partners with Auckland Council on the Auckland Housing Programme, which plans to develop 11,000 new public housing units and 12,600 new affordable and market homes from 2016 to 2026 throughout the Auckland region. It also has several projects in Wellington and Christchurch.
- The Tenant Homeownership Programme provides existing tenants, in eligible areas, the opportunity to purchase their public home. Through this Programme and FirstHome Grant, HNZC makes certain homes in its portfolio available for tenants to purchase. Interested tenants may be eligible for a grant of 10 per cent of the purchase price up to $20,000. HNZC does not offer this program in high demand places such as Auckland, Wellington,

[107] MBIE-CHRA regulate the CHP sector in Class 1 – social landlord

[108] Eleven per cent of the pipeline reflects council housing transferred to CHP ownership; MSD, March 2018 Quarterly Report. For more information on MSD's Housing Initiatives see: www.msd.govt.nz/about-msd-and-our-work/work-programilliones/housing/initiatives/index.html.

[109] This number reflects HNZC's total share of MSD-funded public houses such as 58,973 IRRS places, 1,383 market renters, 413 short-term and 1,031 long-term vacancies.

Christchurch, Hamilton, and Tauranga. Since its launch in September 2009, HNZC has sold 384 public homes totaling $88,608,000, an average of $230,750 per home. It received 351 applications in 2017/18 yielding 49 sales (14 percent); affordability for the applicant was indicated as the issue for low subscription.[110] This response prompts possible further inquiry on the Accommodation Supplement impact to help potential purchasers. HNZC currently has 121 applications pending and 172 inquiries in June 2018. HNZC manages homeownership opportunities such as the Welcome Home Loan, Kainga Whenua Loan, KiwiSaver HomeStart grant and savings withdrawal schemes, and FirstHome.[111]

- HNZC offers Community Group Housing (CGH) in partnership with local service providers to provide group-housing tenancies. As of 30 June 2018, HNZC leases 1,492 CGH properties to service providers.[112]
- HNZC's wholly owned subsidiary HLC (Homes. Land. Community.) was created to develop Hobsonville Point, a newly planned community of 4,500 homes on the site of a former Air Force Defense base in Auckland.[113] HLC was tasked to develop the master plan, lead the regeneration of communities with significant HNZC stock, and build market, affordable, and public housing in Northcote, Avondale, Mt. Roskill, and Mangere.
- MBIE maintains a leadership role in housing policy development and strategic policy. KiwiBuild, launched in 2017 and 2018 and managed by MBIE, is Aotearoa NZ's effort to deliver 100,000 affordable homes. MBIE also regulates the CHPs and maintains the CHP register.
- The role of Te Puni Kōkiri is to provide strategic advice on Māori policy issues and on Crown–Māori relationships, and to develop and implement innovative trials and investments that promote better results for Māori. This includes supporting whānau, hāpu, iwi, and Māori to achieve their housing aspirations through community-led housing repair projects, building Māori capability in housing and supporting papakāinga.[114]

The Treasury oversees HNZC, although Minister Twyford announced that HUD will assume this role as part of its portfolio. Key roles of Treasury also include monitoring, oversight, and policy implementation of the Crown's assets, and managing the government's borrowing program. It also is responsible for investment management in the state sector. Treasury was responsible for

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[110] HNZC July 2018 response to information request

[111] A separate analysis should look at the structure and utility of these products but during interviews comments were raised about the low subscription of the Kainga Whenua loans, that only about 20 loans have been closed under this program.

[112] HNZC also operates the Second Chance Programme with the Department of Corrections, providing skills and opportunities for those incarcerated with employment qualifications and skills where they rehabilitate public housing stock; over 150 houses have been restored under the Programme.

[113] Hobsonville Point does not have public homes in this new community. In June 2006 John Key stated that putting public housing on $500k sections was "economic vandalism", which had the potential to turn the area into a ghetto. Johnson, A. (2012), pp. 7–8. In communications with HLC's Mark Fraser, he pointed out that HLC's Axis Series is the Company's response to providing affordable housing options, delivering over 20 per cent of all of the Hobsonville Point homes at affordable price points.

[114] Te Puni Kōkiri (the Ministry of Māori Development) replaced the Ministry of Māori Affairs (Manatū Māori) and the Iwi Transition Agency (Te Tira Ahu Iwi) in 1992. These agencies had replaced the earlier Department of Māori Affairs in 1989.

underwriting and brokering the public housing stock transfer from HNZC to Accessible Properties, Inc.

