The Outcomes Evaluation of the Housing Innovation Fund

Report on Phase One of the Evaluation

for

Housing New Zealand Corporation

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September 2006

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Executive summary

Purpose and approach

The purpose of this report is to describe the findings from Phase One of the outcomes evaluation of the Housing Innovation Fund.

Phase One of the evaluation project involved:

- eight case studies of successful projects or collaborations, including two local government and six community based housing providers
- a survey of sector participants who have not been recipients of funding from the Fund and potential applicants
- a workshop with Corporation staff to discuss draft findings from Phase One of the evaluation, prior to finalising this report.

The case studies were developed to establish key reasons why the projects are successful in achieving agreed outcomes, what factors have contributed to that success, improvements that can be made to ensure ongoing success, and lessons that can be taken forward for future projects or collaborations. The projects were selected by members of the Evaluation Steering Group as both representative and having examples of special interest. They were:

- The Carl and Irene Fowler Charitable Trust (Lumsden, Northern Southland)
- Just Housing Otepoti Dunedin
- Wellington Housing Trust
- ComCare Charitable Trust (Christchurch)
- Community of Refuge Trust (Auckland)
- Nelson-Tasman Housing Trust (Nelson)
- Timaru District Council
- Dunedin City Council.

All the case studies were commenced early in the implementation of the Fund, as the processes and procedures were still being “bedded in”, which has affected organisations’ perceptions of the process and dominated the issues they raised. Many of these have been addressed by later changes to processes, and the greater availability of information. Despite these case studies being deemed successes (funding has been approved), not all the actual projects had been completed at the point at which the case studies were prepared.

A survey of sector participants who have not been recipients of funding from the Housing Innovation Fund or are potential applicants (identified by members of the Evaluation Steering Group) was undertaken to identify potential barriers and forms of assistance that would encourage applications and the development of capacity in the sector. A sample of 91 community based organisations and 51 local authorities was surveyed, with responses received from 41 community based organisations (45 percent response rate) and 34 local authorities (67 percent).

The internal workshop involved National Office and Regional Delivery staff from the Corporation, and members of the Evaluation Advisory Group. As well as presenting and discussing the draft findings of Phase One of the evaluation, it considered key issues that were identified in the draft report, with the key findings and conclusions from this workshop included within this final report.

Key findings from the case studies

The community based case studies had the following key characteristics.

- Organisations ranged from small groups that were newly-established in order to access the Fund for social housing projects, to relatively large providers that have been involved in social housing for around 20 or more years.
- The size of their social housing portfolios prior to their successful application to the Fund ranged from zero to around 35 properties, and when the projects are completed will range from four to 65 properties.
- The types of projects included the design and construction of new housing, and the purchase of existing properties on the open market for use as social housing.
- The target client groups are all of low to moderate income households, and included elderly people, refugees and migrants, people with physical disabilities, and those with who experience mental illnesses.
- Assistance from the Fund included: organisational development grants to develop plans, policies and procedures (two organisations); organisational capacity building grants to assess the condition of assets and/or develop asset management plans, policies and procedures (one); and project feasibility grants to investigate project options, develop cost estimates, plans and valuations (five).
- One established provider did not receive any grant money from the Fund to assist with its project.
- The timeframes between initial applications to the Fund and the first offer of funding being accepted ranged from around seven to 22 months, and averaged around 16 months.
- All the community based organisations received conditional grants equating to 15 percent of their respective project's costs and a 25-year term loan with the first 10 years being interest-free and converting to a table mortgage from year 11. These term loans covered from 44 to 70 percent of the total estimated project costs. Three organisations received suspensory loans that covered between two and 23 percent of project costs, and were granted when the proposed below-market rents able to be charged were not sufficient to re-pay the full amount of a term loan.
- The contributions of the community organisations to each project ranged from 15 to 29 percent of the total costs, and comprised combinations of land and/or cash.
- When the case studies were conducted, one community organisation had completed its project (involving the purchase of housing) and another had almost completed its programme of on-market purchases; two projects were nearing the completion of the construction of new units; and two projects had yet to begin construction of new properties.

The two local authority projects had the following characteristics.

- Both councils already had social housing portfolios – 213 and around 1,000 units respectively – and have each been involved in providing social housing for over 50 years.
- The projects involved the construction of new units (23 and 6 respectively), with the larger project involving the demolition of units that were obsolete, for a net increase of 19 units.
- In both cases the target client groups were elderly people with low to moderate incomes.
- Both projects involved loan facilities for 50 percent of the estimated project cost (excluding the value of land that the councils contributed) provided as 20-year suspensory loans.
- The timeframes between initial applications to the Fund and the offer of funding being accepted was 8 months in one case and 18 months in the other.
- One project has been completed, with construction on the larger and more recently approved project yet to commence.

Summary of outcomes achieved

Most of the outcomes intended for the Fund have been achieved to a greater or lesser extent across both the community organisation and local authority case study projects. The key achievements include:

- an increase in the provision of social housing by the community based sector to those in need
- social housing solutions developed in response to identified local needs
- the development of sustainable, capable community based social housing providers
- non-government investment attracted to the sector
- the projects themselves are sustainable without ongoing support from the Corporation (with one possible exception)
- the mechanisms have largely delivered assistance to partners effectively, and satisfy government accountability requirements
- the availability of the Fund has encouraged community based housing sector providers to engage in social housing projects
- the capacity building grants, where provided, were effective
- different models and approaches to completing projects have been implemented (although these examples do not appear to reflect a particularly wide range of different models or creative approaches)
- local authorities were encouraged to enhance their social housing, with the two projects involving acquisitions through construction of new housing, in response to identified local housing needs.

There are a small number of key areas for attention.

- While the process of the Partnership Priority Framework has been reviewed and changed since the bulk of these case study projects were completed, there were issues to do with how these processes are applied.
- Capacity building grants have been effective where these have been used, but were not offered to all organisations that might have benefited from them (although the organisations were able to access support from other sources).
- The peak body, CHAI, has not been able to support these projects or groups effectively.
- There is a concern about how the Fund can provide for the continued and sustainable growth of (particularly) the smaller and the more recently established community based housing providers and their increased contribution to the provision of social housing to those in need.

Key factors contributing to success, and lessons learned

The case studies help to highlight those actions that both applicant organisations and the Corporation can take to ensure their projects have a better prospect of success, in the form of key factors for the success of the projects and in lessons that may be taken out of these experiences.

For community based housing providers and local authorities, those key factors that were most commonly identified as contributing to the success of their respective projects included:

- the skills and experience of key personnel involved in the project
- the strength of community networks and support
- the presence of “project champions”
- having a good financial base or funding grants
- the strength of relationships with Corporation staff
- the experience and track record of the three long-standing community organisations
- the commitment by their governing bodies (trust boards and council).

In terms of the lessons or advice that community organisations and local authorities could take from these early experiences of the Fund, these included:

- highlighting the need for potential providers to adequately prepare themselves for undertaking the project (which will be assisted by the guidelines now available on the Corporation’s website), with key points that include:
  - ensuring they have the understanding and support of their governing body to what they may be committing
  - developing and maintaining key documents covering policies and procedures, and ensuring the charter or objects of the group permit it to enter into the proposed project
  - developing good evidence of the needs for social housing

  - assigning key roles for the project – especially for community groups that do not have paid staff
  - developing a network of key contacts and external advisers, if these are not available “in-house”
  - talking to other organisations that have been through the process
  - considering all possible options for the project, such as new builds, purchase of existing housing, or collaborations with other partners
- identifying those key people that need to be involved and/or consulted in key decisions on the project at an early point, and confirming their decision-making procedures, mandate and authority
- maintaining effective ongoing communications, and ensuring there is a clear and shared understanding of what is being communicated
- being clear and realistic about what they want to achieve, and staying focused on these goals – a long-term commitment to providing social housing is required, and organisations need to be realistic about what it is they are getting into
- establishing good networks and support groups within the community
- developing a good relationship with the Corporation, and recognising the process is about developing trust and working in partnership over the long term
- recognising that the lack of a track record and financial history as a social housing provider is not necessarily a barrier, if new groups have experienced people with a good mix of relevant skills on board
- spreading the risk and not rely on getting access to funding from the Corporation and the Fund, or all that they want/need.

Those key factors that the Corporation contributed to making the projects a success included:

- the Corporation’s commitment to making the projects successful
- face-to-face meetings and site visits
- the assistance provided by the Fund, in terms of feasibility grants to investigate proposed projects, and access to capacity development grants to develop business plans, policies and procedures
- the communication of the Fund approval process, information requirements and timeframes
- the skills and experience of key personnel, including project managers and other support roles
- personal relationships established with providers
- effective communications practices.

Lessons that the Corporation can draw from the case studies for how the processes and outcomes can be improved generally relate to managing relationships and the expectations of “partnerships”. They include:

- providing early clarification of processes for developing and approving proposals, information required, and likely timeframes, with other “process” issues including:
  - ensuring the critical criteria to be met for a proposal to be eligible for consideration, and the key terms and conditions for acceptance of an offer of funding, are spelt out clearly and early
  - clarifying the nature of the “partnership” expected – what is meant, and how the Corporation expects the parties to work together
  - formally confirming its commitment to working with providers to develop projects, once certain milestones have been achieved
  - ensuring there is consistency in **how** the process is applied by different project managers (which will assist also if there is a need for transitioning of staff)
  - explaining why the information requested is required, and how it will be used
- identifying and involving key Corporation personnel early in the project, in particular the community design team
- adapting the approach to assessing an organisation’s capability and the feasibility of the project to the level of experience and capability of the organisation, by undertaking an initial or preliminary early assessment/screening of the capacity and capability of an organisation, and tailoring the level of support/assistance accordingly
- adapting the communications style, language and terminology used, the way in which an organisation is approached, and expectations of the level and nature of the Corporation’s involvement to the skill and experience of the organisation
- Corporation project managers being alert for signs that a project is losing momentum or going “off-track”, and acting promptly to maintain momentum or resolve issues
- ensuring there is appropriate back-up in place to manage staff transitions relatively seamlessly from the clients point of view
- greater contact with and involvement of local Corporation offices with projects and providers.

A key issue that is not addressed relates to the sustainable growth of community based organisations as providers of social housing, particularly where the terms of loan facilities and rates of repayments utilise all a community organisation’s financial reserves and fully commit revenue streams to repayments and property operating expenses. In such cases, there is little scope and ability left for the organisation to accumulate further capital contributions to fund new units of social housing, except by reliance on grants and donations. How the effects of the Fund can be sustained was one of the key questions to be addressed at the workshop.

Key findings from survey of potential Fund applicants

Characteristics of survey respondents

The target client groups for CBOs responding to the survey are most commonly elderly people and those with mental illnesses or special health needs (27 percent of respondents or 11 each), with 20 percent of organisations (eight) providing services to Māori and 15 percent (six organisations) providing them to families and/or children. These CBOs provided a range of services to their various client groups, including both supported and emergency accommodation, various support services, housing services such as home care/support, housing advocacy and assistance in finding housing solutions, and/or a more general advocacy role.

Twenty-six of the local authorities (76 percent) are district councils, while 22 (65 percent) are in the North Island.

Before receiving the survey 36 CBOs (88 percent) and 26 local authorities (76 percent) were aware of the Housing Innovation Fund.

Provision of housing

Twenty-five respondent CBOs (61 percent) currently provide rental housing and/or home ownership opportunities for their client groups. Thirty local authorities (88 percent) provide rental housing, with three indicating they used to be involved (5-10 years ago), and one indicating it has not been currently involved.

CBOs most commonly provide housing for people with mental health illnesses or special needs (52 percent, or 13 organisations involved in providing housing), followed by the elderly (44 percent, 11 organisations) and low income households generally (40 percent, 10 organisations). The main groups local authorities provide housing for are the elderly (93 percent, or 28 councils involved in providing housing), low income households generally (23 percent, seven councils), people with physical disabilities and those with mental health illnesses or special needs (13 percent, or four councils each). Numbers add to more than 100 percent as multiple responses are possible.

The type or style of housing local authorities most commonly provided is apartments or blocks of flats provided by 25 local authorities (83 percent of those involved in providing housing), followed by bed-sits/units with shared facilities (10 councils, 33 percent) and stand-alone houses (nine councils, 30 percent). In contrast, CBOs are most likely to provide stand-alone houses for their clients (19 CBOs, 76 percent of those involved in providing housing), with 13 CBOs (52 percent providing apartments/blocks of flats and two (8 percent) providing bed-sits/units with shared facilities. Again, numbers add to more than 100 percent as multiple responses are possible. The majority of CBOs rent out all their properties.

