

# Briefing for the incoming Minister Responsible for Housing New Zealand

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Housing New Zealand October 2014

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## Foreword

Housing New Zealand's role is to provide warm, dry homes to those New Zealanders who are most in need. Its aim is to be the social housing provider of choice as other providers start to play a greater part within the sector.

Over the last three years Housing New Zealand has undergone a transformational change as a result of the Government's decision that it should focus on its core business of tenancy and asset management. In 2012 Housing New Zealand implemented a new and more responsive service delivery model, updated its core systems to provide the right tools for frontline staff, and streamlined processes to increase operating efficiency.

Since then, Housing New Zealand has been focused on keeping the needs of customers at the centre of its thinking, and on lifting performance in a number of key business areas. For example, nearly 20 percent more customers and their families were housed during 2013/14 than the previous year, and average turnaround time between tenancies reduced from 72 days at the start of the year to just 50 days by year-end. Turnaround time has since reduced even further, to 32 days as at the end of September 2014.

At the same time, Housing New Zealand increased its portfolio utilisation rate from 95 to 96 percent during 2013/14. This means more people are living in Housing New Zealand homes, and additional rental income is being generated.

The new service model is supporting tenancy managers to spend more time out in the community with tenants, helping them sustain their tenancies. An important part of this is working with tenants who have rental debt, which as at the end of August was just 3.9 percent of total rental income compared to 6% at the end of 2012/13.

Housing New Zealand is also focused on reconfiguring its portfolio to meet the needs of today's families and better match current demand, which has changed since the 1950s and 60s when a large portion of its housing stock was built. More homes are needed in areas of high demand – like Auckland, Wellington and Christchurch – and fewer homes in some of the smaller centres.

Housing New Zealand has moved its asset development programme into high gear to respond to this challenge, and the results of this work will affect generations of New Zealanders to come. Housing New Zealand is taking a new and innovative approach based on using its land holdings more efficiently and sustainably, representing a change from asset programmes of the past.

Housing New Zealand is currently underway with its national new build programme, which includes up to 700 new houses in Christchurch. These new homes are warmer and better than existing stock, and are configured to meet current and future demand.

Earthquake recovery in Christchurch is also a top priority, and by the end of 2015 Housing New Zealand aims to have completed earthquake repairs to up to 5,000 quake-damaged homes. The repair and rebuild work in Christchurch is modernising the Housing New Zealand portfolio and will contribute to the revitalisation of the region as a sustainable, exciting and great place to live.

Housing New Zealand is in the midst of a period of significant change for the social housing sector. In April 2014 responsibility for assessing housing need was transferred to the Ministry of Social Development (MSD), and accredited providers started becoming eligible for the income-related rent subsidy. This allows customers to have all their social welfare needs assessed by a single agency, and will ensure that smaller and niche providers are on an equal footing with Housing New Zealand.

The Government has also been looking at mechanisms for boosting the growth of the social housing sector through transfers of parts of Housing New Zealand's business. The details of how this might be done are still under development, but Housing New Zealand is expected to remain at the centre of the growth of the sector.

It's an exciting time for those involved with social housing, and requires a collaborative approach across government and between social housing providers. Housing New Zealand is committed to facilitating the development of this new social housing market, and is in a great position to take a leadership role to support the sector through this significant period of change.

# Housing New Zealand profile

## Operational statistics

- Housing New Zealand manages approximately **68,000** properties
  - Approximately **3,000** are leased
  - Approximately **1,500** are Community Group Housing properties
  - **45 percent** of the portfolio is in Auckland
- **96 percent** of Housing New Zealand houses are tenanted, with approximately **193,000** occupants
- **94 percent** of tenancies are supported by the income-related rent subsidy
- **33** percent of tenants are Māori, **27** percent are Pacific peoples and **37** percent are European
- **68,000** of the people living in Housing New Zealand homes are children and **20 percent** are over 65 years old
- **8,235** new tenancies were started in 2013/14
- Over **1 million** phone calls come through the Customer Services Centre each year
- Housing New Zealand has approximately **1,000** staff across **46** offices and shared spaces
- Housing New Zealand carries out approximately **400,000** maintenance actions on properties each year

## Financial highlights

Housing New Zealand:

- will return a dividend of **\$108 million** to the Crown for 2013/14
- has a current tax expense of **\$92 million** for 2013/14
- spends approximately **\$130 million** each year on council water and property rates
- receives over **\$1.1 billion** in income annually from rent, interest and Crown funding
- has over **\$900 million** annually in expenses
- spent **\$280 million** in capital expenditure in 2013/14
- owns a housing portfolio worth **\$18.6 billion**, a **\$2.3 billion increase** from 2012/13
- has an operating surplus of **\$200 million** for 2013/14
- spent **\$338 million** in capital and operating expenditure on maintenance, upgrades and repairs in 2013/14
- has a return on equity of **1.4%** for 2013/14

## Upcoming challenges and decisions

### Reports and decisions

The following table outlines relevant reports and decisions that are due between October and December 2014.

What	When	Who
<b>Accountability documents</b>		
2013/14 Annual Report delivered to you	November	Housing New Zealand
2014/15 Statement of Performance Expectations delivered to you	November	Housing New Zealand
2014-18 Statement of Intent delivered to you	TBC	Housing New Zealand
<b>Decisions and reports</b>		
Report back to Cabinet on Tāmaki Redevelopment Company (see page 20 for detail)	October	Establishment Unit and Ministry of Business, Innovation and Employment
9(2)(f)(iv)		
Social Housing contestable trial starting (see page 17 for detail)	October	Housing New Zealand/MSD
9(2)(f)(iv)		
Asset Management Strategy report back	November	Housing New Zealand
9(2)(f)(iv)		
Housing Warrant of Fitness information paper	Late 2014	Ministry of Business, Innovation and Employment
9(2)(f)(iv)		

## Specific challenges

### Financial return expectations

9(2)(f)(iv)  
[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]



## Options for meeting demand in a broader housing market

	A	B	C	D
Economically optimal	No	No	No	Yes
Financially sustainable	No	No	Yes	Yes
Meet all demand	Yes	No	No	No

**A**  
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 [Redacted]  
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**B**  
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 [Redacted]  
 [Redacted]  
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**C**  
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**D**  
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## Delivering on asset programmes

### *National new build programme - 2,000 homes by December 2015*

In his “State of the Nation” speech in January 2013, the Prime Minister announced Housing New Zealand’s goal of building 2,000 new houses by December 2015, including 700 in Canterbury. As at 30 September 2014, Housing New Zealand had built 274 houses, with 80 of those in Christchurch.

9(2)(f)(iv)

#### Asset programme targets

Programme	Original target	Completed as at 30 September 2014	Revised forecast
9(2)(f)(iv)			

*Project RightSize*

9(2)(f)(iv)

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

**Project RightSize targets**

Programme	Original target	Completed as at 30 September 2014	Revised target
RightSize: Home extension programme	9(2)(f)(iv)	■	[Redacted]
RightSize: Two-bedroom homes initiative	9(2)(f)(iv)	■	[Redacted]

## State housing of the future

The face of Housing New Zealand’s customers, including their cultural backgrounds, household types and accessibility requirements, has changed considerably since the first state house was built. A change in technology and the way people live in and interact with their homes has also led to changes in the expectations people have of their homes.

Housing New Zealand has continued to adapt and improve housing design practices as building standards and customers’ needs have changed. However, there needs to be more integration of the specific needs of Housing New Zealand’s customers into its housing designs. Rather than incremental design changes driven by advances in materials and technology, these need to be more transformational changes that truly reflect the customer base. Housing New Zealand also needs to more actively seek tenant and stakeholder input into the design of future state houses and the communities of which they are a part.

## Designing better communities

In some areas, particularly those with high concentrations of state housing, neighbourhood issues and negative social outcomes can, and do, arise.

In partnership with the private sector, Housing New Zealand is undertaking development projects aimed at building positive communities. This includes better access to public transport, shared green spaces and community gardens. Redevelopments increasingly feature a mix of housing: privately-owned, social and third sector housing. Housing New Zealand actively engages with tenants and locals affected by redevelopment work to anticipate and respond to their concerns. Housing New Zealand has also been looking at best practice and tenant experience in social housing communities internationally.

Partnering with the private sector in these development projects does provide some challenges however, such as a slower rate of delivery.

## Tāmaki Redevelopment Company

Tāmaki has a high proportion of state housing (56 percent) with Housing New Zealand owning approximately 2,870 properties in the area. The Tāmaki Redevelopment Company (TRC) was established in late 2012 as the entity charged with the urban regeneration of Tāmaki.

9(2)(f)(iv)

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## Hobsonville

The Hobsonville Land Company is a wholly-owned subsidiary of Housing New Zealand, set up to manage the project planning for an integrated urban development at the former New Zealand Defence Force airbase at Hobsonville, Auckland. Land for the Hobsonville development is owned by the Crown and held in the Housing Agency Account. The Hobsonville development is managed by the Chief Executive of the Hobsonville Land Company, which has its own Board. However, overview and governance is provided by the Housing New Zealand Board.

To date, 444 homes and sections have been sold. Twenty percent of the homes built at the Hobsonville Point development are planned to be affordable housing, including some for first home buyers. These homes are proving to be very successful, with 84 sold so far.

9(2)(f)(iv)

# Housing New Zealand's role

## Overview

Housing New Zealand is currently the main provider of social housing in New Zealand, with over 68,000 properties, and the owned portion currently valued at \$18.6 billion. Of these, 94 percent of tenancies are supported by the income-related rent subsidy, which MSD administers. Other social housing is provided by local government, with around 11,000 units, and by third sector organisations, with around 3,000 units.

Housing New Zealand's role is to give effect to the Crown's social objectives by providing housing, and services related to housing, in a business-like manner. Housing New Zealand achieves this by focusing on consistently delivering its core business of tenancy management and asset management. Housing New Zealand rents properties to those in highest need and determined by the social housing allocation system administered by MSD.

In particular, Housing New Zealand:

- matches tenants to appropriate state housing
- manages state housing tenancies
- acquires, upgrades, maintains, and divests the state rental portfolio
- frees up Housing New Zealand properties for those who need them most.

Housing New Zealand's role is one of a social housing landlord, managing its social housing assets to meet changing demand and contributing to the growth of the third sector. Providing housing and services to tenants comes with additional costs compared with what a standard landlord or even other social housing providers may bear, such as water rates, debt recovery, and aspects of placement and tenancy manager costs. Work is underway to identify and quantify these costs and will be reported back by the end of the year.

Housing New Zealand develops and maintains its property portfolio as efficiently as possible. Asset decisions reflect the changing needs of tenants, while long-term asset planning and management can be tailored around the future needs of the customer base.