Overview of Public Housing and Changing Government Approaches

Progressive governments, from Liberal to National to Labour to the current largely Labour Coalition, have used their ideological lenses to shift housing policy and create, consolidate, or shutter ministries and programs designed to help those in need. Overarching trends include the ongoing stigmatisation of public housing and the people who live there with an emphasis on promoting homeownership as a means for building equity.[115]

Social Housing Reform

Seeking a housing delivery strategy that engages more diverse community providers, and in response to advice from Government's Housing Shareholders' Advisory Group (HSAG), Aotearoa NZ passed the Social Housing Reform (Housing Restructuring and Tenancy Matters Amendment) Act in 2013. The goals of the Act were to increase affordable housing supply and ensure the stock developed is appropriate to the need, that wraparound services are provided, and that tenants have an opportunity to achieve independence. The government restructured the role of agencies, entitlement for social housing, and encouragement of the third "community" sector to participate in delivering social housing.[116]

This Reform made a significant statement that community-based public housing providers, in addition to HNZC, have a role to deliver housing. It articulated a goal that these providers should provide 20 per cent of the stock by 2018; as of 2016/17 it provided $139 million in capital grants to 33 community-housing providers (for developing 890 housing units) under the Social Housing Fund. The Social Housing Unit (SHU) in MBIE also provided $2.04 million in Capacity Funding and Sector Development, which was used to boost the capacity of the public housing sector.[117]

The HIF and Rural Housing Programme were subsequently replaced with a $45 million contingency fund in response to the HSAG to improve the ability of third sector providers such as The Salvation Army, IHC, iwi, Habitat for Humanity, and the NZHF.[118] The reform also revised tenancy reviews, ensuring that those with the greatest need would remain eligible and would benefit. Government's Social Housing Fund, created in 2011, was initially capitalised at $143 million to help community-housing providers to build 1,000 new social homes. It allocated a $30 million boost over three years starting in 2015/16, or $10 million a year, to further assist the CHP sector. [119]

To achieve its goal of broadening public housing delivery beyond HNZC, the 2013 Act allowed approved NGOs to receive the same tenancies as HNZC for tenants on the MSD register. In doing so, the government sought to capitalise on the reliability and experience of existing locally based providers. Government saw that the NGOs could deliver housing for value. The Act also created the Community Housing Regulatory Authority (CHRA) within MBIE as an independent regulator for the sector.

[115] Johnson, A. (2012), p. 57
[116] Beehive, 20 November 2013
[117] Ibid; Beehive, 15 May 2014
[118] Gibson, Anne, 15 June 2011
[119] Hamilton, G. (2014), p. 1

Treasury underwrote and brokered the 1,138-unit transfer between HNZC and Accessible Properties in April 2017; HNZC retained 200 homes as part of the transfer.[120] According to Megan McKay the transfer was directed by government to help create the new CHP market. The stock transfer was brokered by the Treasury department, which also performed a due diligence role to ensure the CHP was capable of managing the portfolio.

The National Party's vision was to encourage and enable CHP ownership of public housing. The current government, however, terminated the transfer of public housing to CHPs in December 2017, citing its obligation to retain public housing under public ownership and that the state should be the first and last provider of public housing.[121] The transfer of 1,138 units in Tauranga was the only completed transaction; the planned 2,500-unit Christchurch transfer was canceled in December 2017. Min. Twyford ended the stock transfers reestablishing government's direct role as landlord of social, now called, public housing.

Role of Local and Regional Councils

Like CHPs, local and regional councils deliver a small number (13,479) of the country's public housing. Councils historically delivered housing for pensioners, elderly single people, mainly men.[122] Christchurch and Wellington City Councils provide 2,649 and 2,332 council homes, respectively. While the largest urban area Auckland Council maintains a portfolio of 1,442. Christchurch's portfolio is managed by Otautahi Community Housing Trust.

Policies Encouraging Additional Affordable Housing

Inclusionary Zoning (IZ)

IZ is one of the strategies that localities can use to help ensure long-term affordability in increasingly high-cost communities. The 2015 Productivity Commission report questioned the relative value of IZ, pointing to the need to ease or remove planning barriers to enable greater supply of lower-cost housing.[123] Auckland Council and Queenstown Lakes (QL) are the local jurisdictions that have provisions enabling IZ. QL's Housing Affordability Taskforce called for additional land, intensification, and IZ.[124] The Council sees IZ as an important mechanism to deliver affordable housing. Auckland Council's Unitary Plan Independent Hearings Panel recently rejected a ten per cent IZ provision.[125]

