



Social Housing Reform Programme

Background briefing
for Wellington media

28 August 2015

What is “social housing”?

- Till April 2014, “social housing” was synonymous with “state housing” – i.e. it was all provided by Housing New Zealand Corporation (HNZ)
- Under the Social Housing Reform Programme (SHRP), “social housing” covers the 62,000 tenancies paid via the Income-Related Rent Subsidy (IRRS)
- IRRS allows social housing tenants to pay income-related rent (generally 25% of their income), with the government paying the rest of the market rent.
- Eligible tenants now benefit from IRRS housing regardless of whether HNZ or a registered Community Housing Provider (CHP) is the landlord

What is “social housing”? (cont.)

This briefing does not cover related and overlapping topics such as:

- emergency housing
- community group housing provided by Housing NZ
- the Māori Housing Strategy
- “affordable housing” that is subsidised through taxes or by charities
- city council housing
- Special Housing Areas
- planning issues that affect housing supply.

Key data

- The 68,000 Housing New Zealand (HNZ) houses are 4.5% of all residential properties in New Zealand.
- CHPs have about 5,000 houses. The largest CHP has about 1,100 houses.
- 33 registered Community Housing Providers (CHPs) are eligible to receive the IRRS.
- Of the 62,000 IRRSs budgetted in the current year, only about 250 are paid to CHPs.

Who is eligible for social housing?

- Social housing tenants are people who are unlikely to be able to maintain a tenancy in the private rental market
- Usually, this is a combination of low income and other factors
- People who need help with housing often need help in other areas of their lives
- Social housing tenants are a very diverse group: one size doesn't fit all

Objectives of the Social Housing Reform Programme

Ensure social housing is the right design and size, and in the right place for people who need it

Increase affordable housing supply

Ensure people who need housing support can get it and receive social services that meet their needs

Encourage and develop more diverse ownership of social housing, with more innovation and responsiveness to tenants and communities

Help social housing tenants to independence, as appropriate

SUPPLY OF HOUSES

DIVERSITY OF SERVICES

TENANTS



Key elements of the reforms

1. Making housing support available to more people.

- IRRS tenancies rise from 62,000 (about 180,000 people) to 65,000 tenancies by 2018
- \$718 million in 2014/15 rises to \$880 million in 2017/18

IRRS is the government's highest form of housing subsidy: limits social housing tenants' rent generally to 25% of their income

Key elements of the reforms (cont.)

2. MSD becomes an active manager of social housing tenancies.

- Assessment: MSD now assesses people's eligibility for social housing, rather than Housing New Zealand (HNZ)
- Purchaser of tenancies: The IRRS can be paid both to HNZ and to registered CHPs.

Key elements of the reforms (cont.)

As “purchaser” from a diverse range of social housing providers, MSD helps to build a new market in social housing by, e.g.:

- publishing its current and future purchasing intentions by region – helps HNZ and CHPs plan and invest
- actively pursuing extra places of the right size in the right place – e.g. current work with Auckland CHPs to find 300 new places for social housing tenants
- offering more flexible contracts with social housing providers

Key elements of the reforms (cont.)

3. Better integrating tenants' housing with other services that will help them have better lives:

- MSD already works with 80% of Housing New Zealand tenants because they receive a benefit or superannuation.
- CHPs offer or have community connections to budgeting, mental health services, etc.



Key elements of the reforms (cont.)