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## Crown objectives for Housing New Zealand

The Government identified three key objectives for Housing New Zealand for 2013/14. These were to assist the Crown in meeting the Government's social objectives for housing by:

- Assisting vulnerable individuals and families, who request state assistance, to make the right housing choices and by working with other agencies to transition existing state house tenants whose circumstances have improved to alternate housing.
- Providing cost-effective state housing and associated services to those most in need, for the duration of their need, at an appropriate quality level
- Cooperating with the Government and other relevant entities in order to facilitate the development of the social housing market in order to promote:
  - The diverse supply of social and affordable housing; and
  - A diversity of social housing providers.

9(2)(f)(iv)

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# Housing New Zealand's strategic direction

## Overview

Housing New Zealand has recently developed a strategy for the next 18 months to two years. The shorter than normal timeframe for the strategy reflects the level of uncertainty in Housing New Zealand's operating environment, particularly in relation to how it will interact with the developing social housing sector.

Housing New Zealand's strategy is centred on a vision of being '**the social housing provider of choice**'. Being the provider of choice refers to the move toward a more competitive environment. Housing New Zealand aspires to be the provider of choice in the social housing market segments where it can add the most value. Being the provider of choice means being preferred by tenants, staff, and business partners, and by MSD as the purchaser of social housing services.

Housing New Zealand's strategy focuses strongly on how it delivers this vision, but also acknowledges how changes in its role and the development of a competitive social housing market will mean that Housing New Zealand will change the way it delivers services.

The strategy is built around four goals:

- **Our people deliver on our service commitments to our customers and stakeholders** – creating a greater organisational focus on the customer, with customer experience becoming a stronger driver of organisational performance
- **Our people operate and manage our homes effectively and efficiently** – creating a stronger focus on our role as an asset manager, with good practice stewardship of our assets
- **Our people produce the right mix of quality homes in the right locations** – continuing a focus on aligning our assets, balancing the need to align to demand, while ensuring an economic portfolio
- **Our people are proactive, results focussed and we are financially viable** – focusing on further developing an agile, effective performance-oriented organisation that efficiently delivers good quality social housing in a financially sustainable way.

Given the short time horizon of the strategy and the evolving sector, the strategy requires active management and it will be revisited regularly over the coming year as the sector develops.



# Housing New Zealand's role within the Social Housing Reform Programme

## Overview

The Government's Social Housing Reform Programme is designed to improve the services and assistance to those identified as being in housing need. It will provide greater access to housing by creating a market where there is a diverse supply of social and affordable housing and providers.

In 2012 Government agreed to a future state that would see a shift in emphasis from government ownership of provision to purchasing services, a larger percentage of social housing delivered by non-government providers, and a less dominant role for Housing New Zealand.

Major initiatives over the last three years and their impact on Housing New Zealand have included the following:

- The new Social Housing Reform (Housing Restructuring and Tenancy Matters Amendment) Act was passed in 2013 and provides the statutory basis for community housing providers to apply for government funding for income-related rents for eligible new tenants, alongside Housing New Zealand; for needs assessment and associated functions to be carried out by an agency other than Housing New Zealand; and for a regulatory framework to govern community housing providers.
- In April 2014, the housing needs assessments and related functions (such as reviewing tenancies and administering income-related rent) were transferred to MSD. As MSD is now responsible for calculating and paying the income-related rent subsidy, the appropriation funding for the subsidy has shifted to MSD.
- In May 2014, Government announced that it would set up an Establishment Unit, located in the Treasury, to undertake policy, design and market engagement to advise on the form and function of an Independent Transactions Unit. The Independent Transactions Unit would drive the development of a social housing market through transfers of Housing New Zealand assets and tenants, and other mechanisms to grow providers at scale.

## **Where Housing New Zealand fits in the sector**

The social housing sector consists of Housing New Zealand and a small number of community housing providers who are registered under the Housing Restructuring and Tenancy Matters Act and subject to its regulatory powers and standards. A sub-set of these have signed-up with MSD to receive the income-related rent subsidy for eligible new tenants from April 2014.

Housing New Zealand is subject to purchase monitoring through MSD (via its payment of the income-related rent subsidy), and ownership monitoring by the Treasury. Housing policy advice is distributed across MSD (policy related to housing assessment and its interaction with wider social development policy), MBIE (responsible for policy on housing supply, quality and affordability, and the legislation) and the new Establishment Unit for the Independent Transactions Unit.

Housing New Zealand will continue to work closely with MSD to embed the changes and ensure a smooth transition for tenants between both agencies. This will include making additional systems changes as MSD transitions from using Housing New Zealand systems to their own.

## **Housing those in need**

### **Housing New Zealand as a social landlord**

Housing New Zealand does more than a standard landlord. Housing New Zealand houses those in high need, for the duration of their need. Alongside collecting rent, inspecting houses, and maintaining the value of its properties, Housing New Zealand also works alongside tenants to manage their debt (where applicable), link them to support services, and engage with tenants to ensure their homes and communities are places they want to live.

### **Tenancy management**

Housing New Zealand's tenancy management role includes:

- working with MSD to place eligible applicants and manage tenant exits
- matching applicants with available properties
- responding to incoming tenant telephone enquiries
- managing existing tenancies
- exiting tenants when required
- undertaking debt collection activities for overdue rent, property damage, and residual income-related rent arrears
- providing specialist support for tenants with multiple or complex needs
- improving driveway safety to minimise children being harmed
- servicing in very remote, hard to access, rural locations
- intensive tenancy management to avoid tenants falling into debt and minimising anti-social behaviour.

During 2013/13, Housing New Zealand reduced the length of time properties remained vacant between tenancies (turnaround time), from 72 days at the start of the year to just 50 days by year-end. Turnaround time has since reduced even further, to 32 days as at the end of September 2014. This meant that more people could be housed during the year - almost 1,300 more than the previous year - and the occupancy rate also increased.

### **Housing New Zealand's customer base**

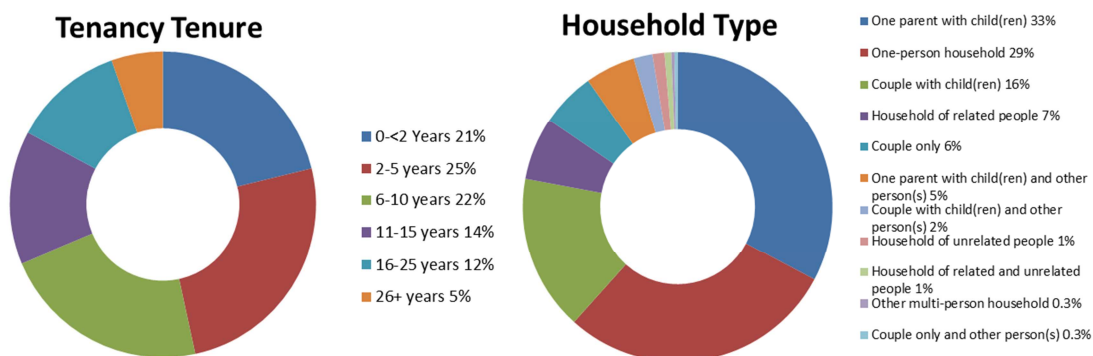
Housing New Zealand houses people at risk with serious housing need and who are often at a crisis point in their lives. State housing provides tenants time to stabilise and rebuild.

Tenants come from a variety of cultural backgrounds, 37 percent are European, 34 percent are Māori, and 27 percent are Pacific peoples. Housing New Zealand also houses people seeking refuge from civil war and unrest in their country of origin. Some tenants have wide-ranging issues, including drug and alcohol abuse problems, anti-social behaviour, and varying degrees of mental health issues.

Understanding tenants supports Housing New Zealand's ability to improve customer outcomes in the community they are housed. Housing New Zealand works with a number of organisations to achieve this, including gang-affiliated Presidents, government agencies like Te Puni Kōkiri and the Police, and community advocacy groups such as the Auckland

City Mission. Housing New Zealand also implements health and safety initiatives to ensure the safety of staff and contractors when interacting with at-risk customers.

The most common household type amongst Housing New Zealand customers is a single parent with child(ren), with single person households the second most common.



Approximately 6 percent of tenants pay a market rent for their state house. These tenants were eligible for a state house at the time they applied, but their circumstances have changed and their income increased so that they can now pay market rent. In 2014/15, MSD will review approximately 800 state house tenants who pay market rent. Each review will carefully consider the tenant’s circumstances and living standards. Tenants who are no longer eligible will receive options and advice from MSD about how to move on to alternative housing. Housing New Zealand will be notified of the results of these reviews and as a result of the process, may issue notice to end a tenancy.

### Assessing housing need

From April 2014 responsibility for housing needs assessments and associated functions transferred to MSD. MSD also has responsibility for managing the waitlist, tenancy reviews and income-related rent, and investigations into fraud and dishonesty.

Housing New Zealand also maintains its own Business Initiated Transfer (BIT) waiting list of current tenants who require a transfer to a new house initiated by Housing New Zealand due to the property being redeveloped, undergoing major repair or the lease expiring.

The Social Allocation System provides the criteria for allocating state housing to those with the greatest housing need. MSD now administers the Social Allocation System for all new social housing applicants and a modified version for existing state house tenants under the reviewable tenancies initiative.

Housing New Zealand has responsibility for matching eligible tenants to properties through its placement function. Housing New Zealand regularly monitors its vacant properties to match current Housing New Zealand tenants recorded on the BIT register to those properties. Where the property does not match any Housing New Zealand tenant on the BIT register, the vacant property is then considered for matching to eligible applicants on the MSD wait list. There may be exceptions when applicants on the MSD waitlist are considered first, such as at risk or vulnerable clients.

## **Income-related rents**

State house tenants pay rent capped at a percentage of their assessable income up to a certain threshold. Tenants whose assessable income is above that threshold pay progressively more rent until market rent is reached. In April 2014, responsibility for assessing income-related rent transferred to MSD.

Housing New Zealand remains responsible for recovering historic income-related rent debts. A plan for collecting the historical (pre-April 2014) income-related rent debt will be reported back to MBIE in October 2014.

State house tenants are eligible to apply to MSD for an income-related rent. If they are assessed as eligible Housing New Zealand must, by law, charge them the income-related rent as assessed by MSD. MSD is responsible for reimbursing Housing New Zealand for the difference between the income-related rent and the market rent.

From 2014/15 there is one appropriation to fund the income-related rent subsidy for Housing New Zealand (for state house tenants) and community housing providers (for new tenants who are eligible to pay income-related rent) managed by MSD. There is also a 'cap' on the income-related rent subsidy, which has been set using current forecasts plus an allowance for policy changes such as tenancy reviews and eligibility being extended to new tenants of community housing providers. The 'cap' is intended to make forecast spend and mitigation options more transparent and easier to manage. Ministers will need to make decisions about any changes to the cap.