Between 2001 and 2006, a small number of councils have reduced their stocks of stand-alone houses (two of the 10 providing these), apartments (three of the 24 providing these) and/or bed-sits (three of the 10 providing these). Just one council has increased the numbers of apartments in its housing stock. The remaining councils have retained the same numbers of houses, apartments and/or bed-sits. Overall, however, there has been a net decrease in the numbers of units (91) and bedrooms (104) provided across the combined stocks of houses, apartments and bed-sits.

CBOs have most commonly been involved in providing housing for less than five years (seven organisations, or 29 percent of those involved in providing housing and specifying this information), with five organisations (21 percent) having been involved in providing housing for 11-19 years and three organisations (13 percent) for over 60 years; lengths of time range from 1 to 97 years, with an average of just over 23 years.

In comparison, local authorities have been involved for almost 39 years on average, and ranging between 17 and 76 years. Most commonly, local authorities have provided housing for 40-49 years (nine councils, or 38 percent of those involved in providing housing and specifying this information) with a further seven councils (29 percent) providing it for 30-39 years.

Local authority policies for investment and rent setting for social housing

Most commonly, twelve councils (40 percent of those involved in providing housing) that provide social housing have a policy that their housing portfolios must be fully self-funding, "*at no costs to rate-payers*", for maintenance, replacement and acquisitions. Seven councils (23 percent) indicated their housing stocks must be self-funding for all repairs and maintenance or operational costs, but the councils may budget separately for either small scale capital expenditure to improve stocks or major plans for capital expenditure. Three councils (10 percent) identified that the council makes some contribution to maintenance costs on its housing stocks from general rate-payer funding, as funds from rental incomes are generally not sufficient to cover all that is required, and six councils (20 percent) will make periodic capital investments, including based on asset management plans, or through a renewal budget for any replacements that are required.

Seventeen of the local authorities (57 percent) set rents at below market levels, with six councils (20 percent) setting them at market rates, and three councils differentiating between rentals for elderly and/or special needs tenants as being below market with general rental housing being charged at market rents. One other council’s rent setting includes a market rent component but is largely income related, while two other councils assessed their rentals relevant to those charged by other nearby councils.

The main bases for setting rents were income related (eight councils), market-related (seven), or to ensure the housing units were self-funding (seven). Income related rents were commonly set as a percentage of national superannuation, ranging from 23.5 to 33 percent where this was specified. Rents set to be self-funding were set at levels that aimed to ensure the housing stocks were managed to break-even.

Familiarity with support offered by the Housing Innovation Fund

Four CBOs (10 percent) were very familiar with the organisation development and/or project feasibility grants that are available, with 13 CBOs (32 percent) being quite familiar with the organisation development grants and 12 CBOs (29 percent) quite familiar with the project feasibility grants that are available. However, 6-8 CBOs (15-20 percent) were not at all familiar with these forms of assistance, and 15-16 CBOs (37-39 percent) were a little familiar with them. CBOs tend to be more familiar with the capital funding, grants or loans available, with 20 of the 41 CBOs being quite familiar (13 CBOs, or 32 percent) or very familiar (seven CBOs, 17 percent) with them; four CBOs (10 percent) are not at all familiar with the capital funding, grants or loans available.

Among local authorities, just one organisation said it was very familiar with the loans available for acquisitions, modernisations and reconfigurations. However, 7-8 local authorities (21-24 percent) were not at all familiar with each of these types of support available, and 12-14 local authorities (35-41 percent) said they were a little familiar with each type of assistance.

Eleven CBOs (27 percent) have previously applied to the Corporation for support or assistance under the Fund. Where the outcome was unfavourable to the CBO, three organisations found the process very difficult, and two other organisations did not agree with the reasons for applications being declined.

Intention to undertake a housing project

Twenty-two of the CBOs (54 percent) indicated they definitely intended to establish or undertake a housing project, or to increase or improve their social housing stocks, with another six (15 percent) saying they probably intended to do so and eight (20 percent) saying they possibly would.

Local authorities are less likely to have any intention to acquire, increase or improve their social housing stocks (beyond current programmes of maintenance). Eight (24 percent) have definite plans to do so, and a further five (15 percent) each indicated they probably or possibly had an intention. However, six (18 percent) said they probably did not, and 10 (29 percent) said they definitely did not, have any intention to acquire, increase or improve their social housing stocks.

The majority of CBOs (25 organisations, 61 percent) intended to build new housing, with similar proportions intending to buy existing housing (16 CBOs, 39 percent) and/or to improve/modernise current housing stocks (15 CBOs, 37 percent). Four CBOs (10 percent) had no definite plans or ideas.

Twelve local authorities (35 percent) indicated the type of project they had ideas or plans for was to modernise their current housing stocks, followed by similar proportions having ideas or plans to build new housing (seven councils, 21 percent), reconfigure current housing stock (six councils, 18 percent), or add capacity to current housing stocks (five councils, 15 percent). Four councils (12 percent) had no definite plans. Numbers add to more than 100 percent as multiple responses were possible.

The most common barrier preventing CBOs from establishing or undertaking a housing project, is a lack of capital or funding (24 of the 39 organisations responding, or 62 percent), with six organisations (15 percent) each mentioning that a lack of capacity, not having the knowledge or capability, and/or a lack of support, commitment or policy direction within their organisations was a barrier to them undertaking a housing project.

The most common barrier preventing 11 councils (32 percent) from acquiring, increasing or improving their housing stocks was cost, affordability or a lack of finance. Another 10 councils (29 percent) identified a sufficient supply of housing and/or a lack of demand for housing in their areas, six councils (18 percent) indicated that the provision of social housing was not their role or part of their core business, and staffing capacity and capability/knowledge were barriers for five councils (15 percent).

Sixteen CBOs (46 percent of those responding) identified that funding would help them overcome the barriers. 10 CBOs (29 percent) indicated that some contact or discussion with, or information from, the Corporation would assist.

Thirteen local authorities (54 percent of those responding) also identified that financial support would assist their councils overcome the barriers they identified to undertaking a social housing project, with three councils saying they would like assistance with planning for projects. Five councils (21 percent) indicated there was no assistance that could be provided to help overcome the barriers. These councils had either divested their social housing or were planning to do so, or had decided that no further investment would be made in their housing stocks.

Thirty-two CBOs (78 percent) and around 22 local authorities (65 percent) indicated they were interested in or intended approaching the Corporation for assistance or support with the issues they identified, or more generally under the Fund.

Eighteen CBOs (44 percent) and eight local authorities (24 percent) have approached other organisations for assistance or support in overcoming the barriers they identified. Just one organisation, a council, identified CHAI as an organisation approached for advice or support.

Eighteen CBOs (44 percent) and 10 local authorities (29 percent) are interested in working with other organisations/groups in their communities on a collaboration to provide social housing in their areas, with another 19 CBOs (46 percent) and 17 councils (50 percent) possibly interested in doing so respectively.

Twenty-two CBOs (54 percent) and sixteen local authorities (47 percent) indicated an interest in being contacted by the Corporation to discuss the assistance/support that may be available under the Housing Innovation Fund.

Key findings from the workshop

Among other things, the key issues debated at the internal workshop included:

- what it means to work in “partnership”, particularly in terms of building and maintaining relationships and communication
- how the effects of the Housing Innovation Fund can be sustained.

There was a general recognition of the need to clarify and define what “partnership” means and how it will operate. It was recognised that different groups and communities will have different understandings of this.

There was a question over whether the term “partnership” was in fact misleading, particularly as the Corporation grapples with the issues of a finite amount of money in the Fund and an excess of demand. This is driving the Corporation to manage the expectations of community groups and local authorities, develop and apply criteria for prioritising applications to the Fund, and look for new ways of working with groups to pull together funding packages.

This led to suggestions that the role may be more a “housing solutions broker” where a range of possible solutions to the identified housing need may be identified with the Corporation working collaboratively with the community organisation. An application for funding from the Fund may be just one of a range of possibilities, as the Corporation and the community organisations (there may be more than one working together) strive to meet their respective objectives.

Participants also made a number of suggestions about how partnership relationships could be developed and maintained, and the attitudes that are required to make them more successful.

In terms of sustaining the effects of the Fund, workshop participants identified a range of ideas and suggestions for further consideration and investigation. These included:

- a need for a greater focus on and support for the sustainability of the organisation, rather than the current emphasis on the sustainability of the project
- establishing wider collaborations or partnerships of community groups and organisations, to encourage sharing of resources, skills and knowledge, and achieve economies of scale
- the Corporation looking for opportunities to leverage the scheme with other potential funding partners, such as local authorities, other Government agencies and private sector sponsorships
- better integration with and utilisation of other skills and resources of the Corporation
- picking “winners” – those organisations that are capable of developing into long-term sustainable and substantial social housing providers
- needs for further information or tools for the sector, especially measuring and reporting on regional demand for social housing, and advice on and assistance in accessing new and alternative sources of funding
- the need for a long-term commitment to sustaining the effects of the Fund, at the Cabinet, Corporation Board, and strategic policy development levels, and flowing through into the Corporation’s business/operational policy and service delivery levels
- identifying and defining what a sustainable community housing sector looks like, and the key characteristics that make a sector sustainable.

Summary conclusions

Because of the timeframe over which these projects were developed (early in the implementation of the Fund, prior to substantial changes in the process and information available), definitive conclusions cannot be drawn yet about the achievement of all the outcomes of the Fund. These will be clearer after the completion of Stage Two of this evaluation.

Achievements relating to the development of community housing sector capacity and increasing stocks of social housing include:

- more housing units have been built than would otherwise have been the case, in areas and addressing local needs that may not otherwise have been supported by housing developments by the Corporation
- the Fund has successfully invested in capacity building
  - the more significant providers are ready, willing and able to develop more projects
  - most community based organisations agreed they were much better off for having worked through the capability development and assessment process (even though they found it long and frustrating to go through)
  - new providers have been attracted and established.

These demonstrate good first steps in developing a sustainable community based social housing sector, although a key question to be addressed is what are the key characteristics of a sustainable sector.

Also, the projects represented by the case studies have been largely successful in contributing to the longer term outcomes intended for the Fund:

- among the local authority participants (two only), new stock has been acquired through the construction of new housing, local social housing needs have been identified and met, and the Crown's investment in these projects has been protected
- local housing solutions have been developed for local social housing needs
- there has been an increase in the provision of social housing by the community based housing sector to those in need
- there is evidence that some aspects of the infrastructure that supports community based housing providers have been effective, although there are also some concerns:
  - the website, information and Corporation's support roles were not functioning particularly effectively (although the website and information available has been developed since the projects were initially being developed)
  - there are also mixed reports about the effectiveness of the support roles
  - capacity building grants have been effective where these have been used, but were not offered to all organisations that might have benefited from them (although the organisations were able to access support from other sources)
  - the peak body, CHAI, has not functioned effectively to support these projects (although it was undergoing development at the time these projects were being developed and some providers had little need for this support)
  - the partnership priority framework was not functioning particularly effectively and while the process has been reviewed and changed, there remains a question about how relationships are managed and how effectively the Corporation communicates its expectations of the partnership role it wants to develop
  - the limited number of local government projects reflects a limited range of approaches to the delivery of social housing solutions; however, concerns relating to the functioning of the Partnership Priority Framework are similar to those identified for community based housing providers.

Among the case studies, there have not been examples of active collaborations between CBOs and local authorities, and with or without the Corporation. However, the survey of potential local authority and community organisations indicates a reasonably strong interest in participating in collaborations and partnerships.

A further issue of concern relates to how the Fund can provide for the continued and sustainable growth of community based housing providers and their increased contribution to the provision of social housing to those in need. The ideas and suggestions of participants at the internal workshop and from this evaluation need further consideration and investigation.

From the survey of potential applicants, there is a generally a good level of awareness about the Housing Innovation Fund among both CBOs and local authorities.

Of some concern is that three of the responding councils have exited the provision of housing within the past 5-10 years, and this survey indicates seven more are either planning to do so or do not intend to invest further in housing. Four of these indicated they were not previously aware of the Housing Innovations Fund. There has also been a small net decrease in the numbers of housing units and bedrooms available from local authorities that provide rental housing over the past five years. These indicators reinforce the need for the Corporation to promote the Fund to local authorities and make it attractive for them to continue to provide social housing in their communities – whether this is directly or by actively supporting CBOs to do so.

There is a reasonably high level of interest among CBOs in undertaking new housing projects, with two-thirds indicating they probably or definitely will do so, compared with around two-fifths of local authorities. For CBOs, the nature of these projects is most commonly a new build, followed by acquisitions of existing housing and improvements or modernisations of current stock. Among local authorities, around a third propose to modernise current stocks, with around one in five each intending to build new housing, reconfigure current stock and/or add capacity.