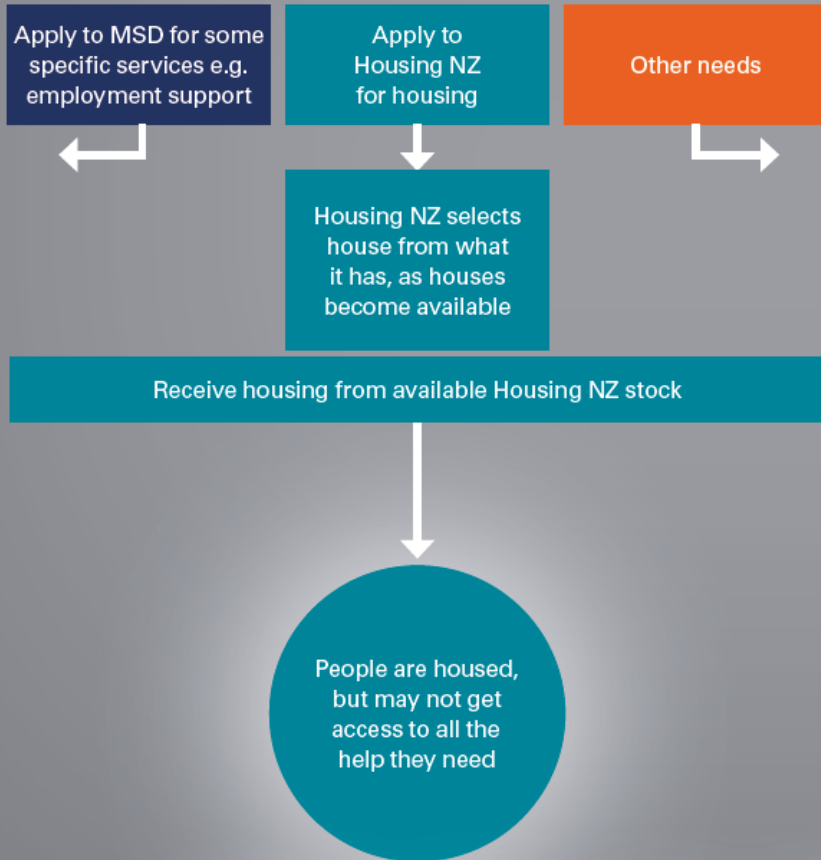
4. Encouraging and enabling people to achieve housing independence when and if they are able:

- Tenancy reviews consider on a case-by-case basis whether a tenant might move out of social housing.
- A range of assistance can support any move, such as help with the costs of shifting house and the bond, and reference letters for tenants.
- Some providers specialise in helping tenants to achieve as much independence as possible.

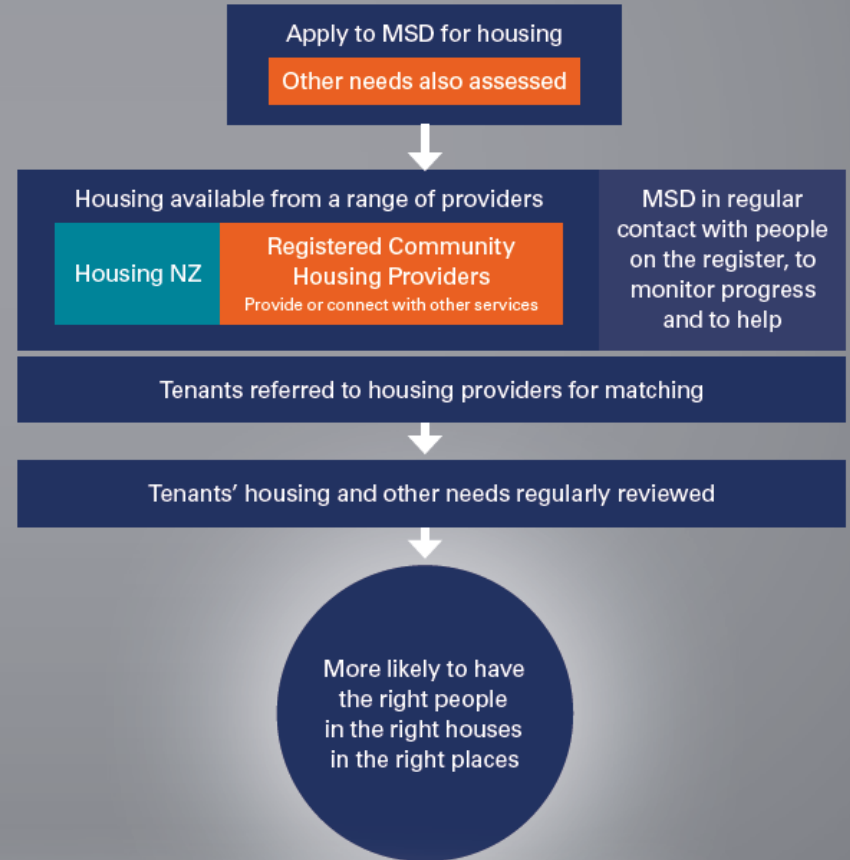
More independence (where appropriate) is better for the people concerned and frees up places for people with greater needs

THE TENANT EXPERIENCE

BEFORE



AFTER



Key elements of the reforms (cont.)