## **Anti-social behaviour policy**

Most tenants are good neighbours and good members of their communities. However, a few tenants behave in ways that adversely affect the lives of those living in their surrounding neighbourhood. As a social landlord it is important that Housing New Zealand continues to challenge behaviour that impacts negatively on communities. Housing New Zealand has recently reviewed its Antisocial Behaviour Policy, which aims to improve tenant safety and strengthen the way it responds to tenant behaviours that lack consideration for others.

Housing New Zealand makes every effort to get its tenants back on track. If that is not successful, tenants who continue to breach the policy may have their tenancies terminated. Tenants whose properties are associated with serious anti-social behaviour, or who commit a serious breach of their tenancy obligations, may also be suspended from applying for state housing for 1 year. Household members and visitors to the property may also be suspended if they have been involved in the behaviour leading to the ending of a tenancy.

## **Social Housing Purchasing Trial**

MSD is leading work on a social housing purchasing trial to start on 20 October 2014 in South and West Auckland. The aim of the trial is to test the process that allows Housing New Zealand and community housing providers to have the same access to the waiting list within the trial sites. Offers to match applicants to vacancies over a weekly cycle would need to be provided to MSD by the end of the week. If an applicant receives offers from more than one provider, the applicant would be able to choose the provider.

The trial is intended to test the objectives to make better use of property, better manage price and value for money, and collect information about provider and applicant behaviour. Housing New Zealand and Community Housing Providers will simply be asked to provide the market rent for the vacant property; there are no other pricing variables related to the cost to serve a particular applicant. Analysis of high-level impacts indicates that there could be a significant impact on Housing New Zealand's portfolio utilisation and turnaround time in the trial area. There may also be a small flow-on impact on rental revenue. Housing New Zealand also anticipates customers will have longer wait times to be housed and additional resources would need to be diverted to the trial. Housing New Zealand has been discussing these potential impacts with MSD, so they can incorporate them into their monitoring and evaluation strategy.

# Managing the state housing portfolio

## Overview

Housing New Zealand is the country's largest property owner, in possession of over 65,000 properties valued at approximately \$18.6 billion. Housing New Zealand's houses need to match tenants' needs. This means they must be in the right locations, of the right size, and of good quality.

## Asset Management Strategy

Housing New Zealand's Asset Management Strategy (AMS) helps plan and implement a response to tenant and portfolio requirements, supported by a forecasting model to inform where and what type of homes are needed into the future. The AMS sets out the levels of service that can be achieved within financial constraints. It also articulates a detailed three-year plan that is reflected in both the organisation's financial and performance outcomes set out in the Statement of Performance Expectations and as part of operational performance measures.

The AMS also provides the basis on which Housing New Zealand reports its future capital intentions for its portfolio to the Crown, through the Treasury's Capital Asset Management framework. It provides the framework that underpins the development of Community Action Plans which translate the AMS to a regional or community level. The Canterbury Investment Plan is a bespoke Regional Action Plan that frames Housing New Zealand's commitment to investment and visible action in the Canterbury region following the 2010 and 2011 earthquakes.

The current AMS was agreed by Housing New Zealand's Board in October 2012. It reflects a focus on the financial efficiency of the state rental portfolio by making better use of land, divesting assets that are underperforming or surplus to demand, and increasing the proportion of assets that meet both social and broader performance objectives.

Since the AMS was agreed in October 2012, the Government has clarified and advanced its agenda for the development of a contestable social housing market.

9(2)(f)(iv), 9(2)(i)

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## **Auckland**

One area where demand for state housing is particularly high is Auckland where housing affordability is a major issue and the population is forecast to grow at a faster rate than the rest of the country. In response, Housing New Zealand has launched 24 redevelopment projects across Auckland to build and refurbish at least 150 houses – some to be state rentals, and the rest for private ownership and other social housing providers. The 24 projects, which will cost approximately \$45 million, will be delivered in partnership with the private and community housing sector over the next two to three years.

Another Auckland redevelopment, in Northern Glen Innes, will redevelop 156 properties to create at least 260 new homes, with a mixture of state housing, affordable housing and private owners. To date, 40 state houses have been modernised and a further 276 state rental houses have had exterior upgrades.

### *Affordable Housing – Potential of Auckland Unitary Plan*

Current Auckland Council planning regulations constrain both land and housing supply. This puts pressure on house prices and contributes to more people being unable to buy a first home.

The proposed Auckland Unitary Plan has the potential to reduce regulatory constraints and increase housing supply. The Auckland Unitary Plan provides for capacity up to 19,000 additional dwellings to be developed on Housing New Zealand land over a 30-50 year time period. If Housing New Zealand's submission on the proposed Unitary Plan is approved by Auckland Council then the constraints of the Auckland Unitary Plan in its current form would be reduced. In this case development capacity for up to 39,000 additional sections may be provided.

In Auckland, private sector developers are understandably incentivised to maximise the value of developments by building high-value houses on relatively expensive land to maximise profit. This in turn leaves an increasing number of homeownership aspirants being unable to access their first home. Securing these 39,000 additional sections under the Unitary Plan provides an opportunity to work with the private sector to increase the development of affordable housing on Housing New Zealand land.

This approach would combine well with the Government homeownership products of Homestart and Homestart Plus. The need for any additional Government or Council incentives (for example, a cap on the level of Council development contributions or joint infrastructure provision) may need to be further explored.

## **Community Group Housing**

Of Housing New Zealand's total properties, 1,546 are rented to Government-funded community groups that provide residential community services. This involves tenancy management of the properties, and also administering a rental subsidy for eligible groups.



## **Hobsonville**

The Hobsonville Land Company is a wholly-owned subsidiary of Housing New Zealand, set up to manage the project planning for an integrated urban development at the former New Zealand Defence Force airbase at Hobsonville, Auckland. Land for the Hobsonville development is owned by the Crown and held in the Housing Agency Account.

Management of the Hobsonville development is the responsibility of the Chief Executive of the Hobsonville Land Company, which has its own Board. However, overview and governance is provided by the Housing New Zealand Board.

The Hobsonville Point development will see the construction of around 3,000 new homes, with at least 20 percent priced for affordable housing. It will also include community facilities such as schools, a community hall, recreational spaces and reserves, along with a waterfront landing area with cafes and shops, a ferry terminal and public access for activities like boating.

To date, 444 homes and sections have been sold. Twenty percent of the homes built at the Hobsonville Point development are planned to be affordable housing, including some for first home buyers. These homes are proving to be very successful, with 84 sold so far. In July 2013, the final acquisition of land from the New Zealand Defence Force was completed with the purchase of 16.5 hectares. Two further development areas were sold to developers. These areas will yield approximately 700 homes and earthworks have started on those sites. The Auckland Council purchased two buildings to be retained as community assets.

During 2013/14, Hobsonville Point became a Special Housing Area under new legislation. Hobsonville Land Company undertook further road and infrastructure construction. This meant that the Hobsonville Point Secondary School could open in March 2014 and at the same time three significant precincts were developed, adding to Auckland's housing supply.

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## **Tāmaki Redevelopment Company**

Tāmaki has a high proportion of state housing (56 percent) with Housing New Zealand owning approximately 2,870 properties in the area. The Tāmaki Redevelopment Company (TRC) was established in late 2012 as the entity charged with the urban regeneration of Tāmaki.

Under a Heads of Agreement signed by the Crown and the Auckland Council (the Tāmaki Redevelopment Company's shareholders) the TRC's activities span a range of high-level objectives for social, economic, spatial and housing development.

The 2013/14 Letter of Expectations to the Housing New Zealand Board outlined Ministers' expectations for Tāmaki and stated that *"Housing New Zealand and the Tāmaki Redevelopment Company will work together cooperatively to identify win-win options that progress our objectives"*.

In mid-2013, Ministers asked both organisations to focus on delivering two to three housing redevelopment projects with community engagement and with 'wrap around' activities aimed at social and economic regeneration. Housing New Zealand is funding and delivering the Fenchurch and Overlea housing developments under this directive. The TRC is the public face of this joint programme of work and is leading the associated engagement and the social and economic regeneration activities.

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### **Property Quality Standards**

Housing New Zealand's Property Quality Standards help ensure that state housing is safe, healthy and fit for purpose. The condition of Housing New Zealand's assets are assessed and monitored through regular property inspections, and through Property Quality Index ratings which measure the condition of properties and allow Housing New Zealand to identify where each property is in its lifecycle. This information supports the development of maintenance and upgrade work programmes.

### **Warrant of Fitness**

The rental housing Warrant of Fitness scheme is designed to improve the health and safety of tenants by setting minimum standards that ensure that rental houses are insulated, dry, safe and secure. Between March and April 2014, Housing New Zealand carried out a representative trial of 500 properties to assess the viability and costs of the proposed Warrant of Fitness scheme

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## Earthquake prone buildings

The Building Act 2004 requires local councils to adopt a policy on buildings assessed as being less than 34 percent of the New Build Standard. The Building Act requires local councils to assess residential buildings comprising two or more stories and three or more units.

Housing New Zealand adopted a policy to assess all the buildings that fit the above criteria to confirm if they require a seismic upgrade. They were then categorised into four groups, with responses dependent on the percentage of the New Build Standard met. In December 2012, Housing New Zealand identified 1,038 buildings that were considered earthquake prone. These buildings were a mix of residential, leased, Community Group Housing and Housing New Zealand offices. Of these buildings, 101 properties were considered too expensive to fix and were designated for demolition. 30 have been demolished so far.

In January 2013, Housing New Zealand commenced a programme to remediate the buildings that had been identified as suitable for strengthening and had tenant demand. Remedial strengthening work included replacing internal wall linings with bracing sheets, installing frames, upgrading bolted connections between walls, floors and foundations, and lowering or bracing chimneys to below roof level and bracing unreinforced masonry within roof spaces. To date, 50 buildings have been strengthened, the majority in Wellington. There are currently 13 buildings with strengthening in progress in Christchurch.

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Housing New Zealand is now reassessing the remaining buildings in the rest of the country classified as earthquake prone; this will be completed in the 2014/15 financial year. Funding for earthquake strengthening of buildings will come from within the planned maintenance budget. Over the next three years, \$45 million is projected to be spent.