Housing Accords and Special Housing Areas Act (HASHAA)

In establishing Special Housing Areas (SHAs) and passing the HASHAA in 2013, the government intended to "enhance housing affordability by facilitating an increase in land and housing supply in distinct areas demonstrated to have issues with housing supply and affordability. The Act is meant to incentivise investors and developers to build in these targeted areas by offering a streamlined resource consent path. Through the Act other concessions may also be available."[126] HASHAA redefines the Resource Management Act (RMA) with a new focus on housing and land supply, cuts

[120] The Treasury (2017)
[121] Beehive, 20 December 2017
[122] CHA Housing Supply Survey, March 2018
[123] Productivity Commission (2015), p. 163
[124] Queenstown Lakes District Council Housing Affordability Response presentation at LGNZ Housing 2030 Symposium, 28 June 2018, slide 10
[125] Collins, Simon, 28 July 2016
[126] Wellington City Council (2018)

processing times, reduces notification requirements and appeal rights, emphasises urban design, and allows a proposed plan to be implemented and varied before submissions are heard and decided.[127] The agreements on these accords are between central government and territorial authorities.

HASHAA, set to expire in 2016, was extended to September 2019. There is limited information and reporting on results of the Act's intended impact to increase development activity. In Auckland alone the 154 SHAs are projected to produce between 63,000 and 66,100 units over the next 20 years; 25 SHAs (16 percent) reported no building consents.

It is unclear how many of these units are affordable to low-income households.[128] A December 2017 report on a case study of SHAs in Tauranga and the Western Bay of Plenty indicated that 15 SHAs were created by August 2017. The case study revealed no improvement in dwellings delivered, no reduction of time from start to finish, no improvement in housing affordability, and that these results matched findings in Auckland. The report went on to indicate that there is little evidence that the SHAs had potential to promote livability and sustainability through these structures throughout the subregion.[129] Questions arose about the efficacy of this legislation and its ability to meet its intended purpose.[130]

[127] Wells, E. (2015)
[128] MBIE, 1 April to 30 June 2017
[129] James, B. (2017), p. i
[130] Gibson, Anne, 8 July 2017

Appendix C: Affordable Housing Program Models

Rent to Buy

The rent-to-buy model enables potential borrowers to rent affordably while accruing savings equity to purchase their home. Potential purchasers rent for at least three years and potentially for five to 10 years. There typically are no requirements for them to purchase their rental homes. The model provides flexibility for acquisition structures and timing.

Long-Term Affordable Rentals

Living in secure and affordable long-term rentals, with rental agreements beyond one year, gives tenants a level of stability and enables them to improve their quality of life in areas such as education, employment, and physical and mental health. CHPs, HNZC, and supportive service providers offer affordable rentals for terms greater than one year. New Ground Capital is also entering this portion of secure affordable housing.

Shared Equity Homeownership Program

The Shared Equity Homeownership Program (SHEP) assists entry-level (mainly first-time) home buyers with an equity share "boost"—typically 15–40 per cent of the market value of the home—to help them afford the purchase price. A third party provides the equity, which bridges the gap, and the homeowner will at some threshold buy out that equity provider. This model is well used in the United Kingdom and United States. CHA reports that about 780 New Zealanders have already benefitted from the SHEP model.

Community Land Trusts

Community Land Trusts (CLT) are a small portion of affordable housing models in the US. Under CLTs a household purchases or builds an affordable home from a land trust organisation who retains ownership of the land. The household typically enters into a long-term lease agreement with the CLT ensuring long-term secure tenure; the land lease agreement can exceed the life of the mortgage. When the household plans to sell the house there is usually a cap on the amount of appreciation that it will realise, sharing the sale proceeds with the land trust so it can recycle the funds back into the program, helping to sell the home to another low-income household, preserving the availability of affordable housing.

Appendix D: A Brief History of Māori Housing

The history of Māori housing is, significantly, a metaphor for the type and level of Māori interactions with the Crown and government. One of the earliest interactions was the effort to address diseases that became more prevalent through contact with pākehā and whose spread was exacerbated by poor nutrition, unsanitary conditions, and overcrowding.[131] One of government's early interventions was to help address sanitary conditions. Māori councils were created in 1900 to enforce sanitary regulations., which included demolishing buildings. Māui Pōmare, the first native health officer, and later other native sanitary inspectors, had the right to demolish buildings, not the councils.[132] From 1904 to 1909, 1,256 houses were demolished and 2,103 were newly built, funded by Māori.[133]