The key barriers for both CBOs and local authorities are a lack of funding – for CBOs this includes both for their capital contributions and or funding streams to make repayments sustainable. Other barriers for CBOs include a lack of capacity, a lack of capability or knowledge, and a need to build support or commitment for undertaking a project at the organisational level. Other barriers for local authorities include a view that the provision of social housing is not a core role for councils, and a lack of staff capacity, knowledge and capability. A lack of demand and sufficient supply of housing in their areas was also a reason for Councils to not undertake new housing projects.

The assistance that would help overcome these barriers was, unsurprisingly, access to funding or financial support, and also information or advice from the Corporation. Majorities of CBOs and local authorities indicated they are interested in or intending to approach the Corporation for support or assistance. However, among those who did not intend to there appears to be some misconceptions about the criteria for accessing the Fund or the terms on which a financial package might be offered that should be corrected.

Funding to the extent CBOs and local authorities believe might be required is unlikely to be available (at least for many of them). The Corporation can ensure, however, that these organisations have good information about the process and understand what is required. They can then work on an informed basis towards either developing an application and proposal to access the Fund or a project, or developing a partnership or collaboration with other like-minded organisations to help address their needs.

A number of councils are philosophically opposed to being involved in the provision of housing, and particularly in terms of using ratepayer funds to do so. This constitutes a significant barrier to overcome. The Corporation may need to identify other strategies to encourage more local authorities to engage in providing social housing. These might include the Corporation advocating the benefits of councils being involved in social housing and the fit with the purpose of local government described in the "new" Local Government Act 2002. This includes promoting "*the social, economic, environmental, and cultural well-being of communities, in the present and for the future*".

Less than half the respondents have approached other organisations for support or assistance. Interestingly, just one council identified CHAI as an organisation approached for support or assistance, and no CBOs.

Encouragingly, substantial numbers of CBOs (90 percent) and local authorities (79 percent) indicated an interest in, or are possibly interested in, working with other organisations or groups in collaborations. Encouraging collaborations between local authorities and community organisations is also a key outcome for the Fund, which could help to better identify and meet community needs for housing solutions. The workshop discussions indicated that this was an approach that was favoured.

Introduction

The purpose of this report is to describe the findings from Phase One of the outcome evaluation of the Housing Innovation Fund, which seeks to determine the extent to which funding of the community based and local government social housing sectors provided through the Housing Innovation Fund has achieved the agreed objectives for the Fund and the intended intermediate outcomes.

Background

The Housing Innovation Fund (the Fund) was established in 2003 to increase the supply and quality of delivery of social housing to key target groups, through two funding streams: the community based *Housing Innovation Fund* and the *Local Government Housing* (LGH) initiative.[1] It aims to do this by supporting the development of capacity and infrastructure in the community housing sector to provide social housing that is better tailored to local needs. It also aims to support local authorities retain and enhance their social housing stocks by encouraging investment in new stock, modernising existing stock and the developing creative, collaborative approaches between the community based sector and local authorities to deliver local social housing solutions.

The Fund fits within the broader New Zealand Housing Strategy. One of its seven areas for action is to improve housing assistance and affordability by expanding the provisions of social housing and fostering the development of community based social housing providers.

The first four years of the Fund involves establishing a number of demonstration projects to test the approach to community based housing development and gauge the interest of local government in retaining and expanding their social housing investment.

An outcomes hierarchy has been developed to guide the evaluation of the effectiveness of the Fund against the purpose and objectives for which it was initially established. This hierarchy was modified as a result of learning and the implementation of strategies to support it (see Appendix One).

Appendix Two provides additional information about the Fund.

Why the project is needed

When Cabinet approved the initial four-year programme of funding for the Fund, it required an evaluation. This evaluation project will fulfil this Cabinet requirement and contribute to further refinements of the programme's mechanisms, objectives and intended outcomes. It will also inform decision-making about whether the Fund will continue to fund the community social housing sector and LGH beyond the initial four-year demonstration phase.

[1] Although it is recognised these are separate initiatives, with different mechanisms, and will require different perspectives to be taken in the evaluation, they will be collectively referred to as "the Fund", unless the context requires they be referred to individually.

The overall outcomes evaluation has been split into two phases. Phase One, which this report covers, is to be completed in September 2006, and focuses on the outcomes from a selected group of projects. Phase Two is due to be completed in June 2007, and will focus on the wider set of longer term outcomes achieved under the Fund.

A process evaluation of the Fund was also completed in June 2005 covering the period December 2003 to March 2005. Twelve community based organisations and three local authorities who were early recipients of the Funds' funding were interviewed for the process evaluation, together with members of the group who established CHAI and staff of the Corporation. Appendix Three provides a brief summary of the process evaluation's key findings.

Key objectives

Objectives of the Housing Innovation Fund

The overarching objective of the Fund is to increase the supply and quality of delivery of social housing to target groups, namely:

- low and moderate income households who cannot meet their own needs in the private market, who are unlikely to be offered a state house, for whom the Accommodation Supplement does not adequately address housing needs, and where the problem is not affordability
- low income households whose specific housing requirements are not being fully met by the market or by current housing instruments, such as iwi, Māori groups, and Pacific peoples
- low income households whose specialised housing needs are not being fully met, such as people with mental illness, disabilities, and elderly people with support needs.

The objectives for the community based Housing Innovation Fund that will contribute to the overarching Fund's objectives are to:

- provide government support for Community Based Organisations (CBOs) to contribute to developing a sustainable housing sector
- develop the capacity and infrastructure required to support an effective and efficient housing sector
- encourage the development of creative approaches to social housing solutions for the target groups.

The objectives for LGH that will contribute to the overarching Fund's objectives are to:

- encourage local authorities to retain and modernise their existing rental housing stock
- assist local authorities to buy new stock
- support local authorities to identify new ways of working on social housing projects with other councils and CBOs in the region.

Objectives of the Evaluation

The purpose of this evaluation is to determine the extent to which funding of the community based and local government social housing sectors has achieved the agreed objectives for the Housing Innovation Fund. This evaluation will also determine whether the Fund has achieved, or is achieving, the intended intermediate outcomes described in the retrospective outcomes hierarchy for the Housing Innovation Fund. The evaluation will critically reflect on achievements of the Fund up until June 2006, including:

- progress towards the outcomes specified in the retrospective outcomes hierarchy
- the extent of the match and mismatch between programme mechanisms
- objectives and intended intermediate outcomes that could be addressed within existing policy
- how the community based housing sector and LGH complements Housing New Zealand in delivering social housing to the target groups
- the identification of unintended outcomes
- the identification of any barriers to achieving intended and unintended outcomes.

Management of the evaluation

PS… Services was appointed to undertake this evaluation. For the Corporation, the evaluation is managed by the Research and Evaluation Acting Manager (the Evaluation Project Manager), supported by the Evaluation Steering Group. The Evaluation Steering Group comprises:

- Tricia Laing – Research and Evaluation Acting Manager, and Evaluation Project Manager
- Tui Tararo – Housing Innovations Group
- Stephen Cross – Housing Innovations Group

An Evaluation Advisory Group (EAG) assists the Evaluation Project Manager and Evaluation Steering Group to oversee the evaluation, by:

- making recommendations about the evaluation design and evaluation plans
- assisting in monitoring the evaluation and make recommendations on modifications
- providing operation and technical advice to the Evaluation Project Manager and the Evaluators
- assisting in resolving major difficulties encountered during the course of the evaluation as appropriate
- assisting in reviewing the evaluation 'products'.

Members of the EAG are, in addition to the Evaluation Steering Group:

- Rex Moller – Housing Innovations Group
- John Holyoake – Housing Innovations Group

- Blair Badcock – Policy
- Marc Slade – Policy
- Lisa Howard-Smith – Vice Chair of CHAI, West Auckland Council of Social Services
- Robin Kearns – Professor, Department of Geography, University of Auckland

Approach taken

In terms of overall approach, an appreciative inquiry approach has been taken to this evaluation. This essentially means that the evaluation builds a picture of what is working successfully in the implementation of the Fund, by positively and constructively exploring the issues and learning from what has worked well to create a desired way forward. It is anticipated that such an approach enhances the effectiveness and utility of the outcome evaluation.

The key components of Phase One of the evaluation project involved:

- eight case studies of successful projects or collaborations
- a survey of sector participants who have not been recipients of funding from the Fund and potential applicants
- a workshop with Corporation staff to discuss draft findings from Phase One of the evaluation, prior to finalising this report, and emphasising the development of solutions to issues identified.

These elements are expanded in more detail below.

Case studies

Eight case studies of successful projects were developed to establish key reasons why the projects are successful, what factors have contributed to that success, improvements that can be made to ensure ongoing success, and lessons that can be taken forward for future projects or collaborations.

The case studies are primarily explanatory in nature, focusing on the implementation and effects of the Fund's programme. They also contain illustrative elements to describe what happened and why. Explanatory case studies are commonly used in impact evaluations, while illustrative case studies are useful to help interpret data and for "educational" purposes.

Selection criteria

The selection of case studies followed a purposive sampling approach that is both representative and has examples of special interest. Members of the Evaluation Steering Group identified a range of different types of projects or collaborations that are considered "successful" or have interesting circumstances, covering different types of social housing providers, target groups, and locations.

The criteria for the selection refer to the outcomes hierarchy and operational knowledge of the staff. Considerations included:

- loans accepted and approved
- assistance provided by way of development/capacity grants, feasibility grants provided, and/or secondments
- social housing in use/project completed
- projects/providers new to housing provision
- target groups represented (low income, special need, elderly, iwi/Māori)
- leverage from/affiliations with private sector and/or philanthropic groups, or CHAI
- complexity of project
- filling a housing gap.

From the resulting potential case studies, the following were selected Phase One of the evaluation.

- The Carl and Irene Fowler Charitable Trust (the Fowler Trust)
- Just Housing Otepoti Dunedin (Just Housing)
- Wellington Housing Trust
- ComCare Charitable Trust (ComCare)
- Community of Refuge Trust (CORT)
- Nelson-Tasman Housing Trust
- Timaru District Council
- Dunedin City Council

Data collection

Data collection methods for the case studies involved:

- a documentation review of the case files for each case
- in-depth interviews, or small discussion groups, with key informants (including the Corporation Partnership Project Managers, staff or trustees of the CBO and local authorities
- a preliminary survey of the CBOs or local authorities involved in each case study to establish some baseline information and feedback.

A topic guide for the interviews was developed around the relevant key evaluation questions and purpose of the case studies, and agreed with the Evaluation Steering Group. The preliminary survey and interview topic guide was sent to the case study participants prior to the interviews. A letter introducing the evaluators and the purpose of the evaluation, and requesting key informants' participation in the case study, was sent by the Corporation prior to interviews being scheduled.

Key informants were provided with a copy of the notes made of their respective interviews (which were recorded with their consent, but not fully transcribed) for them to review. They were also provided with a copy of the draft case study to review, before it was finalised.

Case study analysis

The approach to analysing the case study data involved a mix of approaches, including a triangulation approach to data analysis that examines the consistency of evidence across different types of data sources, and a thematic analysis within the key areas of questioning, looking for common themes/issues and differences between types of sector participants.

These approaches are essentially qualitative, rather than being based on hard quantitative analysis. As such they rely on the skill and experience of the evaluators, with contextual information being provided from the documents reviewed.

Limitations of the case studies

All of the case studies were commenced early in the implementation of the Fund, as the processes and procedures were still being “bedded in”. Project managers were either still learning about these or were transitioning from previous roles and carrying extra workloads, and appropriate resourcing levels had not been determined or implemented. As a consequence, all of the case study organisations were affected by delays in processes, and a lack of clarity about the processes and information required from them to support applications to the Fund.

This has affected their perceptions of the process and somewhat dominated the issues that they raised. The process evaluation that was undertaken also highlighted many of these issues, and the subsequent changes to the process and approach, and the increasing experience of the Corporation’s Project Managers, means that many of the concerns about the process will have been addressed. To do justice to the case study participants, the case studies continue to identify these issues.

It should also be noted that, while the in-depth approach to these case studies provides good quality information and insights to what made these projects successful and the outcomes achieved, they are overall a small number of projects. Because of this, and along with the selected nature of them, findings should be considered as indicative rather than conclusive.

Survey

A survey of sector participants who have not been recipients of funding from the Housing Innovation Fund or are potential applicants was undertaken to identify potential barriers and forms of assistance that would encourage applications and the development of capacity in the sector. The questionnaire was based on the relevant key evaluation questions, and agreed with the Evaluation Steering Group, with two variations developed – one for community based organisations and one for local authorities. The questionnaires were self-completion surveys, with a mix of closed and open-ended questions.