## Supporting the Rebuild in Canterbury

Approximately 95 percent of Housing New Zealand's state houses in Canterbury were damaged in the 2010 and 2011 earthquakes. Housing New Zealand is committed to its repair and rebuild programme through which Canterbury Housing stock will be returned to pre-earthquake levels. The Canterbury rebuild and repair programme includes:

- repairing up to 5,000 damaged Housing New Zealand properties
- building up to 700 new houses to contribute to the social and affordable housing pool in Canterbury
- completing TC2 and TC3 foundation repair trials to improve construction guidelines and providing valuable information on repair methodologies to the insurance industry and people of Canterbury
- relocating up to 90 houses from the residential red zone to Rolleston prison for refurbishment and relocation onto existing Housing New Zealand sites
- demolishing approximately 500 houses.

Through the repair and upgrade programme Housing New Zealand is carrying out maintenance work and minor capital upgrades as well. Housing New Zealand is managing the repair programme in two work streams: minor repairs (up to \$40,000) and major repairs (over \$40,000/structural repairs).

An estimated 750 people are presently working on all programmes and this is estimated to increase to 1,000 people over the next year. The current budget for the repair programme is \$184 million. The minor repair programme is being undertaken with tenants on site as much as practical, with tenants being relocated to temporary accommodation if necessary. In the major repair programme all tenants will be relocated. As of 31 August 2014, Housing New Zealand had completed 1,940 repairs in total (including 212 in 2012/13) and there are 576 repairs in progress. Housing New Zealand is on track to meet the target of 5,000 repairs by December 2015.

The new build programme in Canterbury includes a mix of developments on Housing New Zealand land and development and land purchase where Housing New Zealand has been involved with the development from the pre-consenting stage. As of 31 August 2014 80 new builds have been completed, with an additional 647 in delivery, or under contract negotiations. Housing New Zealand is on track to meet the target of 700 new builds by December 2015.

Housing New Zealand has committed to a five year programme in partnership with the Department of Corrections to refurbish earthquake damage and relocate them onto existing Housing New Zealand land. To date there are 40 properties at the prison for repair. It is anticipated that a total of 30 properties will be completed by December 2015.

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As part of the repair and rebuild programmes, demolitions are also being undertaken. As of 31 August 2014, 147 demolitions were completed, 42 approved to be carried out and a further 200 identified as potentially requiring demolition. All demolished sites are being considered for redevelopment.

Thirty-two buildings were identified in Canterbury that require seismic strengthening. Construction work started in May 2014 and as at 31 August 2014 repairs have been completed on 20 units and work on a further 47 units is underway.

Housing New Zealand completed the foundation repair trial in partnership with Southern Response and Arrow International in February 2014. The trial involved 19 Housing New Zealand properties with the emphasis on finding viable solutions for houses with specific foundation types on TC2 and TC3 land. This work is an essential component of the earthquake recovery programme and is providing valuable information on repair methodologies to the insurance industry, the people of Canterbury and internationally.

The Canterbury Investment Plan is a significant and important priority for Housing New Zealand and it is committed to implementing the vision 'to create a legacy of sustainable social housing for the people of Canterbury'. The major reconfiguration of Housing New Zealand's assets in Canterbury will take place over the next 10 years with an anticipated budget of approximately \$1.2 billion. Local body planning rules have been resolved and foundation solutions have been defined; however there is still uncertainty around long-term future demand. This is compounded by the current high level of demand in the wider market, the introduction of a contestable market with the not for profit sector and the ability of the Christchurch City Council to sustain its social housing portfolio.

## **Upgrade, responsive repairs and maintenance programmes**

### **Upgrade programme**

Around 50 percent of the state housing portfolio is more than 42 years old. Housing New Zealand is focused on ensuring state housing is fit for purpose and meets Housing New Zealand's Property Quality Standards.

To this end, work carried out each year includes:

- Refurbishing bathrooms and kitchens
- Improving security, driveways and fencing
- Interior painting and work to improve living spaces, and
- Insulation, heating and smoke alarm installation.

In 2013/14 Housing New Zealand carried out 5,652 'whole of house' upgrades, at a cost of approximately \$104 million.

In 2014/15 Housing New Zealand intends to spend approximately \$57 million bringing around 7,300 vacant properties up to a minimum lettable standard over the course of the year. This cost will be met from Housing New Zealand revenue.

### **Responsive repairs and maintenance**

Housing New Zealand has three primary forms of maintenance: responsive repair, routine and planned maintenance.

*Responsive repair* focuses on urgent health and safety works and other essential works, and planned maintenance (which includes routine servicing activities) focuses on maintaining amenity, extending useful life, or replacing amenity which is at the end of its life cycle.

*Routine maintenance* includes cyclical maintenance activity (or servicing) such as lawn mowing and grounds maintenance for complexes, gutter cleaning, and chimney cleans.

*Planned maintenance* work outside of legislative requirements is carried out to complement the future use for each property. Such maintenance must be carried out where components fall below the standard set in Housing New Zealand's Amenity Condition Manual or to protect the asset, provided that it matches the investment strategy for the property, or customer considerations make it appropriate.

The existing structure by which Housing New Zealand contracts maintenance services is a regional-based contracting model, known as the Performance Based Maintenance Contract (PBMC). The next generation PBMC took effect on 1 July 2014 and has been specifically designed to meet Housing New Zealand's maintenance service requirements.

In particular the new PBMC:

- has a greater focus on customer experience and tenant needs and ensuring contractors behave in an appropriate way
- incentivises contractors to take on 158 apprentices over five years to add to the 183 existing apprenticeships
- has a greater focus on force majeure so that if required, Housing New Zealand will be able to rapidly mobilise its contractors to respond to such events
- enhances Housing New Zealand existing Key Performance Indicator structure with a focus on Management, Response Time, Quality, Cost and Health and Safety
- prioritises health and safety
- sets clearer remedies for sub-standard work and incentivises contractors to select, train and monitor good quality trade workforces
- has a longer contractor term than previous contracts, for an initial term of five years instead of two.

In 2014/15 Housing New Zealand anticipates spending around \$226 million of operational funding on maintenance of the portfolio.

#### **Energy Efficiency Retrofit Programme**

Housing New Zealand's Energy Efficiency work programme was completed in 2013/14 as Housing New Zealand met its commitment to insulate all state houses, where practical and appropriate, by the end of 2013.

#### **Complexes Remediation Programme**

The Complexes Remediation Programme survey took place in 2012 and involved an assessment of 170 properties consisting of 489 buildings. This programme of work looked at the external building components including weather-tightness; common areas and building services. The high-level visual survey of the buildings helped prioritise the most vulnerable complexes in the Housing New Zealand portfolio.

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Building surveyors have been engaged to develop a schedule of conditions and a scope of works to take to the market to remediate these buildings. This programme will deliver these refurbished buildings to a standard where Housing New Zealand should not have to carry out any major capital investment for 15 to 20 years. Pending approval, work is expected to begin on the initial 44 sites from early November 2014. The funding for the Significant Building Programme will come from the Planned Maintenance budget for 2014/15.

## **Driveway safety**

Housing New Zealand's driveway safety programme ensures properties are secure and safe for young children. Over the next four years, 13,000 properties are being upgraded as part of the initiative. So far, 3,157 properties have been upgraded (as at 30 June 2014). Housing New Zealand's top priority is households where there are children under five years old, with the remaining properties being upgraded as part of the normal upgrade process. Work includes installing gates, fences, speed humps, and speed restriction signs or convex mirrors. This programme is internationally recognised and award-winning. In 2014/15 it will also be put forward for recognition by the United Nations.



## Operating in a business-like manner

### Overview

The Government continues to focus on public sector operating efficiency and cost control. This has increased the responsibility on Crown entities to look at the potential of all-of-government initiatives and collaborate with other entities in the state sector to improve the efficiency and effectiveness of service delivery. Changes to the Crown Entities Act 2004 mean Ministers can direct Crown entities to support and participate in all-of-government initiatives.

Housing New Zealand continues to work hard to ensure it delivers efficiently on its core business and the Government's priorities. Housing New Zealand's focus remains on continuous improvement in its business model. As a Crown Entity, Housing New Zealand is expected to provide a return to the Crown. This means Housing New Zealand must maintain a balance between the social value provided through housing those in high need, reconfiguring its housing portfolio, and delivering an appropriate financial return to the Crown.

### Returns to the Crown

#### *Annual distribution to the Crown*

Section 40(1) of the Housing Corporation Act requires Housing New Zealand to pay its annual surplus (capital and operating) for each financial year to the Crown, unless the responsible Ministers authorise Housing New Zealand to keep all or any part of it.

Housing New Zealand also returns a social dividend to the Crown as a result of the services it provides to its customers. These services include matching properties with appropriate tenants, helping tenants to sustain their tenancies, and administering Crown products and programmes.

The following table sets out the annual distribution (before tax) that Housing New Zealand has paid or is forecast to pay to the Crown since 2008/09. The annual distribution is paid after year-end once Housing New Zealand's accounts have been finalised.

#### Housing New Zealand's annual distribution to the Crown

Dividend Paid \$ million							Forecasted \$ million	
2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
13	2	132	71	68	77	90	108	90

Housing New Zealand manages a portfolio of more than 68,000 houses. The value of the owned portion of this portfolio is \$18.6 billion.

The 2014/2015 forecast operating surplus before tax is \$181 million, with the dividend distribution to the Crown being \$90 million, as set out in Housing New Zealand's 2014/15 Statement of Performance Expectations.

In addition to the annual distribution, Housing New Zealand also pays taxes, and property and water rates.

\$m	2009/10	2010/11	2011/12	2012/13	2013/14
Dividend paid to the Crown	71	68	77	90	108
Taxes	779	52	63	58	59
Property rates	89	93	101	102	104
Water rates	26	27	26	32	34

### ***Financial returns on behalf of the Crown***

Housing New Zealand's forecast operating surplus before tax for 2014/15 of \$181 million provides a return of 1.1 percent on the Crown's investment. Housing New Zealand also provides value to the Crown by effectively managing and growing its property portfolio value. In conjunction with the operating profit, this provided a return on equity of 16.7 percent in 2013/14 and is forecast to provide an approximate return on equity of 8.9 percent in 2014/15. The high return in 2013/14 was mostly due to the significant growth in Housing New Zealand's capital asset base.

The following table summarises Housing New Zealand's financial returns on behalf of the Crown.

### **Housing New Zealand's financial returns**

Measure	Actual		Forecast
	2012/13	2013/14	2014/15
Net Operating Surplus Before Tax	\$178m	\$200m	\$181m
Earnings before Interest, Tax, Depreciation and Amortisation	\$457m	\$472m	\$483m
Return on Equity	1.40%	1.38%	1.12%
Return on Total Equity	10.30%	16.7%	8.90%

### **Cost of being a social landlord**

The complex needs of many of Housing New Zealand's tenants means that, as a social housing provider, it needs to provide services and support that are not available in the private rental market. Providing these services comes at a cost.