5. Ensuring we have the right kind of housing in the right places to meet people's needs for the duration of need:

- Community housing organisations are building 890 new units with \$139 million of Government subsidies
- HNZ buys, sells and redevelops to better match houses to people's needs (over 2,000 new HNZ houses in various stages of development)
- large-scale redevelopments (e.g. Tāmaki regeneration) improve the quality of social housing and reduce housing pressure more generally



Key elements of the reforms (cont.)

6. Transferring some HNZ houses and tenancies to community housing providers (CHPs):

- Encourages better combinations of housing and other services
- Helps to develop the innovative, diverse social housing market more quickly
- First transfers are being considered for 1140 houses and tenancies in Tauranga and 370 in Invercargill
- Current tenants' entitlement to social housing is protected
- Houses must be used for social housing unless the Government agrees otherwise
- CHPs raise and maintain the houses to agreed quality standard
- CHPs are regulated by MBIE

The proposed transfer process

- Not just about transferring houses
- Tenants remain in the properties with the same rent, conditions and rights for as long as they're eligible
- New providers will be assessed on community links and ability to improve tenant outcomes
- New landlord receives market rent
- Transfers will only take place if tenants get better services and taxpayers get fair and reasonable value

Next step: market sounding

- Information Memorandum (IM) published 31 August is the start of the formal commercial process
- Tests interest in the potential transfer of houses and tenancies in Invercargill and Tauranga to CHPs
- Seeks feedback on the proposed portfolio and process
- IM will include:
 - Overview of the housing and the proposed MSD contracts
 - Information on the size of portfolios
 - Aggregate data on the tenants
 - Summary of the commercial and legislative framework
- No final decision has been made to proceed with the transfers.

Market Sounding
6-8 wks from 31 Aug

Expression of
Interest(EoI)
6-8 wks from Oct

Request for
Proposal(RfP)
12-14 wks from Dec

Preferred Bidder
(PB) & close
4-10 wks from
Apr 2016

Process

Focus on the specific potential transfers in Tauranga and Invercargill.

The purpose of market sounding is to engage with potential market participants to test their interest in a specific transaction and obtain feedback on key elements of the proposed portfolio and tender process.

Seek expressions of interest from the market.

This phase ends with short-listing suitably qualified organisations who will be invited to submit a response to the Requests for Proposal (RfP).

Issue tender documents and supporting information to the shortlisted bidders.

Commence bi-lateral clarification process.

This phase culminates in the receipt of RfP Responses from bidders for evaluation.

Selection of Bidder(s) based on RFP Responses.

Negotiation may follow the Preferred Bidder(s) selection.

This phase culminates with signing of the transaction documents and the transfer of selected social housing stock in exchange for agreed payment.

Information

The Information Memorandum will contain:

- Key stakeholders and their roles.
- Proposed procurement stages and timetable.
- Overview of transaction assets and location.
- Summary of the commercial and legislative framework.

Eols typically contain:

- Detailed outline of the transaction assets and location
- Timetable for the proposed tender process
- The proposed risk allocation
- Outline of key terms in proposed contracts
- The evaluation criteria for short-listing
- A guide to what is required in responses from bidders

RfP documents typically contain:

- Information on the transaction, assets, the RFP process, expected format of the response and its evaluation
- Legal information and draft contract documents
- Financial and commercial information
- Templates for bidders

Announcement of Preferred Bidder(s) and then announcement of closing of the transaction following any negotiation

Transaction structure

If a transfer is concluded in mid-2016, the key contract documents would include:

- **A Transfer Agreement** between HNZC and a Provider.
- **An Outcome Agreement** between MSD and a Provider for the provision of social housing places.
- **A Tenancy Agreement between** each tenant and a Provider (under the Residential Tenancies Act 1986).
- **A Transition Services Agreement** between HNZC and a Provider
- **Other Contracts.** The Provider may enter other subcontracts to transfer the land and buildings and provide the services.

Keeping in touch

For latest information socialhousing.govt.nz:

- Information Memoranda for Tauranga and Invercargill available Monday 31 August

First stops for inquiries:

- MSD: media@msd.govt.nz
- Transactions Unit: kimberley.brady@treasury.govt.nz
- SHRP overall: nikitin.sallee@treasury.govt.nz