The general areas of questioning in the survey included:

- testing the level of awareness of the Fund and support provided by the Corporation

- assessing the appropriateness of the support offered
- identifying the target groups the respondents work with
- identifying the current level of social housing provision among respondents, and/or their experience and capabilities to engage in social housing projects
- assessing the level of interest in applying for the Fund and intentions to increase/improve social housing stocks
- assessing the potential barriers to submitting applications, and the forms of assistance the Corporation could provide to assist potential applicants with applications and/or projects.

Sample selection
Potential respondents for the survey were identified from:

- Corporation records of organisations that have previously applied for funding but had been unsuccessful
- Corporation records of organisations that were targeted with information, or attended the series of seminars about the Fund when it was first launched, and who had not yet applied for funding
- members of the peak body organisation established, Community Housing Aotearoa Incorporated (CHAI) and who had not yet applied for funding – approval to use these records was obtained from CHAI
- local authorities who were not currently working with the Corporation to access the Fund.

The resulting consolidated lists were reviewed by members of the Evaluation Steering Group, and organisations that the Corporation was working with, individuals (such as consultants or contractors), government agencies, duplicated organisations (those that may have offices in more than one region), and organisations that were obviously unlikely to become social housing providers (such as tenant advocate groups) were eliminated.

This resulted in 91 community based organisations and 51 local authorities being identified. This sample was mailed the questionnaires, and a follow-up reminder letter was sent around a week before the closing date. Returns continued to be accepted some 2-3 weeks after the notified closing date, in order to have as large a response rate as possible.

Responses were received from 41 community based organisations for a response rate of 45 percent; 34 responses were received from local authorities, for a response rate of 67 percent. It became clear from some of the responses received that some respondents were in fact working with the Corporation to develop their capacity and/or applications to the Fund. These responses have been retained in the analysis as the barriers to participation as a provider of social housing remain valid.

Workshop

Once a full draft of this report had been developed, a workshop with internal Corporation staff was held to discuss the findings of Phase One of the evaluation, prior to finalising this report. The purpose of the workshop was to:

- present the evaluation draft findings that identified
  - the achievements and successes of the Housing Innovation Fund
  - how practice can be improved on the basis of key issues raised and lessons learned
- discuss the Housing Innovation Fund context within which evaluation findings can be used.

It also considered the following key questions:

- What does it mean to work in “partnership”, particularly in terms of building and maintaining relationships and communication?
- How will the effects of the Housing Innovation Fund be sustained?
- What do the evaluators need to look for in the next phase of the evaluation?

The workshop involved National Office and Regional Delivery staff from the Corporation, and members of the Evaluation Advisory Group. A full list of participants is at Appendix Four.

Key findings from the case studies

Description of case studies

The eight case studies included two local authorities and six community based organisations. Key characteristics of each organisation and its project are summarised in tables below.

Community organisation projects

The community based organisations range from small groups that were newly-established in order to access the Fund for social housing projects, to relatively large providers that have been involved in social housing for around 20 or more years. The size of their social housing portfolios prior to their successful application to the Fund ranged from zero to around 35 properties, and when the projects are completed will range from 4 to 65 properties.

The types of projects included the design and construction of new housing, and the purchase of existing properties on the open market for use as social housing. Some of the construction of new housing projects involved the demolition of previous properties already owned by the community organisations and construction of more new units on the same sites.

The target client groups are all of low to moderate income households, but included housing developed more specifically for elderly people, refugees and migrants, people with physical disabilities, and those who experience mental illnesses.

Assistance from the Fund included:

- organisational development grants to develop plans, policies and procedures (two organisations)
- organisational capacity building grants to assess the condition of assets and/or develop asset management plans, policies and procedures (one)
- project feasibility grants to investigate project options, develop cost estimates, plans and valuations (five).

One established provider did not receive any of these forms of assistance from the Fund for its project.

The timeframes between initial applications to the Fund and the first offer of funding being accepted (noting some organisations had funding approved in more than one stage) ranged from around seven to 22 months, and averaged around 16 months.

In terms of loan facilities received from the Fund, all of the community based organisations received conditional grants equating to 15 percent of their respective project's costs and a 25-year term loan with the first 10 years being interest-free and converting to a table mortgage from year 11. These term loans covered from 44 to 70 percent of the total estimated project costs. Three organisations received suspensory loans that covered between two and 23 percent of project costs, and were granted when the proposed below-market rents able to be charged were not sufficient to re-pay the full amount of a term loan. The contributions of the community organisations to each project ranged from 15 to 29 percent of the total costs, and comprised a combination of land and/or cash.

At the time at which the case studies were conducted, one community organisation had completed its project (involving the purchase of housing) and another had almost completed its programme of on-market purchases; two projects were nearing the completion of construction of new units; and two projects had yet to begin construction of new properties.

Table 1: Key characteristics of case studies – Community organisations

Fowler Trust	
• Location:	Lumsden, Northern Southland
• Organisation background:	Established in 1997 by Carl Fowler, who funded the construction of residential units that are rented to elderly people who lived in the Northern Southland area, so they could remain close to friends and family; administered by a Board of five Trustees; no paid employees
• Pre-Fund portfolio:	Three self-contained residential units
• Nature of project:	Construction of two one-bedroom housing units
• Target client group:	Low to moderate income older people resident in Northern Southland
• Assistance from Fund:	Feasibility grant in early May 2005 to identify project development costs, valuation of these and for its existing three properties
• Timeframe:	Initial application in September 2003; offer of funding accepted in May 2005
• Loan facilities:	Conditional grant (15% of total cost); 25-year term loan with first 10 years interest-free (70%)
• Current status:	Construction of units due for completion in late 2006
Just Housing	
• Location:	Dunedin
• Organisation background:	First incorporated in 1994 for the purpose of providing housing options to low income families; original trustees wanted to pursue other interests and approached Presbyterian Support Otago, which re-established the Trust in 2004 by appointing a new group of trustees, and providing administrative support by appointing its Community Mission Director as one of the trustees and Project Coordinator
• Pre-Fund portfolio:	None – cash asset of $110,000
• Nature of project:	Construction of two two-bedroom and two three-bedroom housing units
• Target client group:	Low to moderate income earners in Dunedin
• Assistance from Fund:	Feasibility grant for investigation of site, develop house designs for costing by a quantity surveyor, and valuation
• Timeframe:	Initial application in mid 2004; offer of funding accepted in May 2006
• Loan facilities:	Conditional grant (15% of total cost); 25-year term loan with first 10 years interest-free (45%); suspensory loan (23%)
• Current status:	Construction of units due for completion in November 2006

Wellington Housing Trust (WHT)

- Location: Wellington
- Organisation background: Incorporated in 1981; aims to provide housing for people who have access and affordability issues, which generally include refugees and new migrants, people with mental health disabilities and those on low incomes; governed by a group of eight elected trustees, employs a part-time coordinator to manage its day-to-day activities, and contracts out property management services to a local property management company
- Pre-Fund portfolio: Eight properties with 23 rental units
- Nature of project: Construction of two four-bedroom houses and four two-bedroom units in Newtown, Wellington
- Target client group: Refugees and people with physical disabilities on low to moderate incomes
- Assistance from Fund: Organisational development grant to review mission and objectives, develop a strategic plan and review, develop and document a operational and other policies and procedures

  Capacity building grant to assess condition of current properties and develop asset management plan and policies

  Project feasibility grant to investigate suitability of site for its intended use, and develop initial architectural drawings to allow project to be quantity surveyed and valued
- Timeframe: Initial application in September 2004; offer of funding accepted in January 2006
- Loan facilities: Conditional grant (15% of total cost); 25-year term loan with first 10 years interest-free (70%)
- Current status: Construction of units yet to start, pending resource consent from council

ComCare Charitable Trust

- Location: Christchurch
- Organisation background: Established in 1987 by a group of clinicians and community members to ensure people with mental health issues who were being returned to the community from Sunnyside Hospital would enjoy a good quality of life with an emphasis on housing, leisure and recreation activities.

  Housing Services are a core area of activity, and are distinct from ComCare's role as a service provider in the mental health sector; Housing Services provide support for up to 200 people at any one time, and include facilitating housing solutions for clients by helping people to find, obtain and rental housing; landlord services for tenants living in ComCare owned/ tenanted properties; and property management for residential care services.
- Pre-Fund portfolio: Sixteen houses and 17 one-bedroom flats
- Nature of project: Construction of 12 one-bedroom housing units on three Christchurch properties owned by the Trust
- Target client group: People with a mental illness
- Assistance from Fund: Project feasibility grant to scope the feasibility and preliminary design for the project

ComCare Charitable Trust	(continued)
• Timeframe:	Initial application in November 2003; offer of funding accepted in June 2005
• Loan facilities:	Conditional grant (15% of total cost); 25-year term loan with first 10 years interest-free (44%); suspensory loan (12%)
• Current status:	Construction of units yet to start, as tenders for the project have come in significantly over initial cost estimates and ComCare and the Corporation are having to re-think the approach to the initially approved option
Community of Refuge Trust (CORT)	
• Location:	Ponsonby, Auckland
• Organisation background:	Founded in 1987 by members of the Ponsonby Baptist Church as a community response to the growing need for affordable housing in the inner city of Auckland, and incorporated in 1988. Over the next 2½ years CORT purchased six properties under a government/community partnership scheme involving the then Housing Corporation providing 100% finance at a below-market interest rate with borrowings of over $1.6 million. In 1991, the government ended the scheme and interest rates were moved to market rates and the mortgages were sold to private institutions. Noting a high proportion of tenants came from the mental health community, CORT entered into contracts with the Ministry of Health to provide mental health support services and, for eight years ending in 2001, employed mental health support workers. In 2000 CORT purchased a further 16 flats from Auckland City Council, which was selling off its public housing and continued to grow its portfolio of properties. CORT no longer provides direct support services for tenants with a mental health disability but works with other organisations to ensure these services are provided. CORT is administered by a group of eight trustees, including one secretary/treasurer who is also manager of day-to-day operations.
• Pre-Fund portfolio:	Thirty-five properties, comprising a mix of one-two bedroom units, with an asset value in excess of $8.5 million
• Nature of project:	Purchase of up to 30 one-bedroom housing units in inner city Auckland, over three years
• Target client group:	People with mental health disabilities
• Assistance from Fund:	None
• Timeframe:	Initial application in November 2003; first offer of funding accepted in June 2004 (followed by two more in November 2004 and May 2005)
• Loan facilities:	Conditional grant (15% of total cost); 25-year term loan with first 10 years interest-free (70%)
• Current status:	CORT had purchased 28 properties, and had funds available for almost two others

Nelson-Tasman Housing Trust (NTHT)

- Location: Nelson
- Organisation background: Incorporated in July 2004 as the result of a community-led response to problems associated with a rapid deterioration in the affordability of housing in the Nelson and Tasman areas, and identified in research in 2002, and in order to access funding under the Fund. An initial board of four trustees was confirmed in September 2004, with this expanding to its full complement of seven trustees currently.

  No paid employees, but the chairperson is also the project leader of the Victory Urban Village Project, a community development initiative which is closely affiliated with and complementary to the role of NTHT as a social housing provider.
- Pre-Fund portfolio: None
- Nature of project: Purchase of four two-bedroom units designed and built for NTHT, and two three-bedroom houses on market in two stages respectively
- Target client group: Low to moderate income households with housing needs
- Assistance from Fund: Organisation development grant to assist in producing a business plan for the new Trust

  A second organisation development grant to develop the policies and procedures identified as necessary in the Business Plan

  A feasibility grant to identify project development costs, issues and options for its initial project concept
- Timeframe: Initial application in mid 2004; first offer of funding accepted in August 2005, and second stage in January 2006
- Loan facilities: Conditional grant (15% of total cost); 25-year term loan with first 10 years interest-free (68%); suspensory loan (2%)
- Current status: Both stages of project completed; portfolio of six housing units achieved

Local authority projects

The two local authority projects involved councils that already had social housing portfolios, 213 compared with around 1,000 units respectively, and have each been involved in providing social housing for over 50 years. The projects involved the construction of new units (23 and 6 respectively), with the larger of these involving the demolition of units that were obsolete, for a net increase of 19 units.

In both cases the target client groups were elderly people with low to moderate incomes, and both projects involved loan facilities for 50 percent of the estimated project cost (excluding the value of land that the councils contributed) provided as 20-year suspensory loans.

The timeframes between initial applications to the Fund and when the offer of funding was accepted was 8 months for one project and 18 months for the other. One project has been completed, with construction on the larger and more recently approved project yet to commence.