The better understanding Housing New Zealand is gaining of the costs of social housing provision will allow it to demonstrate how being a social housing provider affects the return it can deliver to the Government. Housing New Zealand will clarify the costs of its core services and the additional costs it incurs that providers in the private sector or even community housing providers may not have. For example, Housing New Zealand does not on-charge water rates to its tenants, which are forecast to cost around \$32.8 million in 2014/15.

Gaining an understanding of these additional costs is particularly important as the social housing sector grows and other providers look to benchmark Housing New Zealand's performance against theirs.

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## Funding for Crown programmes

The appropriations for Vote Housing are administered by MBIE. The Crown uses these appropriations to fund MBIE's activities, and to contract with other providers.

The following tables detail the funding available to Housing New Zealand to deliver Crown programmes in 2014/15:

### Operating funding to deliver Crown programmes 2014/15

Crown Programme \$m	Budget 2014/15
Purchase of Housing and Related Services for Tenants	
Paying Income-Related Rent	712.4
Community Group Housing - Rent Relief	4.1
Community Group Housing - Top up to Market Rents	8.4
Interest Subsidies and Administration for Legacy Mortgages	1.5
KiwiSaver Housing Deposit Subsidy	30.4
KiwiSaver Housing Deposit Subsidy - Administration Costs	1.6
Welcome Home Loans (Mortgage Insurance Scheme)	
Including Administration Costs	8.5
<b>Total Operating Funding</b>	<b>766.9</b>

### Capital funding to deliver Crown programmes

Crown Programme \$m	Budget 2014/15
Acquisition of Community Houses	7.2
Debt Management Office	173.9
<b>Total Capital Funding</b>	<b>181.1</b>

The tables exclude funding for the Housing Agency Account (HAA), which is accounted for separately from Housing New Zealand's activities in a formalised agency arrangement with the Crown. The HAA is explained in further detail in Appendix A.

The tables include a number of non-core programmes, such as Welcome Home Loans, the KiwiSaver first-home deposit subsidy, Community Group Housing, and legacy loan portfolios that require ongoing administration.

The \$173.9 million in the table above relates to existing loans issued by the Crown (through the Debt Management Office) to Housing New Zealand and will be rolled over at maturity. This does not reflect additional capital available for Vote Housing.

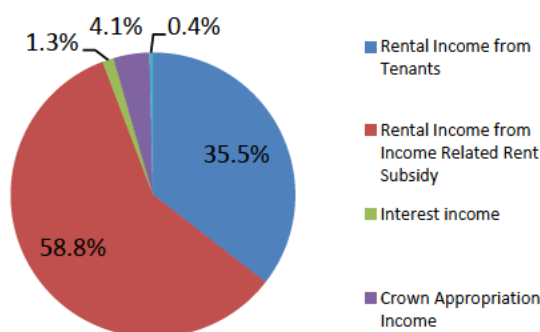
## Financial implications of the Canterbury earthquakes

Of Housing New Zealand's 6,000 state houses in Canterbury, approximately 95 percent were damaged in the 2010 and 2011 earthquakes. In 2012/13 Housing New Zealand successfully reached a \$320 million insurance settlement. Housing New Zealand is investing more than \$1.2 billion over the next 10 years with a dedicated plan to improve its properties and social housing in the region. Housing New Zealand is committed to building up to 700 new houses and repairing 5,000 damaged properties by the end of 2015.

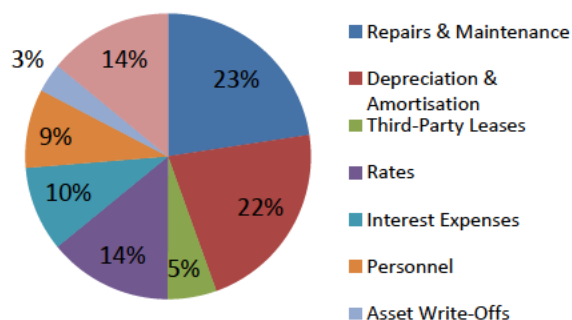
## Summary financial information

The following diagrams set out Housing New Zealand's forecast revenue and expenditure for 2014/15.

Where Housing New Zealand revenue comes from



Where Housing New Zealand revenue goes



Housing New Zealand's rental income comprises 95 percent of revenues. The income-related rent subsidy ensures it receives a market rent for its state housing portfolio.

Housing New Zealand incurs the normal expenditure associated with being a residential landlord. It also incurs significant other costs, including from frontline tenancy management services, asset management, and maintenance, and from providing the normal support services associated with being a corporate entity (for example, finance, procurement, ICT, organisational development, Board support, and communications).

The following table provides summary information extracted from Housing New Zealand's forecast balance sheet. Further financial information, including details of financial statements and notes, is provided in the 2014/15 Statement of Performance Expectations and 2013/14 Annual Report.

## Summary of forecast balance sheet

\$ million	2013/14	2014/15
Property, Plant and Equipment	18,675	20,078
Other Assets	922	626
<b>Total Assets</b>	<b>19,597</b>	<b>20,704</b>
Financed by the following liabilities, equity from the Crown:		
Debt (from the Debt Management Office)	1,858	1,859
Deferred Tax Liability	1,941	1,985
Other Liabilities	237	245
<b>Total Liabilities</b>	<b>4,036</b>	<b>4,089</b>
Equity from revaluations	11,866	12,815
Other Equity	3,695	3,800
<b>Total Equity</b>	<b>15,561</b>	<b>16,615</b>

## Funding Arrangements

Housing New Zealand Corporation Group is required by legislation to obtain Minister of Finance agreement for borrowings. The Minister of Finance has agreed Housing New Zealand Corporation Group is to obtain its term borrowings from the Crown with the exception of working capital. The Minister of Finance has agreed that Housing New Zealand Corporation can obtain up to NZ\$150 million for working capital purposes from the private sector. Housing New Zealand Corporation Group is required also to source all derivative products from the Crown provided the Crown has the capacity to provide such derivatives.

To effect funding and derivative arrangements, the following documents remain in place with the Crown:

- Borrowing Protocol
- Loan Agreement
- Derivatives Agreement.

## Treasury Policy

Housing New Zealand has a policy statement that outlines the objectives and approach Housing New Zealand Group adopt in managing its financial risk exposures. These policies are reviewed by the Board on a bi-annual basis (last reviewed March 2014) and cover the management of the following financial risks:

- credit risk (created from treasury transactions only)
- liquidity risk
- interest rate risk
- currency risk
- operational risk.

Total Housing New Zealand borrowings as at 30 June 2014 were \$1.858 billion. All borrowing is sourced from the Crown.

Total Housing New Zealand investments available for the business as at 30 June 2014 were \$575 million. It is projected that these investments will be utilised to fund targets of 700 new builds and 5,000 repairs in Christchurch, and 2,000 new builds across New Zealand by December 2015.

Housing New Zealand has an AA+ long term credit rating from credit rating agency Standard and Poor's.

### Valuation of the housing portfolio

Quotable Value New Zealand (QV) completed a full valuation of the Housing New Zealand portfolio as at 31 March and using additional data up to 31 May projected the valuation out to 30 June 2014.

A summary of the latest valuation (including Housing New Zealand adjustments) is set out in the following table.

Valuation	Improvements value	Land Value	Capital value
Total portfolio (Market value June 2014 - incl CGH)	7,222,749,450	11,375,046,130	18,597,795,580
Total portfolio (Market value June 2013 - incl CGH)	6,872,790,587	9,573,917,501	16,446,708,087
Change in portfolio fair value	349,958,864	1,801,128,629	2,151,087,492
Percentage difference	5.1%	18.8%	13.1%

The latest monthly QV Residential Price Movement Index shows that nationwide residential property values for June have increased 8.0 percent over the past year, and 2.1 percent over the past three months. This means they are now 15.0 percent above the previous market peak of late 2007.

Between June 2013 and June 2014 Housing New Zealand's portfolio value has increased by 13.1 percent. Housing New Zealand's portfolio tends to provide properties within a narrow segment of the market. Therefore direct comparisons to a wider cross-section of properties must be made at a high level with some caution.

The key drivers of the increase in the value of the portfolio are rising land values in Auckland, and increases in improvement values in Christchurch as a result of the 1,400 properties Housing New Zealand repaired.

# Appendix A

## Governance and structure

The governance framework for Housing New Zealand involves three key parties: Parliament, Ministers, and Housing New Zealand's Board.

### Parliament and legislation

The **Housing Corporation Act 1974** established Housing New Zealand as a statutory corporation with its own governing Board. Together with the Crown Entities Act 2004, it governs how Housing New Zealand relates to the Crown and its Ministers.

The **Crown Entities Act 2004** is the principal Act governing the relationship between Housing New Zealand and the Crown. Housing New Zealand is described in Schedule 1 of the Act as a 'Crown Agent'. Crown Agents are the least autonomous category of Crown entities in that they must give effect to Government policies. The Crown Entities Act provides for Housing New Zealand to produce a Statement of Intent, permits the Minister to give directions to Housing New Zealand, and restricts how it may borrow, invest, and establish subsidiaries. The Act also regulates how Housing New Zealand's Board functions, including the appointment and termination of members, conflicts of interest, quorums for meetings, and Board committees.

The **Housing Restructuring and Tenancy Matters Act 1992**, as amended by the Housing Restructuring (Income-Related Rents) Amendment Act 2000, introduced income-related rents for state house tenants and the Social Allocation System.

The new **Social Housing Reform (Housing Restructuring and Tenancy Matters Amendment) Act** was passed in 2013 and provides the statutory basis for community housing providers to apply for government funding for income-related rents for eligible new tenants, alongside Housing New Zealand; for needs assessment and associated functions to be carried out by an agency other than Housing New Zealand; and for a regulatory framework to govern community housing providers. While Housing New Zealand is not subject to the regulatory framework governing registered community housing providers, it is expected to meet equivalent standards relating to tenancy and property management, governance, and financial management.

The **Housing Act 1955** provides Housing New Zealand with specific powers in relation to land. It allows the Governor General to take land for housing purposes under the Public Works Act 1981, for the Minister of Lands to set apart any Crown land as state housing land, and for Housing New Zealand to purchase land, dwellings or buildings for state housing purposes. The **Housing Agency Account** was established to monitor Crown-owned land managed by Housing New Zealand on behalf of the Crown.

The **Residential Tenancies Act 1986** governs all residential tenancies in New Zealand, including all state house tenancies. It defines the rights and obligations of landlords

(including Housing New Zealand) and tenants, established the **Tenancy Tribunal** to hear disputes between landlords and tenants, and established a fund to hold all tenants' bonds. The Ministry of Business, Innovation and Employment administers the Act.