The government introduced housing schemes to improve health and housing in Kainga. From the 1920s through the 1940s, various schemes, mainly in the forms of loans and grants, were established to build new housing, particularly under the Māori Housing Act of 1935. Complexities over funding, land ownership, and ability to pay back the loans minimised the programs' effectiveness.[134]

Māori were attracted, and incentivised, to move to urban areas with greater opportunities for work. Accessing housing, however, remained a challenge. Most of the neighborhoods where Māori settled, like Freemans Bay (Auckland) and Newtown (Wellington), had cheaper rents but older and slum-like houses.[135]

In the 1940s, a scheme set up a separate pool of Māori state houses, reflecting bias against housing whānau Māori in general state housing areas; however, in practice few were built.[136] In the latter part of the decade, and through the 1950s, Māori were "pepper-potted" either into more integrated communities or predominantly Māori neighborhoods but were located without regard to their hāpu or iwi.[137]

Māori homeownership has dropped from 49 per cent in 1986, to 32 per cent in 2001, to 30 per cent in 2006, and to 28 per cent in 2013.[138] As cited above a disproportionate amount of Māori are homeless or are cost burdened and living in insecure, unaffordable, and lower-quality housing conditions.

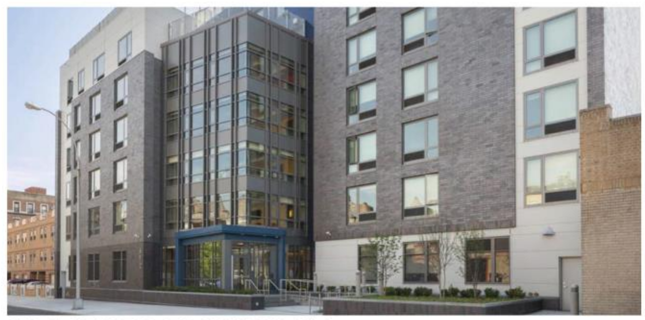
[131] Schrader, B., Māori housing – te noho whare, p. 3
[132] Ibid
[133] Ibid
[134] Ibid, p. 4
[135] Ibid, p. 5
[136] Ibid
[137] Ibid, p. 6
[138] Ibid; TPK (2010), Stocktake Report, p. 5

Appendix E: Case Study: Low-Income Housing Tax Credit Example from the National Equity Fund

PROJECT **DETAILS**

Completed	2014
Location	592 Wales Avenue Bronx, NY
Project Type	Supportive Housing
Total Units	57
Mix of Residences	47-studio, 10-2 br
Limited Partnership	Wales Avenue Housing, LP
Tax Credit Equity	$7.2 million
Total Project Costs	$23.5 million
Sponsor	Volunteers of America Greater New York
Permanent Lenders	592 Wales Avenue Housing Development Fund Company, Inc. Volunteers of America Greater New York New York State Office of Mental Health

	YEAR 1	ONGOING
Jobs Created *	70	17
Community Impact * (In Millions)	$4.5	$1.4



PROJECT **DESCRIPTION**

Located in the Bronx, Wales Avenue Residence is a new seven-story supportive housing development serving two vulnerable populations—young adults suffering from mental illness, having behavioral health disorders or having aged out of foster care and are at risk of homelessness, and adults who are chronically homeless and struggle with mental illness or substance use. The fully-furnished 47 studios and 10 two-bedroom apartments can accommodate 67 individuals with rents affordable to households earning at or below 60 percent of Area Median Income.

The building is organized as two distinct facilities under one roof. A daylight-filled lobby welcomes residents and directs each to their respective wing served by separate elevators. Apartments are also separated by group-specific floors to best serve the unique needs of each population. Everyone has access to lounge areas with floor-to-ceiling windows.

Residences are designed to feel spacious and peaceful with open kitchens and large windows. Sponsor, Volunteers of America, furnishes each unit equipping it with linens, cooking and cleaning supplies. VOA administers a supportive program including comprehensive, individualized service plans combining on-site programming and linkages to other community-based providers, with the help of 20 full-time staff including case managers, a substance abuse counselor, peer counselor, life skills/housing specialist and psychiatric nurse.

National Equity Fund® invested $7.2 million of LIHTC equity, its second partnership with the sponsor.

NATIONAL EQUITY FUND, INC.
10 South Riverside Plaza, Suite 1700, Chicago, IL 60606
P 312.360.0400 F 312.360.0185

* Based on a model created by the National Home Builders Association to estimate economic benefits

Appendix F: Maanaki Tairawhiti Place Based Initiative Overview

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