Table 2: Key characteristics of case studies – Local authorities

Timaru District Council (TDC)	
• Location:	Timaru
• Organisation background:	TDC is a medium sized council and employs approximately 120 staff members. TDC has been providing social housing for over 50 years. The responsibility for the operational management of the housing portfolio rests with the Property/Administration Manager, who reports within the Corporate Services Group.
• Pre-Fund portfolio:	213 properties
• Nature of project:	Build 23 new pensioner units on six sites owned by TDC
• Target client group:	Low to moderate income elderly people
• Timeframe:	Initial application in September 2005; offer of funding accepted in May 2006
• Loan facilities:	Suspensory loan (50% of total estimated cost)
• Current status:	Working through pre-construction phases and resource consents
Dunedin City Council (DCC)	
• Location:	Dunedin
• Organisation background:	DCC is an experienced provider of social housing, and has been involved in providing housing since the 1940s. Housing is managed through the Property Management Business Unit, which has four staff – a Housing Manager and three Housing Officers. This unit reports through the Finance and Corporate Support Group in DCC's management structure.
• Pre-Fund portfolio:	A portfolio of around 1,000 housing units
• Nature of project:	Build four two-bedroom and two one-bedroom stand-alone housing units
• Target client group:	Older people (aged 55 years and over) with limited income
• Timeframe:	Initial application in November 2003; offer of funding accepted in May 2005
• Loan facilities:	Suspensory loan (50% of total estimated cost)
• Current status:	Project completed

Summary of outcomes achieved

Community housing outcomes

The Hierarchy of Outcomes at Appendix One sets out the intended outcomes for the Fund. For the Housing Innovation Fund (as applicable to community based providers), the anticipated initial outcomes are:

- sustainable community housing providers
- a range of social housing models and creative approaches to completed projects
- non-government investment is attracted
- projects meet social housing needs of intended target groups

- projects are sustainable without ongoing Corporation support
- effective relationships with community housing partners
- a range of effective mechanisms for delivering assistance, with flexibility to meet community housing needs
- mechanisms satisfy Housing New Zealand and government's requirements for accountability
- criteria and forms of assistance encourage community housing providers to engage in social housing projects
- partnership Priority Framework functions effectively
- housing New Zealand support roles function effectively
- capacity building grants to providers are effective
- peak body (CHAI) functions effectively.

These initial outcomes are expected to lead to the following intermediate and long-term outcomes:

Intermediate

- demonstration projects are sustainable over the long term
- effective mechanisms for delivering assistance to third sector partners
- an infrastructure that supports third sector housing providers

Long-term

- local social housing solutions developed for local social housing needs
- capacity and infrastructure required to support a third sector
- the increased provision of social housing by the third sector to those in need.

The contributions of the cases studied to the intended initial outcomes, and the key issues that arose in relation to these, are summarised below. Conclusions about there contributions to the intermediate and long-term outcomes are outlined in the section, **Summary Conclusions**.

Sustainable community housing providers

Evidence for judging whether the community housing providers are sustainable includes:

- long-term commitment by provider
- social housing integral to organisational focus/mission
- alternative, reliable sources of funding/financial self-sufficiency
- organisation has expertise, capacity
- interest in developing other projects.

Four of the six community housing providers of these case studies were already established providers of social housing, having been incorporated for periods ranging from 9 to 25 years. One other organisation was essentially re-formed in order to access the Fund, while another was newly established for this purpose. All of the community organisations have either demonstrated their long-term commitment to being involved in the provision of social housing, either by their current length of involvement, or in the case of the two recently established organisations articulating this commitment in their set-up and planning phases. These latter organisations have the credentials among their trustees and the support of their communities to be reasonably confident this is the case.

One of the established organisations is the small rurally-based Fowler Trust. One issue that may be of concern is whether the trustees can continue in their roles and retain the interest and commitment shown to date over the longer term. There may be a question about its ability to attract like-minded individuals from a relatively small population base to replace outgoing members of the Trust as and when required.

In all instances, the provision of social housing is integral to the community organisation’s focus and mission, and for all but one of these (ComCare) it is the primary focus of the organisation. In ComCare’s case, the provision of housing solutions is still a major focus of the organisation.

In terms of the way in which the loan facilities for each of these projects have been structured, the housing providers are financially sustainable and self-sufficient, including the ability to repay the term loans that were advanced from the Fund. The larger and longer-established providers have built up portfolios of assets that provide them with alternative reliable sources of income, and have demonstrated their self-sufficiency over time.

The smaller of the established providers (the Fowler Trust), and the two newly established providers (Just Housing and the NTHT) do not have reliable alternative sources of funding. While their current projects are self-sustaining at the rental levels established, any financial reserves they had were fully committed to the project, and rental income (including, for the Fowler Trust, rents from the housing units it already had) is almost fully committed to operational costs and servicing loan repayments. Therefore, they have little scope for building up a stake for a further 15 percent community contribution required under the rules of the Fund (or as a deposit to secure loan finance from other sources). They would be dependant on an ability to attract grants or donations to support further growth as a social housing provider. Although Just Housing and NTHT may have some ability to leverage equity that is established in their portfolios as market values rise to meet a further 15 percent contribution, their ability to do this under the Fund needs to be confirmed. This is less likely to be an option for the Fowler Trust, as it is based in a depressed rural market for housing prices.

The process of capacity building and assessment that was undertaken prior to applications being approved has meant that all the community organisations have the expertise and capacity to operate as social housing providers. While this is perhaps yet to be tested for those newly established providers, the calibre of the people involved in the operation and governance of the respective organisations gives confidence this is the case. Two of the more established providers did have to do some work to get their organisational policies and procedures in order, but both now feel in a stronger position of having the capability and capacity to manage their portfolios of social housing having worked through the process of applying to the Fund. They have reviewed and developed their policies, procedures and systems as a result of having to meet the Corporation’s standards and requirements.

All of the community organisations have indicated an interest in developing other projects, although this may be limited by their ability to attract the necessary capital contribution as identified above. One of the organisations (CORT) is interested in extending its portfolio to a point (another 10 properties to take it to 75 in total) but feels this is the maximum number it could manage. It is, however, now working to support and develop other housing trusts in the Auckland area.

Another of the organisations found the application and funding approval process very demanding, and sees a risk for it in taking on large loans with the Corporation. Its project involves the design and construction of new housing, which it has also found to be a very challenging process. Any further projects that may be contemplated are more likely to be acquisitions rather than new builds.

Range of social housing models and creative approaches to completed projects

Four of the six community organisation projects involved the design and construction of new housing on sites owned by the respective organisations. One of these involved the demolition of two of its properties on adjacent sites that had reached the end of their economic use and building six new purpose-built housing on these sites.

The other two projects involved the on-market acquisition of properties for use as social housing. One of these also involved the purchase of four units that were purpose-built for the community organisation by a local developer/builder. The timing of the construction was such that the community organisation was able to influence the design specification for the units.

For this latter project, the Corporation demonstrated flexibility in its approach. It split the project into two phases when timeframes for getting the Corporation’s Board approval to the whole project put the completion of the sale and purchase agreement between the developer/builder and NTHT at risk. The Board’s approval was sought for the second phase of the project, noting that it took the total financial exposure of Housing New Zealand above the delegation threshold ($1 million) for requiring the Board’s approval.

The construction projects involved stand-alone units and blocks of units. Designs catered to a range of needs, depending on the target groups concerned. These included wheelchair accessible units for elderly people, and designs that reflected cultural considerations of different ethnic groups (among refugee and migrant families).

The on-market purchase projects had flexible loan facilities established. These enabled the providers to draw on them when opportunities presented (subject to providing appropriate condition assessment reports and/or valuations, etc), to take advantage of fast moving housing markets.

Non-government investment is attracted

Non-government investment has been attracted to all of the community based projects. The community organisations have contributed at least 15 percent of the total costs of the projects. These contributions generally took the form of a mix of cash and the value of the land on which projects would be constructed. Most were in the range of 15 percent (in four cases, with one other organisation contributing 16 percent), and one organisation contributed 29 percent of the total project costs.

These contributions come to a total assessed value of approximately $2.28 million of non-government investment (17.5 percent of estimated total project costs across the six community projects), which was matched by $10.78 million from the Fund by way of conditional grants, term loans and suspensory loans.

The sources of community organisation contributions included cash reserves that organisations had accumulated; land they owned or were gifted; grants from a council, a Community Trust; and donations by community benefactors.

One issue that needed to be resolved during the course of one project was whether the value of the land components of a community organisation's contribution should be based on cost or "developed" value, with the issue being resolved in favour of the latter approach.

Projects meet social housing needs of intended target groups

The projects represented among the case studies help to meet the social housing needs of a range of the key target groups for the Fund, although not all of the target groups for the Fund can be represented in such a small number of cases. All the target groups are those with low to moderate incomes. Specific demographical groups targeted by projects within the case studies include:

- elderly people (one project)
- migrant families (one project)
- people with physical disabilities (one project)
- people with a mental health illness or disabilities (two projects).

Two other projects targeted people with low to moderate incomes with housing needs more generally.

Other government objectives met by at least one of the case study projects was that of replacing houses that are at the end of their economic life with good quality medium density housing.

The need for social housing of the respective client groups in these case studies, and key design features to meet those needs, were established by a variety of means. These included:

- specific research either conducted by the community organisations or which they had access to – this included government-funded research and findings from bodies as the Mental Health Commission and Ministry of Social Development, as well as local community based research studies
- consultation with their respective communities, and within networks of community groups and agencies
- letters of support of the project provided by a cross-section of the community, including local authorities, district health boards, government and non-government agencies involved in providing social services to the community, churches and other community groups, and individuals
- discussions of local housing issues with local Corporation offices and local authorities who manage community housing stocks and waiting lists

- the experience of providers – for example, in working with people who experience mental illnesses, in terms of what to look for when considering suitable housing, through managing their own waiting lists and enquiries, and from seeking housing solutions for clients
- information about market rents, and issues of affordability in areas such as central Auckland and the Nelson-Tasman region.

Projects are sustainable without ongoing Corporation support

With one possible exception, the mix of loan facilities offered by the Corporation have been modelled to show that rental incomes from the community organisations' portfolios of properties are adequate to service repayments of loans over the course of their respective terms, for these particular projects. Also the Corporation's organisational assessment and development/capacity building gives confidence that each of the community organisations have the capability to manage their assets without ongoing Corporation support.

The potential exception is where the building quotes for one project came in higher than the estimated construction costs on which the loan facilities were based, and it is questionable whether this project is now sustainable without further support from the Fund. The approach to building on this project is currently being reviewed by the community organisation and the Corporation.

As noted above, however, the income streams for some of the case studies are not going to be sufficient alone to allow them to continue to grow as social housing providers. This is reflected in one example of a community organisation receiving a further one-off capacity building grant from the Fund to enable it to establish an office and cover resources and overhead costs including staffing, to assist it to remain a social housing provider and extend its role in the future. This grant recognises that the community housing provider's current income stream would not sustain the establishment and operational costs for the next year, but does not guarantee any further funding from the Fund or the Corporation.

Effective relationships with community housing partners

During the early parts of the process for each of the projects there were difficulties in the relationships between community organisations and the Corporation. A number of community organisations experienced frustration over the delays due to the Fund's processes being untried and evolving, and a lack of clarity about and guidance on the process to be followed and information to be provided. Also, resourcing levels in some areas were not sufficient, with workload issues and a lack of back-up for staff on leave, moving to new roles within the Corporation or leaving the Corporation altogether.

Other factors affecting the relationships, however, related to:

- a lack of clarity and understanding on the part of community providers about the "partnership" role the Corporation wanted/expected (discussed further below)
- the "invisible nature" and lack of consultation (apart from requesting information be provided) over the development of proposals by the Corporation and during the set-up phase and/or approval process
- concerns about the remoteness of staff from the location of the community organisation

- delays and gaps in communications with providers, including a lack of timeliness in responses to enquiries, a lack of feedback on information provided, or agreed timeframes for action not adhered to
- confusion and misunderstandings over language/terminology used
- a lack of explanation about why certain information was required and how it would be used
- concerns that the Corporation was trying to interfere with organisations' rights to make their own decisions and what are seen as internal issues
- concerns about an over-emphasis on the compliance process leading to feelings there was a lack of trust from the Corporation in the competence/experience of community organisation members/trustees.

One organisation's Board also had a level of mistrust of the Corporation level stemming from a negative experience to do with Housing Corporation New Zealand loans some 12 years previously.

Despite these concerns, relationships between Corporation project managers and community organisations at a personal level were all considered to be strong and effective, and relationships were considered to be quite or very collaborative.

Commitments to regularly keep in touch with each other, a "no surprises" approach to communicating, open and frank discussions, and practicing "active listening" skills to ensure the other party understood what was being communicated were effective ways to ensure good relationships were developed and maintained.

A range of effective mechanisms for delivering assistance, with flexibility to meet community housing needs

There were three types of mechanism for delivering assistance to meet community housing needs:

- conditional grants (all six case studies)
- 25-year term loans with the first 10 years being interest-free and converting to a table mortgage from year 11 (all six case studies)
- suspensory loans (used in three case studies).