Housing New Zealand is also subject to all **other New Zealand legislation**, including the State Sector Act 1988, Public Finance Act 1989, Official Information Act 1982, Privacy Act 1993, Human Rights Act 1993, Resource Management Act 1991, Building Act 2004, Property Law Act 1952, Public Works Act 1981, and Employment Relations Act 2000.

Several treaty settlement Acts place particular obligations on Housing New Zealand when it is seeking to divest surplus state housing. For example, the Waikato Raupatu Claims Settlement Act 1995; Port Nicholson Block (Taranaki Whānui ki Te Upoko o Te Ika) Claims Settlement Act 2009 and more recently the Ngati Porou Claims Settlement Act 2012 are significant examples of Treaty settlement legislation that Housing New Zealand must consider before it may dispose of surplus housing assets.

## **Role of the Minister**

A new portfolio, Minister Responsible for Housing New Zealand, has been created, and it is this Minister who has primary responsibility for Housing New Zealand.

We look forward to receiving advice on the responsibilities shared between the Minister Responsible for Housing New Zealand and the newly established Minister of Social Housing, together with the Minister for Building and Housing.

The primary relationship between the Government and Housing New Zealand is between Ministers and Housing New Zealand's Board.

Responsible Ministers are jointly responsible for:

- conveying the Government's expectations to Housing New Zealand
- overseeing the Statement of Intent and agreeing the use of any operating surplus
- appointing and dismissing members of Housing New Zealand's Board and monitoring its performance
- monitoring Housing New Zealand's financial performance.

## **Role of Housing New Zealand**

Housing New Zealand's role is to facilitate housing solutions for those most in need for the duration of that need. Housing New Zealand achieves this by:

- matching applicants with available houses, managing tenancies, and providing housing for organisations that provide specialised housing support for tenants with multiple or complex needs. This role is limited to accommodation matters only and does not extend to wider social support
- managing assets to provide suitable and affordable homes to those with the greatest housing needs, including acquiring, maintaining, upgrading, and divesting state homes.



## **Role of Treasury and MBIE**

The Treasury's Commercial Operations Group has the lead role as the responsible Minister's agent in monitoring the Crown's ownership and service delivery interests in Housing New Zealand, including all matters related to its financial, service delivery, and operational performance. This monitoring includes ensuring Housing New Zealand's strategic direction is aligned with the interests of government and fits within the statutory framework; monitoring against the accountability and performance reporting framework and managing the performance cycle; and providing assurance on the capability of Housing New Zealand and advice on the quality of the Board's systems for managing risk.

MBIE has the lead role for providing housing policy advice, specifically the policy Housing New Zealand is required to implement, including evaluating and advising on how well Housing New Zealand delivers on its policy objectives.

## Role of Housing New Zealand's Board

Housing New Zealand's Board is responsible for the overall governance of Housing New Zealand and for managing it according to its legal mandate. The Board provides leadership and sets Housing New Zealand's strategic direction. It also selects, appoints, and monitors the performance of the Chief Executive.

The Board comprises eight non-executive members. Each appointment is for a fixed term years, with the possibility of further reappointment. The Board Chair usually meets the Minister monthly or as required.

The following table shows Housing New Zealand's Board members and their appointment and expiry dates.

Board member	Appointment date	Expiry date
Dr Allan Freeth (Chair)	August 2013	June 2016
Adrienne Young-Cooper (Deputy Chair)	January 2010	May 2015
Jeff Meltzer	August 2013	June 2016
Susan Paterson	December 2010	June 2016
Whaimutu Dewes	June 2011	June 2015
Ian Kearney	July 2013	June 2016
Liz Jones	July 2014	June 2015
Peter Dow	July 2014	June 2015

## Role of Housing New Zealand's Chief Executive

Glen Sowry joined Housing New Zealand in January 2013 as Chief Executive, taking over from Dr Lesley McTurk, who was Chief Executive from January 2007 to October 2012. The Chief Executive reports to the Board and is responsible for:

- the efficient and effective day-to-day running of Housing New Zealand
- ensuring the implementation of Housing New Zealand's strategic direction
- developing and maintaining strategic relationships with Chief Executives from other government agencies and other key stakeholders.

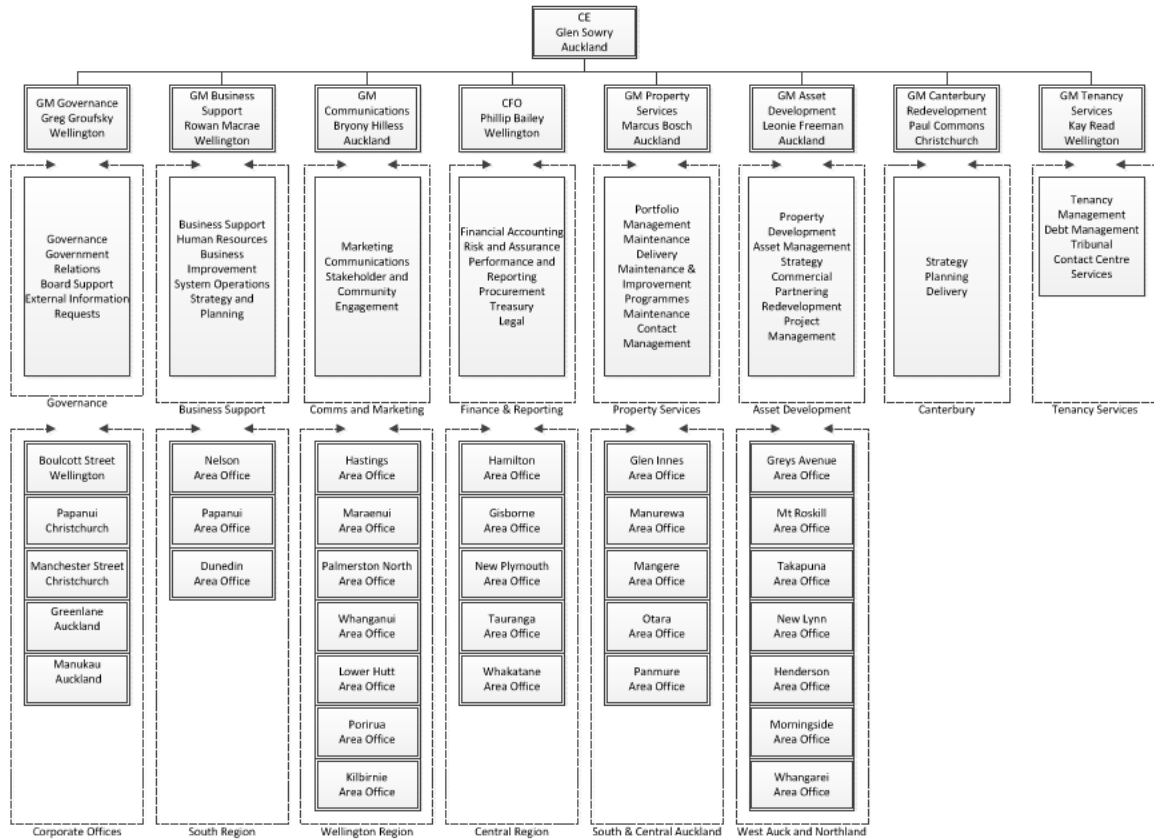
The Chief Executive leads an Executive Team of eight senior managers:

- Kay Read, Tenancy Services
- Leonie Freeman, Asset Development
- Marcus Bosch, Property Services
- Phillip Bailey, Chief Financial Officer
- Greg Groufsky, Governance
- Bryony Hillless, Communications and Stakeholder Engagement
- Rowan Macrae, Business Support
- Paul Commons, Canterbury Earthquake Recovery

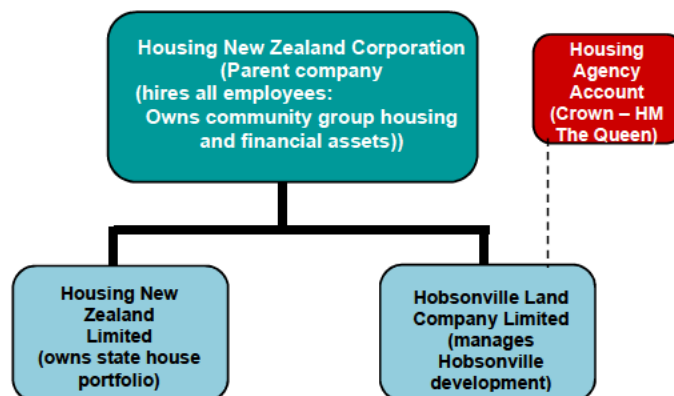
# Housing New Zealand's organisational structure

As at 31 August 2014, Housing New Zealand employed 1,007 full-time equivalent staff against a budget of 1,060.

Housing New Zealand's high-level organisational structure is set out in the diagram below.



The Group structure is as follows:



## Housing Agency Account

The Housing Agency Account (HAA) is used by the Crown to account for land declared surplus by other agencies and redesignated for state housing purposes. This land remains in Crown ownership but is managed by Housing New Zealand.

Currently the HAA contains 41 residential properties and a number of development sites, the largest of which is Hobsonville. Hobsonville consists of approximately 107.9 hectares of which 36.0 hectares are contracted for sale (as at 24 July 2014). It also includes approximately 160 former New Zealand Defence Force houses, currently rented out on a short term basis, which will ultimately be removed from the site.

Activities that can be undertaken on behalf of the Crown are specified by the Housing Act 1955 and the Housing Agency Account Accountability Agreement between Housing New Zealand and the Minister of Housing.

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## Hobsonville Land Company

The Hobsonville Land Company is a wholly-owned subsidiary of Housing New Zealand. It was set up to manage the project planning for an integrated urban development on a large site at the former New Zealand Defence Force airbase site at Hobsonville, Auckland.

Land for the Hobsonville development is owned by the Crown and held in the Housing Agency Account. Management of the Hobsonville development is the responsibility of the Chief Executive of the Hobsonville Land Company, which has its own Board. The Chief Executive is Chris Aiken.

## Monitoring and accountability

The following table summarises Housing New Zealand's key accountability documents and reports you will receive regularly.

Title	Brief description of content	Timing
Statement of Intent	The Statement of Intent sets the Housing New Zealand's strategic direction for the next four years and identifies how outcomes will be achieved and measured. It also outlines Housing New Zealand's contribution to the Crown's objectives.	TBC
Statement of Service Expectations	Housing New Zealand's Statement of Performance Expectations (previously known as the Statement of Forecast Performance) sets out the organisation's annual performance measures, targets, and annual forecast financial statements.	November 2014
Annual Report	The Annual Report provides is an account of Housing New Zealand's outcomes and output delivery, and financial and non-financial performance.	November 2014
Quarterly reporting	Housing New Zealand's quarterly reporting provides you with a snapshot of performance to date against the work programme outlined in the current Statement of Intent and Statement of Performance Expectations.	November 2014 February 2015, May 2015, August 2015

## Better Public Services

The Government has set 10 challenging results for the public sector to achieve over the next five years. Housing New Zealand supports the following Better Public Services priority result areas:

- *Priority 3: Increase infant immunisation rates and reduce the incidence of rheumatic fever*

Housing New Zealand is a participant in the Ministry of Health-led Rheumatic Fever Reduction Programme Reference Group. Before needs assessments shifted to MSD in April 2014, Housing New Zealand introduced a process for 'fast tracking' families with children at risk of rheumatic fever into state housing. Housing New Zealand has also been working with the Auckland Wide Healthy Homes Initiative to identify children living in the Auckland area who are most at risk of developing rheumatic fever. Housing New Zealand offers these families a range of interventions to support healthy homes, such as insulation, curtains, heating and ventilation.

- *Priority 8: Reduce reoffending*

As part of a Memorandum of Understanding with Housing New Zealand, Corrections has committed to refurbishing 15-24 state houses each year for the next five years at the Rolleston Prison Construction Yard.

Prisoners gain unit standards in construction health and safety, and are working toward their trade qualifications. It is the goal of the Department of Corrections that by working in the construction yard, offenders will contribute to their community and gain valuable skills, qualifications and work habits that will lead to sustainable employment. This directly contributes to Corrections' goal of reducing re-offending by 25 percent by 2017.

The original programme was started at Spring Hill Correctional Facility in 2008, and more than 400 prisoners have gone through the programme.

- *Priority 9: New Zealand businesses have a one-stop online shop for all government advice and support they need to run and grow their businesses*

*Priority 10: New Zealanders can complete their transactions with government easily in a digital environment*

Housing New Zealand participates in the Service Design Reference Group facilitated by the Department of Internal Affairs. This involves contributing service design expertise to help develop a one-stop shop for all government advice and support services, and a user-friendly electronic environment for transactions with government.

## Health and safety

Housing New Zealand is committed to providing a healthy, safe and secure environment for its employees, contractors and customers. The organisation operates within a robust health, safety and security framework, which includes processes to prevent bullying and harassment and emphasises the wellbeing of employees, tenants and contractors.

During 2013/14, the number of medical treatment injuries decreased, and a preliminary audit has indicated that tertiary accreditation under the ACC Workplace Safety Management Practices Programme is achievable.

A new Fraud and Integrity Helpline was introduced in February 2014 to make it easier for staff and contractors to report suspected fraud. Posters were put up around Housing New Zealand offices and building sites advertising the anonymous helpline, which can also be used to report serious health and safety concerns. Housing New Zealand also recognises good performance through its annual Health and Safety awards, which include categories for best safety innovation, best health and wellness initiative by a team, and best safety champion.

Since the recent fatalities at the Ashburton Work and Income office, a number of new steps were implemented to improve the personal safety and security of staff. These are:

- 1) Reviewing all current risk ratings and safe work plans – making sure new tenants are included
- 2) Implementing a situational checklist which every tenancy manager and contractor is to carry with them and apply before every visit they make
- 3) Delaying home visits to tenants who carry a high-risk rating for the two weeks after the Ashburton incident, to allow for current 'copy-cat' tensions to diffuse
- 4) Daily 'Start-Up' meetings to be held by each Area Manager with their teams to go through visits and work plans for the day
- 5) The Customer Service Centre deferring responsive maintenance work for tenants carrying a high-risk rating for the two weeks following the Ashburton incident – again to allow tensions to diffuse
- 6) Wherever practicable, sign-ups for new tenancies are to be done in Housing New Zealand offices rather than at the property, until further notice.
- 7) Ensuring property service contractors are fully informed about the organisational risk
- 8) Installing safety signs in all Housing New Zealand offices to let tenants know there is a zero tolerance attitude towards threatening or intimidating behavior and any such behavior will be reported to the Police immediately
- 9) Initiating a formal review to look at medium and long-term health and safety action plans and what improvements can be made

The Executive Team will re-assess these measures in mid-October.

## Non-appropriated programmes and initiatives

### Upgrade programmes

#### Initiatives

Housing New Zealand's upgrade programmes include:

- a general upgrade programme

#### General upgrade programme

Around 50 percent of the state housing portfolio is more than 42 years old. Housing New Zealand is focused on ensuring that state housing is fit for purpose and meets Housing New Zealand's Property Quality Standards.

To this end, work carried out each year includes:

- Refurbishing bathrooms and kitchens;
- Improving security, driveways and fencing;
- Interior painting and work to improve living spaces; and
- Insulation, heating and smoke alarm installation.

In 2013/14 Housing New Zealand carried out 5,652 Whole of House upgrades, at a cost of approximately \$104 million.

In 2014/15 Housing New Zealand intends to spend approximately \$57 million bringing around 7,523 vacant properties up to a minimum lettable standard over the course of the year. This cost will be met from Housing New Zealand revenue.



## Responsive Repairs, Routine and Planned Maintenance

<b>Initiative</b>	The maintenance programme ensures that the current amenity value of the state housing portfolio is maintained.
<b>Background</b>	<p>Housing New Zealand has three primary forms of maintenance: responsive repair, routine and planned maintenance.</p> <p><i>Responsive repair</i> focuses on urgent health and safety works and other essential works and planned maintenance (which includes routine servicing activities) focuses on maintaining amenity, extending useful life, or replacing amenity which is at the end of its life cycle.</p> <p><i>Routine maintenance</i> includes cyclical maintenance activity (or servicing) such as lawn mowing and grounds maintenance for complexes; gutter cleaning; chimney cleans etc.</p> <p><i>Planned maintenance</i> work outside of legislative requirements is carried out to complement the future use for each property. Such maintenance must be carried out where components fall below the standard set in the Housing New Zealand's Amenity Condition Manual or to protect the asset, provided that it matches the investment strategy for the property, or customer considerations make it appropriate.</p>
<b>Mechanism</b>	<p>Housing New Zealand regularly inspects its properties to check whether maintenance is needed. In addition, tenants can contact the Customer Services Centre at any time to request maintenance to their property. If the health or safety of a tenant is at imminent risk, a contractor will respond within four hours. If there is no imminent risk but the maintenance is of an urgent nature, a contractor will respond by the end of the following working day.</p> <p>If maintenance is required but there are no urgent health and safety concerns, Housing New Zealand will arrange for a contractor to assess the job within 10 working days. Larger maintenance jobs, such as exterior painting, are placed on Housing New Zealand's planned maintenance programme.</p>
<b>Funding</b>	<p>In 2013/14 Housing New Zealand spent a total of \$338 million (\$220 million in operating expenditure and \$118 million on capital expenditure) on maintaining the state housing portfolio. In 2014/15 Housing New Zealand anticipates spending \$381.5 million (\$226.5 million operating expenditure and \$155 million capital expenditure) on maintenance and repairs.</p> <p>Housing New Zealand funds its maintenance programme from its own revenues.</p>

## Energy Efficiency Programme

**Initiative** Housing New Zealand's Energy Efficiency work programme was completed in 2013/14 as it met its commitment to insulate all state houses where practical and appropriate by the end of 2013. Those properties where it was impractical to insulate at the time are now being retrofitted in the coming year.

## Property quality standards

**Initiative** Housing New Zealand's Property Quality Standards help ensure that state housing is safe, healthy and fit for purpose. The condition of assets are assessed and monitored through regular property inspections and Property Quality Index ratings which quantify and measure improvements in the condition of properties and allow Housing New Zealand to identify where each property is in its lifecycle. This information supports the development of maintenance and upgrade work programmes.

**Background** Housing New Zealand's Property Quality Index will allow it to assess where each property is at in its lifecycle, make better value investment decisions, and develop and implement appropriate work programmes.

**Results** In 2013/14, approximately 90 percent of Housing New Zealand's portfolio was surveyed and the information translated into the Property Quality Index. The survey covers 91 components, including those that require an assessment of condition, such as floor coverings and cabinetry, and components that are only assessed on whether they are functioning, such as smoke alarms. The Property Quality Index records where an expected component is present, and the condition of the component. The condition for a property is scored from 1-10 and is an average of overall component results. Of those properties surveyed, 97.4% met the baseline standard of a score of 7 or over. The methodology for the survey is currently being reviewed as Housing New Zealand considers whether or not specific spaces, such as bathrooms, may warrant having a higher standard threshold.

Combining the Property Quality Index score with information about the future intentions for the property will ensure houses are maintained within an acceptable quality and Housing New Zealand is making the best investment in its properties.

## Home Lease programme

<b>Initiative</b>	Leasing homes from the private sector allows Housing New Zealand to respond quickly and easily to housing demand.
<b>Background</b>	Under the Home Lease Programme, Housing New Zealand leases privately-owned homes in areas where there is priority demand where it may not be viable to buy or build additional properties allowing Housing New Zealand to respond more quickly and easily to increased demand for housing in those specific areas.
<b>Mechanism</b>	<p>Housing New Zealand prioritises lease properties that offer the best match to customers needs. Leased properties must also meet Housing New Zealand Property Quality Standards.</p> <p>Leases are usually for a period of between five and 15 years. Housing New Zealand is responsible for managing the tenancy at the property. Depending on the version of the lease agreement, the owner may be responsible for some general maintenance. Housing New Zealand deducts a lease margin from its regular lease payments to cover the average cost of tenancy management, bad debt, and vacancies. This margin is usually 10 percent of the lease payment.</p> <p>Housing New Zealand intends to maintain current lease numbers in the areas where demand exists.</p>
<b>Funding</b>	In 2014/15 Housing New Zealand has budgeted approximately \$59 million in lease payments to private property owners, and anticipates receiving approximately \$61 million in rental income from leased properties.

## Tenant Home Ownership programme

- Initiative** The Tenant Home Ownership programme offers state house tenants the opportunity to buy the home they live in.
- Background** The Tenant Home Ownership programme is a Government initiative launched in September 2009. It encourages tenants into home ownership, and helps fund Housing New Zealand to buy or lease more houses in high-demand areas.
- Mechanism** State house tenants who wish to purchase their home can apply to Housing New Zealand. If the tenant's home is not available for sale, they are advised to contact local real estate agents for properties available to purchase. Housing New Zealand also advise the tenant of other Housing New Zealand-administered assistance programmes that may assist them into home ownership.

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The purchase price is set according to an independent valuation. If the tenant is eligible, they may access a Welcome Home Loan and/or KiwiSaver home ownership assistance to help them purchase their home.