The conditional grants and suspensory loans are generally only repayable if the community organisation sells the properties or ceases to use them for social housing purposes within the term of the loan.

Suspensory loans were used when it was shown that the level of rents proposed to be charged (below market) would be insufficient to meet the operating costs of the project plus the assumed loan repayments of a larger amount of loan funding. However, one organisation did feel that access to the suspensory loan was somewhat grudgingly given, despite its availability being identified in supporting documentation on the scheme.

Where the projects involved on-market purchases of properties to be used for social housing purposes, loan facilities were granted as flexible lines of credit that could be drawn upon as and when required. These enabled the respective organisations to respond to opportunities in fast-moving property markets.

As noted above, while some flexibility has been demonstrated in a number of cases, there is a concern that a number of the community organisations have fully committed any financial reserves they had to the project, and that rental income is almost fully committed to operational costs and servicing loan repayments, so they have little scope for building up a stake for a further 15 percent community contribution required to expand their role as a social housing provider under the auspices of the Fund, or support applications for loan finance from other sources.

Another issue facing projects in small rural areas is the depressed property values affecting the value of the community organisation's contribution, and where the cost to build a property may exceed the market value of the completed project.

Sources of frustration for some organisations included:

- not being told "up front" about the availability of facilities such as the suspensory loan
- being made to feel they were being unreasonable when asking about access to a suspensory loan
- feeling they had to "negotiate" with the Corporation to get access to the level of assistance available for capacity development grants, when the availability of these and the financial limits were outlined in published information about the Fund.

The way in which these instances were handled by the Corporation or perceived by the community organisations were indicators that the idea of the relationship being a "partnership" was not genuine, or that it was a partnership on the Corporation's terms only.

Mechanisms satisfy Housing New Zealand and Government's requirements for accountability

In all cases, the mechanisms for organisational, financial and risk management, asset management, and tenant and client services were reviewed thoroughly by the community organisations and the Corporation. These, and the terms of the funding agreement, have satisfied the Corporation that they meet its requirements for accountability.

A number of the organisations did have concerns about the terms of the loan agreement and tried to address these with the Corporation with varying degrees of success.

In one case, the community organisation that felt it had been let down when the Corporation required it to refinance its loans 12 years previously sought to take extra precautions to protect its interests and re-negotiate the terms of the loan facilities agreement. Among other things, the organisation felt the terms of the loan agreement:

- gave the Corporation too much discretion, and was too one-sided
- did not reflect principles of partnership where the Corporation was saying "trust us to act reasonably" but was not offering the same courtesy to the community organisation
- enabled the Corporation to get involved in internal matters not considered its business

- contained subjective elements that could be better drafted to give the Corporation the protection it sought.

This resulted in a protracted negotiation over the terms of the agreement. Eventually, however, while satisfying a number of the organisation's concerns, the revised agreement did not compromise the Corporation's intent and principles of ensuring the benefit of the loan facilities are available for so long as the community organisation continues to provide social housing, and satisfying Government's requirements for accountability.

This experience also raises the issue of whether the principles of partnership translate into the terms of the loan agreement – the Corporation is of the view that they do not, and at the point of the loan agreement, it is a commercial lender like any other. This distinction does perhaps need to be made clearer to partner organisations or better reflected/differentiated in the process to reduce any confusion or uncertainty from what might appear to be an inconsistency in the Corporation's approach.

Another organisation had concerns about the level of repayments during the first 5-10 years of the standard term loan, with these resulting in it having a deficit of approximately $3,000 on average for each unit it purchased under the project that it would have to fund from its wider portfolio. Instead, the organisation would have preferred slower repayments or a longer loan period.

It also felt the 25-year term of the conditional grants was unrealistically long given that circumstances can change markedly over that period of time. As the Corporation would give no firm undertaking of an ability to transfer the conditional grants to other properties, this organisation considered it had little choice but to treat these grants as conditional loans in accounting for them.

A further issue was that the conditional grants were not spread evenly across all the properties it purchased under the loan facilities – they applied to the first few properties in each block of funding it received. This meant the loan values on properties purchased later in a block of funding were higher and the loan re-payments proportionately larger, requiring the organisation to be highly disciplined in managing its cash flows. On the other hand, it also meant that the later properties purchased were unencumbered by a conditional grant.

In a couple of other cases, the organisations felt that the Corporation was being overly risk averse. It was seen as responding to recent publicity surrounding high profile examples of situations involving fraudulent use of government funding, and was being very careful not to be accused of mis-spending public money. For one organisation this felt like a culture of mistrust, even when it had established its credibility.

Criteria and forms of assistance encourage community housing providers to engage in social housing projects

The availability of the Fund and the assistance provided has encouraged all of the case study organisations to engage in their social housing projects.

- The Fowler Trust had a small number of existing properties, but had been unsuccessful in gaining funding to extend these to address the demand that was identified from alternative sources.

- Presbyterian Support Otago was encouraged to take over the previous Just Housing Trust's cash assets, and re-establish the Just Housing Trust for the purpose of accessing funds for the Just Housing project.
- Prior to its project there is the possibility that the Wellington Housing Trust was not working to its full potential. As a result of the work it did during the capacity building phrase, the Wellington Housing Trust feels it is much sharper, stronger and better off. It has a clearer idea of its target market and role in providing housing in Wellington – what it does and wants to do. The proposal development process also gave the Wellington Housing Trust trustees the information they needed to make decisions about its aging housing stock, targeting where to invest, and its strategic positioning.
- If not for the Fund, ComCare may have purchased existing properties to add to its portfolio of social housing, but not on the scale of this project.
- CORT was encouraged to expand its portfolio of social housing faster than it otherwise would have, and without support from the Fund, the scale of purchases would have been much lower, and slower.
- The availability of the Fund and the assistance that provided encouraged a network of concerned community groups and government agencies (the Housing Solutions Group) to establish the Nelson Tasman Housing Trust to provide affordable social housing to those households in need. Without support from the Fund, this project is unlikely to have proceeded at all.

Partnership Priority Framework functioning effectively

The Partnership Priority Framework was a new and untried process for all of these case study projects, and as such did not function particularly effectively. There was a lack of clarity and guidance about the process available, concerns about the length of time it took, and the lack of understanding or acceptance of the partnership relationship the Corporation was trying to foster. A number of case study organisations felt that "*at the start Housing New Zealand was making it up as we went along*".

Since these projects have been through their assessment and proposal development processes, the framework has been changed from a four-phased process to a two-phased process that encourages a more holistic approach. This change, along with greater experience in applying these processes and training for staff involved, should mean future applications of the process are more effective and efficient, although it still needs project managers to clearly communicate the process to the community organisations and ensure they understand what is required.

The notion of "partnership" the Corporation is trying to develop with community organisations is more an issue of attitude and communication, and needs to be more clearly defined and understood by both parties at the outset of the process. Concerns that were identified by community organisations included:

- feeling that the Corporation was trying to undermine their right and responsibility to make decisions they felt were theirs to make
- there being no sense of partnership during the initial set-up phases of one project when there was little apparent discussion or consultation between the parties on how or the

reasons why the financial package was arrived at, compared with the initial proposal put forward

- that a community organisation felt it had to learn and understand “the rules of the game” to work with the Corporation effectively, and only gradually managed to do this
- the application process belonging to the Corporation Project Managers and not the community organisations, with the approval process being invisible to them (for example, a copy of the “Partnership Proposal” is not provided to the “partner” community organisation, and the “partner” does not jointly sign it off)
- the extent of bureaucracy and compliance experienced. An example is having to obtain three quotes for use of contractors, and submit choices for the Corporation’s approval or having to take the cheapest option. This is despite costs of preferred options being within the publicised and allowable limits on the grants available for these purposes, and not being able to just use contractors the community organisations were comfortable or had working relationships with.
- concerns over instances in which the Corporation’s Community Design Team have attempted to modify project designs that community organisations were happy with, or did not give reasons for modifications proposed
- a lack of clarity about what the Corporation’s Community Design Team role is – advisory vs. compliance. This also perhaps relates to the way in which “advice” is communicated and/or a lack of clarity about what are the critical design issues, and what are “suggestions” or considerations for enhancing the quality of the project. (It should also be noted that the advice of the Community Architect/Design Team was very much appreciated in a couple of other cases.)

A further area of concern identified by a number of the community organisations was the lack of a formal commitment to the project by the Corporation, in a couple of cases until a financial package was approved or an offer of funding was made. In one of these, it was not until a funding proposal was made that errors and mistaken assumptions were recognised. In another case, another potential contributor of funds to a project required a commitment from the Corporation before it in turn approved a grant for the project.

The impact of this for the organisations concerned was an ongoing uncertainty that all their efforts would come to anything. It also created difficulties for the credibility of the project coordinator for one organisation with his other stakeholders. The organisation had to assume a big risk when it purchased land when an opportunity came up (there being a shortage of land that was suitable for building on) without having a formal commitment from the Corporation.

While it was clear to these organisations that the Corporation was working through some staged process, there were no “green lights” given to say that the organisation had achieved certain milestones along the way (and no indication what those milestones were). They would have preferred some formal commitment from the Corporation that they were working together to develop the proposal, or that they were eligible to be considered for funding.

The view of the Corporation’s staff was “*of course we were committed – why else would we be spending all that time on the project*”. However, as noted earlier, much of the process was “invisible” to the community organisations. Some needed more formal reassurance such as perhaps a letter of intent that indicated the Corporation was working with them to develop a project without going so far as to guarantee they would get the funding.

Housing New Zealand support roles functioning effectively

In some of the case studies, Corporation project management support roles did not function particularly effectively during the initial phases of the projects due to the reasons outlined above:

- a new and untried process
- a lack of clarity and guidance in what was required from the community organisation
- support roles learning about the process themselves
- support roles being inadequately resourced and therefore unable to give as much attention to the community organisation as it required or felt it needed
- remoteness from the client organisations
- a lack of cover for an extended period of absence or staff turnover.

The remote location of support roles from projects is also something of an issue. While Corporation staff may be used to dealing with issues in this fashion, community organisations are not so accustomed. It is not possible to have a Corporation Partnerships Project Manager in every location, but there needs to be some effort to spend sufficient quality time with an organisation early in the process to understand it, its people, aspirations and environment. Also, some organisations said it would have been beneficial to have had more contact with local neighbourhood units (although these people were often not well-informed about the Fund and its processes). Their local knowledge about contractors and other service providers could have been used on the community organisation’s project.

The impact of staff turnover will always be an issue, for both the Corporation and community organisations. From both perspectives, there needs to be some support or back-up so that the respective organisations can manage any transition between key people seamlessly, and important “institutional” knowledge about a project and the relationships is not lost.

Again, most of these issues have now been resolved and the support roles are better resourced and more experienced. By the end of the projects and once loan facilities and draw-down processes had been set-up, the support roles were generally considered to be functioning effectively, and the relationships with community organisations were positive.

Face-to-face meetings were found to be effective, particularly when levels of frustration mounted and there was confusion or difficult/complex issues to deal with (such as the negotiation of the loan agreement, or understanding the financial model used). Adequate time needs to be allowed for these to identify and discuss the range of questions and issues an organisation will have.

A number of the community organisations commented favourably about the support provided by the Corporation’s Design Team and Community Architect. However, a couple of organisations did not comment so favourably, with concerns as expressed above.

There were also concerns relating to the way in which advice was offered or requests for information were made. On one occasion financial support roles made incorrect assumptions about funding an organisation had for a project, which led to confusion, misunderstandings and delays. Another organisation did not feel well supported by the process it had to work through, thinking it overly bureaucratic and compliance-focused.

These concerns (along with those identified under the Partnership Priority Framework functioning effectively) suggest a lack of consistency and clarity about what the notion of “partnership” means, and in the communication of this to community organisations. This includes defining and communicating where the “partnership” stops, and the role of the Corporation as lender begins. There also needs to be a greater awareness of the impact that the style of communication has on the other parties.

A number of organisations identified other forms of support that they felt would have been useful. These include:

- templates or models of policies that the Corporation wanted the community organisations to develop – this was resisted by the Corporation in the belief that the policies and procedures would be more meaningful and relevant if the organisations developed them. The Corporation also may have considered this was a role CHAI could/should fulfil, although CHAI was not in a position to do so or was slow to develop these
- advice of information about good contractors to approach and use in the development of projects, drawing on the Corporation's experience of developing and constructing its own housing project
- more information at the outset of the process about different building options and their implications – this may have required an earlier assessment of the organisation’s capability and experience in the area of property developments.

Capacity building grants to providers are effective

Two organisations received organisational development grants to develop plans, policies and procedures, and one received a capacity building grant to assess the condition of assets and/or develop asset management plans, policies and procedures. All of these grants were highly effective in achieving the purpose for which they were provided, and the organisations now have sound plans, and comprehensive policies and procedures.