- Results** As at 30 June 2014, 154 state houses had been sold to tenants since the programme began, raising around \$38.5 million for Housing New Zealand to reinvest in areas of high need.

## FirstHome Ownership Scheme

<b>Initiative</b>	FirstHome is a home ownership initiative that helps eligible buyers to afford to buy selected state houses.
<b>Background</b>	<p>The FirstHome Scheme began in October 2013 and incentivises people in mainly provincial areas of New Zealand to enter into homeownership.</p> <p>It allows Housing New Zealand to divest of properties in areas where there is less demand.</p>
<b>Mechanism</b>	<p>The initiative is designed to support first-home buyers to achieve home ownership. To help with the deposit, eligible buyers receive a grant of 10 percent of the purchase price of the property, capped at \$20,000. Buyers may also be eligible for other first home ownership assistance, such as Welcome Home Loan, and the KiwiSaver first-home deposit subsidy and/or savings withdrawal.</p> <p>To be eligible for the FirstHome initiative, applicant/s must be a first time home buyer and not currently own property or land (previous home owners may be eligible in some circumstances) and have a gross annual income of \$53,000 or less (before tax) for one buyer, or a combined gross annual income of \$80,600 or less (before tax) for two or more buyers. Previous home owners may be eligible if their income, assets and liabilities represent a financial position that would be expected of a person who has never owned a property.</p> <p>Each property Housing New Zealand is considering for divestment is matched to the programme criteria. All normal divestment approvals are progressed before the property is placed on the market under the programme.</p> <p>These homes are available exclusively for first home buyers for three months. If the house is not sold, it will be placed on the open market.</p>
<b>Results</b>	As at 29 September 2014, 97 properties have been sold, 18 properties are under offer, 26 properties are on the market and a further 46 are in the approval process to go to market.
<b>Funding</b>	Housing New Zealand meets the cost of administering the programme.

## Appropriated programmes and initiatives

### Hobsonville Point Development

<b>Initiative</b>	The Hobsonville Point development contributes to the accelerated supply of urban land for a growing Auckland and the supply of social and affordable housing.
<b>Background</b>	<p>The Hobsonville Point development includes an area of approximately 167 hectares of land adjacent to Waitemata Harbour in north-west Auckland. This land was formerly an air force base and was declared surplus in 2000/01.</p> <p>In October 2012, Cabinet approved a high-level divestment strategy. This comprises:</p> <ul style="list-style-type: none"><li>• an accelerated phase over three years, with the development of the Buckley A Precinct of land and house packages to enhance value and increase market interest in the development</li><li>• the disposal of larger parcels of land over the following two years to enable the private sector to develop entire precincts.</li></ul> <p>A detailed Business Plan to further the Crown's state housing objectives in Hobsonville is now being implemented by the Hobsonville Land Company Limited. Cabinet Committee approvals allowed for a review of the five year divestment timeframe assessing if returns to the Crown could be enhanced by a different timeframe. That review is now in train.</p>
<b>Mechanism</b>	<p>The Hobsonville Land Company was formed as a wholly-owned subsidiary of Housing New Zealand to manage the Hobsonville development.</p> <p>It has been partnering with the private sector to provide capital essential for infrastructure and the delivery of new housing at the site. The delivery of the project's objectives agreed by Cabinet (the state housing objectives), including the affordable housing objectives, are secured through contractual mechanisms with development and builder partners, and supported by Hobsonville Land Company working proactively with these and other parties.</p>
<b>Results</b>	<p>A total of 444 homes and sections have been sold to date (June 2014), including 223 in 2013/14. All development stages in Buckley A Precinct have either been completed or are under way. When completed the Precinct will provide over 700 homes. To date there have been 101 Axis Series affordable home sales. The Precinct is on track to deliver more than 20 percent Axis Series homes (20 percent is the agreed policy target).</p> <p>The Sunderland A precinct and Catalina precincts have been sold to development partners and both are now underway. When complete these two precincts will yield approximately 700 homes.</p> <p>HLC funded trunk infrastructure work is well underway and will largely be completed in 2014/15.</p>

**Funding**

The project has become self funding from 1 July 2014 through funds received from land sales which are held in the Housing Agency Account.

**Issues**

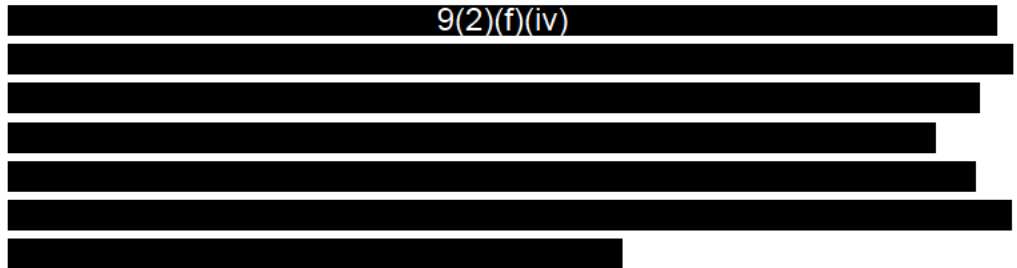
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## Community Group Housing

- Initiative** The Community Group Housing programme provides housing to community groups and iwi that provide residential services for people with special housing needs.
- Background** Service providers find it difficult to rent properties that meet the special needs of their clients because of the lack of specialised housing in the private sector together with the high cost of modifying housing.
- Mechanism** To be eligible for a Community Group Housing property, a provider must usually be contracted by a government agency to provide specialist residential services.
- Housing New Zealand will find a suitable property for the provider, and arrange and fund modifications where required. Housing New Zealand also offers a rental subsidy to eligible providers to help them with the rent charged.
- Results** The Community Group Housing portfolio consists of 1,508 properties and is valued at around \$498 million.
- Most of these properties are being used for people with mental illness (42 percent) and people with disabilities (35 percent). The remaining properties are mainly provided for women and children seeking refuge, youth at risk, alcohol and drug rehabilitation programmes, and emergency and transitional housing.
- Funding** In 2013/14, \$4.1 million was appropriated for rent relief to providers, and \$8.8 million for the market rent shortfall.
- In 2014/15, \$7.2 million has been appropriated for Housing New Zealand to acquire new Community Group Housing properties. This will fund the purchase of approximately 10 additional properties.
- In 2014/15, \$4.1 million has been appropriated for rent relief to providers.

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## Welcome Home Loan

<b>Initiative</b>	Welcome Home Loans help first-home buyers on modest incomes to access home loans with a 10 percent deposit.
<b>Mechanism</b>	<p>With a Welcome Home Loan, a 10 percent deposit is required.</p> <p>The house price caps and income threshold were revised in 2013/14. The house price caps are as follows :</p> <ul style="list-style-type: none"><li>• Auckland – \$485,000</li><li>• Wellington City and Queenstown Lakes – \$425,000</li><li>• Christchurch City and Selwyn District – \$400,000</li><li>• Thames/Coromandel, Hamilton City, Western Bay of Plenty, Tauranga City, Kapiti Coast, Porirua City, Hutt City, Upper Hutt, Tasman/Nelson and Waimakariri – \$350,000</li><li>• Rest of New Zealand – \$300,000.</li></ul> <p>To be eligible for a Welcome Home Loan combined household income for the last 12 months must have been \$80,000 or less (before tax) for a sole borrower, or for multiple purchasers, combined household income can be up to \$120,000 (before tax).</p> <p>Housing New Zealand provides mortgage insurance to participating lenders so they can make these loans. The income and loan caps are regularly reviewed to ensure they reflect market conditions.</p>
<b>Results</b>	In 2013/14 a total of 1,429 Welcome Home Loans were settled.
<b>Funding</b>	In 2014/15, \$8.5 million has been appropriated for the Welcome Home Loan, including administration costs. This would fund 2,500 Welcome Home Loans; actual results are depended on demand.

## Kāinga Whenua

<b>Initiative</b>	Kāinga Whenua loans enable Māori to access loans for housing on multiple-owned Māori land.
<b>Background</b>	Kāinga Whenua is a Government initiative launched in February 2010 as a targeted product within the Welcome Home Loan programme. It was designed to give Māori the opportunity to access finance to build on multiple-owned Māori land. In late 2012 the Government extended the eligibility criteria for Kāinga Whenua, included making loans available to Māori Trusts, increasing income caps for individual borrowers, and allowing current and previous home-owners to apply. The changes took effect on 1 December 2012 for individuals and on 1 June 2013 for trusts.
<b>Mechanism</b>	With a Kāinga Whenua loan, Kiwibank can lend 100 percent of house building costs or the purchase price of a house on multiple-owned Māori land, up to \$200,000. Housing New Zealand provides mortgage insurance to Kiwibank so it can make Kāinga Whenua loans. This is set at 2.2 percent of the loan value, of which 1 percent is paid by the borrower and 1.2 percent by Housing New Zealand.
<b>Results</b>	Demand for Kāinga Whenua has been relatively modest. As at 30 June 2014 11 Kāinga Whenua loans had been settled and a further 11 had been pre-approved, 9 of which have now expired.
<b>Funding</b>	Kāinga Whenua is funded through the Welcome Home Loan appropriation.

## KiwiSaver home ownership

**Initiative** The KiwiSaver home ownership features assist first-home buyers with the deposit on their first home.

**Background** KiwiSaver is primarily a retirement savings initiative, but also has two features to help its members buy a home or land to build a house on: the KiwiSaver first-home deposit subsidy and the KiwiSaver first-home withdrawal. Both KiwiSaver features can be used together.

Housing New Zealand administers the deposit subsidy, while individual KiwiSaver providers administer the first home withdrawal.

**Mechanism** The deposit subsidy is a tax-free grant available after three years of contributing to KiwiSaver. The subsidy is \$1,000 for each year of contributions, up to a maximum of \$5,000. Two or more KiwiSaver members can combine their subsidies to put toward buying a house together.

The savings withdrawal allows KiwiSaver members, after three years of membership, to withdraw their savings (excluding any government contributions) to put toward buying a home.

The eligibility criteria for the subsidy and the savings withdrawal are regularly reviewed to ensure they reflect market conditions.

**Results** In 2013/14, 5,862 KiwiSaver members received the deposit subsidy. Approximately 6,700 members are expected to access the subsidy in 2014/15.

**Funding** The following table sets out the appropriated funding for the KiwiSaver first-home deposit subsidy for 2013/14 2014/15.

Appropriation (\$m)	2013/14	2014/15
Grants	22.269	26.351
Administration	1.416	1.594
Capital injection	0.027	0.027
<b>Total</b>	<b>23.712</b>	<b>27.972</b>