Two of the other community organisations were well-established providers that had good sets of policies and procedures already, and had no requirement for a capacity building grant.

The two remaining organisations needed to develop a set of policies and procedures, and arguably had a need for capacity building grants to do this. However, they were able to secure assistance from other sources, although one of these said they were floundering for 6-8 months over what they had to do and how to go about meeting the Corporation’s requirements, before they linked up with the organisation that provided this assistance. This latter organisation was the small rurally-based Fowler Trust. Its difficulties were compounded by there being a lack of appropriate skills and experience in the small community that it could draw on – in particular, how to deal with government organisations and understanding “government-speak” in terms of both understanding what the Corporation required, and in putting forward its project proposal – and in its isolation and distance from project management support and professional services.

This raises a question about how proactive the Corporation should be in identifying the need for and offering assistance from the Fund where this is required, and any criteria on which this should be based – for example, not all organisations expressing an initial interest will develop into sustainable social housing providers. These cases may also have been affected by some early uncertainty about the processes and criteria for assistance from the Fund. However, there perhaps needs to be an early assessment of an organisation's capability and capacity, and the advice support (and indeed the organisational assessment process) tailored accordingly. The advice provided needs to be more "hands on" support to a group or project that has good potential to meet a community housing need, but lacks experience or key skills (such as the small rural community organisation/project).

Peak Body (CHAI) functioning effectively

The functioning of the peak body, CHAI, was generally not applicable to these projects. Two of the case study organisations did look to CHAI to provide support to build their capabilities and expertise, but found it was itself developing its role, and was not in a position to provide support or assistance when they were working through the processes.

Local Government Housing Fund outcomes

The Hierarchy of Outcomes at Appendix One also sets out the intended outcomes for the Local Government Housing Fund. The anticipated initial/intermediate outcomes are:

- loans and grants are provided for acquisitions, modernisations and reconfigurations
- criteria and forms of assistance provided are effective in encouraging local government to enhance/retain social housing
- A range of creative and innovative approaches to the delivery of social housing solutions is implemented
- collaborations between local authorities, community based organisations, private and central government sectors to provide social housing
- local social housing needs are identified and met
- Partnership Priority Framework functions effectively
- financial assistance is provided for new projects on terms that protect the Crown's investment
- collaborative models for management and ownership of social housing protect the Crown's historical investment in social housing stocks.

These initial/intermediate outcomes are expected to lead to the following long-term outcomes:

- local government acquires new stocks and modernises existing stocks of social housing
- sustainable creative approaches to providing local social housing solutions are delivered
- the Crown's investment in local government owned social housing is protected.

The following summarises the outcomes achieved for the two local authority case studies that were included, and the key issues that arose in relation to these.

Loans and grants are provided for acquisitions, modernisations and reconfigurations

The Timaru District Council (TDC) and Dunedin City Council (DCC) projects involved the construction of new units to add to the respective council's existing housing stocks. The Corporation provided 20-year interest-free term loans to each council, equating to around 50 percent of the construction costs for each project, and totalling over $1.47 million. TDC will construct 23 new one-bedroom units in the Timaru district over two years, and DCC will construct two one-bedroom and four two-bedroom units in Dunedin.

Criteria and forms of assistance provided are effective in encouraging local government to enhance/retain social housing

The availability of the Fund and the assistance provided has encouraged both TDC and DCC to expand their portfolios of social housing stocks faster than they otherwise would have. Both councils have policies of their social housing stocks being self-funding, and setting below-market rents for its low-income elderly tenants. As such there is a reluctance to commit significant capital expenditure over and above what can be accumulated, and the councils are limited in the number of projects they can undertake. Access to the Fund meant that more projects could be undertaken than would otherwise be the case, and one of the councils was encouraged to commit to making a significant additional capital contribution.

One issue of concern is DCC's strategy of selling under-performing stock (in terms of tenancy rates and quality) and replacing it with better located, quality stock that meets a range of criteria, with an overall reduction in the number of housing units envisaged. This is apparently at odds with the Fund's goal of encouraging local authorities to retain or increase their social housing stocks. Also, it was apparent that DCC could cover the total cost of the project, and early indications from DCC staff were that the funding would enable DCC to implement its housing strategy more quickly.

The Corporation tried to ensure that any funds saved by DCC were invested into other projects that protected the levels of social housing stocks, and sought a long-term commitment from DCC to retaining its housing portfolio, and to secure its loan over DCC's wider portfolio. However, DCC was concerned to protect its right to make decisions regarding its wider housing portfolio, and pointed out that because elected councils change, no cast-iron guarantees on future council policies could be given. DCC indicated further projects were being developed with several in the pipeline, and gave verbal assurances that the capital saved on the current project would be used to develop these other projects; the Corporation sought to include this commitment within the terms of the loan, but was unable to do so.

A range of creative and innovative approaches to the delivery of social housing solutions is implemented

Both projects involved a relatively straight-forward approach to building additional units of housing – 23 new one-bedroom housing units on sites owned by TDC, with one site involving the replacement of four obsolete units, for a net increase of 19 units in TDC's housing stock; and six additional units of housing (four two-bedroom and two one-bedroom units) on sites owned by DCC.

Collaborations between local authorities, community based organisations, private and central government sectors to provide social housing

Both projects involved collaborations between the councils and the Corporation only, with the Corporation only providing loan finance for the projects.

For the Timaru project, although the Corporation's Southern Region office thinks it possible that it and TDC may be able to work in partnership to encourage some of the Corporation's elderly tenants in larger accommodation to move to smaller units, there is no current commitment to do so, and such a proposal may in any event be contrary to TDC's purpose in providing more housing for elderly people (rather than just re-housing Housing New Zealand tenants so larger households can be accommodated). The TDC is also keen to work with the Corporation and approach the Fund for financial assistance in a relatively large-scale modernisation and reconfiguration programme to improve the quality of a substantial proportion of its housing stock over the next few years, once its "new build" project is well under way.

DCC is also keen to develop an ongoing partnership with Housing New Zealand, to develop and implement strategies to address some of the housing issues looming for Dunedin in coming years.

Local social housing needs are identified and met

Both projects help meet the social housing needs of elderly people with limited incomes. Sites were chosen that are relatively flat and close to services such as shops and transport.

TDC has identified elderly people as a target group based on population demographics and projections for its district, and from its experience with its own waiting lists. Timaru has a higher than average proportion of its population over the age of 65 (17.6 percent compared with 12.1 percent for New Zealand as a whole in the 2001 census), and the proportion is projected to grow. TDC's social housing units are fully tenanted on virtually a permanent basis, and the Council had a waiting list that is consistently around 25-40 applicants. The Corporation's Southern Region confirmed its support for the project and advised that there was a steady demand for housing for the elderly in this district.

DCC identified the need for housing for elderly people based on its experience with and observation of its changing housing market, and the greater demand for affordable rental housing, reflected in vacancy rates dropping for all DCC housing, waiting lists for placements in DCC housing, and the growing length of time prospective tenants are on waiting lists. There was also growing recognition within DCC of issues associated with an ageing population driving demand for one and two-person housing units.

Designs for the proposed units for both councils were based on the design of housing units that had recently been constructed by the councils, and which appeared to be satisfactory to tenants. While the Corporation's Community Design Team did have some concerns with the proposed layouts and designs in both cases, minimal changes to the TDC design were made as TDC did not accept the need these, and DCC had commenced construction of its units and it was considered that these issues were not significant enough to warrant rejection of the proposal.

Partnership Priority Framework is functioning effectively

The Partnership Priority Framework did not function particularly effectively, at least initially, as there was a lack of clarity about the process to be followed and information required in both cases, which is likely to have been affected by the relative newness of the process and procedures. It is also reflected in one of the cases being dealt with under the initial four-phased approach to assessing the organisation and project feasibility.

One of the councils felt that the lengthy process was overly detailed (the four-phased approach), the approach was somewhat patronising, and insufficient regard was had for its length and level of experience and proven commitment to providing social housing. This dissatisfaction may contribute to it being disinclined to go through the process again, and a feeling that the “partnership” relationship is more grudging than one of mutual respect and collaboration.

A number of issues raised by the councils that relate to the functioning of the Partnership Priority Framework reflect those identified by community organisations in respect of this and effective relationships In particular, these are:

- a lack of clarity and understanding about the “partnership” role the Corporation wanted/expected
- concerns about the remoteness of staff from the council, and not having the ability to easily sit down and resolve issues face-to-face
- delays and gaps in communications, and in making progress
- concerns that the Corporation was trying to interfere with council’s rights to make their own decisions on what are seen as internal issues
- concerns over the way in which the Corporation’s Community Design Team provided advice about project designs that a council was happy with, and the lack of clarity about whether its role is advisory in nature or compliance-focused (which resulted in the project manager over-ruling the design team in changes it was seeking to introduce).

Despite these concerns in both cases the personal relationships between the councils and Corporation project managers are described as strong and professional, and the council expressing more dissatisfaction would still like to work with the Corporation on other projects and housing issues affecting its region in the future, but more collaboratively than it feels this project has been.

Financial assistance provided for new projects on terms that protect the Crown’s investment

The financial assistance approved for these projects were 20-year, interest-free loans. The terms of the loans provide that they are only re-payable (together with interest) if the councils either abandon or do not complete the project, or decide to withdraw or significantly alter their investments in joint-funded social housing during the term of the loans. Also, if the councils intend at any time to sell the land or units constructed with the funding or any replacement project approved by the Corporation, then they will first offer to sell such land or units to the Corporation or to social housing providers approved by the Corporation, at market value.

This protects the Crown's investment in these social housing projects for the term of the loans, and if the councils do decide to sell the units there is an opportunity to ensure they are retained as social housing (although the Corporation may have to pay the market value, in addition to the investment it has made in financing half the construction cost of the projects).

The terms and conditions of the loan agreements were subject to some negotiation with both Councils. The initial period of the loan and the consequences of not holding the property for social housing purposes proposed by the Corporation were rejected by DCC, and it made the point that such terms were not likely to encourage local authorities to remain in social housing. DCC was also concerned about the conditions of the loan that initially secured the loan over DCC's entire housing stock portfolio rather than units the loan was to be directed to, and with requirements to gain the Corporation's agreement if it wanted to dispose of poor performing units. DCC was wary of "unreasonable" restrictions, and wanted to ensure its independence was protected and that it would not lose control over its own assets.

These concerns were exacerbated by DCC not seeing a copy of the loan documentation until late in the process, and then taking issue with a number of points. It appeared to the Corporation that it was then that DCC realised the implications of the loan conditions, and the Corporation's goal of keeping councils in the provision of social housing, although the Corporation believes it had been careful to articulate these throughout the process.

A number of DCC's concerns over the proposed deed and loan documentation were addressed in negotiations and further discussion – the term was reduced, and the security over the property was limited to the property in question. DCC accepted there would be a penalty for opting out of social housing, and this was agreed at a more acceptable level.

TDC's concerns about its loan agreement were also identified late in the process, and it appeared to the Corporation that the TDC lawyer appeared to come into the agreement "cold", without any background or knowledge of what the project (and the Fund) was about despite the Corporation having sent a copy of the loan agreement to TDC earlier in the process. The consequent discussions with the lawyer caused delays to the finalisation of the proposal, without significant change to the intent of the agreement.

These issues raise the need to engage all of the relevant key parties in the process of developing the proposal at appropriately early stages to allow any misunderstandings or concerns to be ironed out in a timely enough fashion. This will help ensure all have a full understanding of the purpose of the project, the intent of the Fund, and the terms of any loan agreement to which they will be asked to commit. This may help avoid any unduly delays to the finalisation of the process.

Collaborative models for management and ownership of social housing protect the Crown's historical investment in social housing stocks

This outcome was not applicable to either of these projects.

Summary

In summary, therefore, it can be seen that most of the outcomes intended for the Fund have been achieved to a greater or lesser extent across both the community organisation and local authority case study projects.

The key achievements include:

- an increase in the provision of social housing by the community based sector to those in need
- social housing solutions developed in response to identified local needs
- the development of sustainable, capable community based social housing providers
- non-government investment attracted to the sector
- the projects themselves are sustainable without ongoing support from the Corporation (with one possible exception)
- the mechanisms have largely delivered assistance to partners effectively, and satisfy government accountability requirements
- the availability of the Fund has encouraged community based housing sector providers to engage in social housing projects
- the capacity building grants, where provided, were effective
- different models and approaches to completing projects have been implemented (although these examples do not appear to reflect a particularly wide range of different models or creative approaches)
- local authorities were encouraged to enhance their social housing, with the two projects involving acquisitions through construction of new housing, in response to identified local housing needs.

There are a small number of key areas for attention.

- While the process of the Partnership Priority Framework has been reviewed and changed since the bulk of these case study projects were completed, there were issues to do with how these processes are applied, and on the basis of these case studies the Partnership Priority Framework cannot be said to be working particularly effectively yet. Although personal relationships are considered strong and positive, organisational relationships are not perhaps so effective. The particular areas of concern relate to:
  - the nature of the "partnership" expected
  - the way in which information or advice is communicated to promote a spirit of "partnership"
  - the application process "belonging" to the Corporation project managers, rather than shared with the community organisation partners.
- In some cases, providers will have limited scope to grow further as social housing providers (particularly the smaller and the more recently established ones). This is due to the structure and terms of the loan facilities having committed all their reserves to their current projects,

and the rental income streams from those projects likely to be fully committed to operational costs and repayments of loan funding. Therefore, they will have limited ability to accrue a stake for investment into further housing projects, and will be largely dependant on receiving donations and grants to build these stakes. This is despite at least some providers feeling they have the capacity and capability to do more, and larger, projects.

- While the capacity building grants that were provided were effective, only two organisations received these, and three other organisations may have benefited from them. Two of these were fortunate in obtaining assistance ("hands on help" or a grant) from other organisations, but all would have benefited from an early assessment of their capability, knowledge and experience to undertake the project and relevant assistance (or advice) provided.
- The peak body, CHAI, has not been able to support these projects, or groups. This is due in part to it only recently being established, but some of the groups considered it needed to do more/get up to speed more quickly.

Success factors

During the course of the case studies the participants were asked to identify the key factors that contributed to the success of their respective projects (which was deemed to be that applications to the Fund were accepted and funding approved). A range of factors were identified, that could be observed in either the community organisations/local authorities or the Corporation, or both. These are described below, for community organisations/local authorities and the Corporation respectively.

Success factors for community organisations and local authorities

The skills and experience of key personnel involved in the project, and the strength of community networks and support, were each identified by/in six organisations. The presence of "project champions" and a good financial base or funding grants that made the project possible was observed in five organisations respectively. Four organisations identified the strength of their relationships with the Corporation as a success factor. The experience and track record of the three long-standing community organisations was considered a key factor in the success of their projects. Three organisations identified the commitment by their governing bodies (trust boards and council) as a key success factor. A range of other factors were identified by, or observed in, one or two organisations each.

These factors are described more fully below.

The skills and experience of key personnel

A range of skills and experiences was represented among key personnel (which included paid staff and trustees) from community organisations and local authorities that made them particularly effective, although not all people demonstrated all of these. This range of skills and experiences includes:

- property management and development. This included people who understood the nature of the projects proposed and had a clear idea of information likely to be required to support applications to the Fund (and take steps to pull this together to support its application in the absence of clear guidance from the Corporation). They could relate to Corporation project managers at a professional level in terms of dealing with property issues, and had a clear understanding of necessary property management disciplines, policies and procedures
- understanding the community social housing sector, the issues and the "players" within it. This was often supported by long experience in the sector or having participated in or conducted key research projects
- understanding community funding processes. These people were alert for opportunities, able to pull together good applications for funding, and demonstrated an understanding of the type and nature of information required
- building strong networks and supportive groups, such as among trustees, with other community groups and people in the community to "help get things done"
- good business skills, including a knowledge and the application of good business systems and processes, financial management and disciplines, together with a realistic appraisal about what can be achieved
- trustees with complementary skill sets and experiences including financial, management, legal, property, community development and an understanding of the specific needs of the organisation's client groups. This also included trustees who were united by a shared philosophy, motivation and/or commitment.

The strength of community networks and support

The presence of strong community networks and support is a key to the success of all the community based projects. These networks may include other social service organisations and agencies, both government and non-government; councils and their agencies (such as economic and community development units); community groups; links with complementary projects; professional services; and members of the community generally.

The community support demonstrated for a project is a key factor the Corporation looks for in assessing applications for funding. This support may assist organisations by:

- providing sources of funding, such as grants that can be put towards the community organisation's capital contribution or operational funding
- supporting paid positions with a Trust, where the time of a manager or coordinator may be "paid for" by a stakeholder organisation, or providing administrative support, systems and infrastructure (eg., office facilities) for a community organisation
- helping organisations understand the needs for social housing, allowing them to consult effectively, such as over the design of housing units to ensure they are suitable for the target groups, or the extent of need for social housing in an area
- providing expertise, and a resource to undertake work (such as develop policies and procedures, and prepare the application)
- providing a source of motivation to continue when projects face delays or slower than expected progress

- identifying opportunities to act quickly to achieve goals (eg., one organisation was able to identify a suitable plot of land to purchase through its networks of contacts, and act to secure it for its project)
- helping the organisation maintain a high profile, which may become important when fund-raising.

The presence of “project champions”

All the projects had key contacts in the applicant organisations, which were the main people the Corporation worked with to develop proposals and projects. However, some were described as “project champions”, suggesting they brought an added passion, commitment and conviction of the worth of the goals to the project. These people championed the project by:

- advocating its worth and benefits to those who may have doubted this
- maintaining the motivation and focus of their group on their ultimate goal through difficult times, such as frustrations and disillusionment with a lack of progress
- leading the group and effectively utilising their complementary sets of skills
- worked to overcome hurdles, such as a reluctance to accept conditions laid down by the Corporation, overcome previous grievances against the Corporation, dealing with set-backs such as costs coming in higher than expected, and so on.

Financial base or funding

The financial base of the organisation, its initial cash asset or ability to secure a sizeable cash injection, proved key to the success in five projects. The small established trust had to approach its original benefactor for an additional injection of funding when costs of its project escalated, the market value of its land contribution was lower than expected, and it struggled to meet its 15 percent capital contribution threshold. One newly established trust was able to secure a significant cash donation, which funded its 15 percent contribution. A re-established trust had the use of a cash asset from its predecessor, and was able to attract a council grant to meet its capital contribution.

Two of the longer established organisations had established substantial cash reserves which enabled them to meet their capital contributions and invest in their projects.

Relationships with the Corporation

All of the organisations considered they had good personal relationships with Corporation staff (at least by the end of the projects), but four went further to say these were key to their success. Two organisations had a history of working with the Corporation, and were currently involved with the Corporation in other aspects of their roles as social housing providers. For one of these, this was particularly important as organisational relationships became strained during the project, and frustrations mounted on both sides.

The relationship of the Corporation with one other organisation was described as collegial and constructive. The key participants worked together to identify solutions to issues, and were open to each others suggestions and ideas for the improvements of policies and processes. Each recognised the good work that each other brought to the project. Another organisation considered that once its project had been set up, the relationship ran very smoothly, with this helped by the organisation understanding and following the process put in place, and demonstrating good judgement in its property purchasing decisions.

Experience and track record as a social housing provider

The experience and track record of the three community organisations that had been established for some 19-25 years each was a key factor to the success in having their project proposals approved. This length of experience gave the Corporation confidence that they were committed to being social housing providers “for the long haul”, and could take a long term view of their role. It also meant that they had been able to build up substantial portfolios of housing assets, which provided them with reliable alternative sources of funding and demonstrated they were financially strong and sustainable.

Two of the providers had experience of other similar schemes to that of the Fund, including the transference of then Housing Corporation New Zealand subsidised mortgages to interest rates and the private sector when the Government and its policies changed. The impact of this experience on the current scheme was markedly different between the providers, however. One was distrustful of the Corporation and was concerned to protect itself should a similar situation arose again. The other appeared more accepting of the situation and possibility, and confident that with its experience it could manage the consequences of any similar shift in Government policy.

Commitment of governing bodies

Generally, all of the case study organisations were committed to their projects, and would not otherwise have been involved in the provision of social housing if they were not. However, this was singled out in a small number of cases as being key to the success of the respective projects.

In one of the local authority projects, prior to initiating the application process the council re-affirmed its commitment to the provision of social housing, and pre-approved a significant injection of council funding for the project. This demonstrated to the Corporation that the council was fully committed from the outset.

The small rural trust had struggled for some time to secure grants to increase its portfolio, before the Fund became available, without success. Being one of the first projects under the scheme, it was particularly affected by the lack of clear guidance and process. It was also in a quite remote location, was unused to dealing with government bureaucracies and did not have access to the skills and experience it needed within its local community. Despite this, and the lengthy and sometimes frustrating process, it had a determination to succeed based on the belief in what it was trying to achieve.

A third organisation shared a common philosophy, sense of purpose and approach that enabled it to form a strong and stable group of trustees over many years. This strength also came from the group growing out of a church infrastructure, where the individuals have a common basic philosophy to collaborate and volunteer their skills to assist those in their community who are in need.

Other key factors

As noted, there are a range of other factors that were highlighted as keys to the success of projects in one or two projects each.

Being required to work through and develop the policies and procedures to support their application was a positive for two organisations. As a result of this organisational capacity building the two organisations considered they were in a stronger and better position than they were previously. For one of these, the process tested their commitment, and helped build skills and knowledge within the organisation. For the other, the process helped the group re-confirm their mission and purpose, which in turn helped re-vitalise and enthuse trustee members.

Effective communications were identified by two organisations. For one this included keeping in frequent contact and providing regular progress reports, and adopting a “no surprises” approach to communication issues. For another organisation, practicing active listening skills was a key factor, once it was realised that it had a different understanding of terminology used by the Corporation than was intended. Active listening means ensuring there is a clear and common understanding of what is being communicated, by clarifying what is understood by terminology used.

Using a recent housing design for the construction of new units, and being able to show actual housing built to this specification to the Corporation project managers and design team, was a successful factor for one council. This cut down the time involved in the design and design review process considerably. (It may be noted that the Corporation does not necessarily see this as a good thing, if the design doesn’t meet its design standards, and the client becomes resistant to changing the design).

Success factors for the Corporation

The Corporation’s commitment to making projects a success

The Corporation’s commitment to making the projects successful was recognised in the efforts of the project managers concerned, other support roles in the Corporation, or more generally. Illustrations of this include:

- this was a new initiative that the Corporation generally wanted to succeed
- individual project managers describing themselves as excited about projects due to them being the types of start-up opportunity the Fund envisaged
- recognising the need to develop social housing providers in difficult housing markets (such as Nelson-Tasman and central Auckland) and wanting the community groups to be established successfully
- project managers “advocating” on behalf of the project to overcome hurdles and resolve issues (such as new questions raised for which there was no current policy or corporate view on a response, or highlighting the calibre and experience of people involved in new organisations as a trade-off for a lack of financial history and track record)
- new appointees to project manager positions wanting to make a success of early projects
- a feeling of pressure to succeed with the Wellington project, in particular, as it was more obviously under scrutiny from central Government, being in their “back yard”

- the contribution of other roles to making the project a success, including the community architect/design team (although not welcomed in all cases) and finance roles (for example, visiting providers to talk about/explain how the financial modelling worked).

Face-to-face meetings and site visits

The face-to-face meetings and site visits were welcomed by applicant organisations and considered key to the success of their particular projects. In one example given, visits of the project manager and community design team to a council's proposed building sites and to see housing units that had been built to the proposed design were considered critical. This enabled the Corporation's staff to have an informed view about the project and proposed sites, and be better able to respond to questions about it.

In another example, face-to-face meetings between key decision-makers were a useful way to deal with difficulties that arose over the terms of the loan agreement. This allowed the decision-makers to communicate directly, rather than through the intermediary project managers each party had been using, so that immediate, authoritative responses could be given to questions and issues raised by the community organisation.
Other organisations also indicated that they would have welcomed more opportunities for face-to-face contact and support, especially where project managers were remotely based.

Assistance from the Fund

The ability to access a feasibility grant to investigate a proposed site, identify options for its development was a key factor for one organisation, as it confirmed the site was suitable for development and not as bad as the organisation first thought. Other organisations also accessed feasibility grants, but few regarded them as key factors for the success of their project.

Access to capacity development grants to develop business plans, policies and procedures was critical for another organisation. It had no internal resources or expertise to do this work, and was able to engage skilled consultants to do it (although the organisation did have concerns about the process of accessing this grant, the extent of the policies required, and the lack of information/guidance about what policies were required).

Communication of the Fund approval process, information requirements, timeframes

One organisation said that once a project manager was able to communicate what the approval process was, the information that was required and give some indication of timeframes, this was critical to the success of their project. This reinforces also other concerns raised by organisations about the lack of this type of information.

Other issues

As well as these issues more particular to the Corporation, some of the factors identified for community organisations and local authorities also have relevance for the Corporation. These include:

- the skills and experience of key personnel, especially in terms of managing and communicating the process, understanding community organisations and development of these, and positive examples of assistance provided by the community architect/design team

- personal relationships established with providers
- effective communications practices.

Lessons learned

A key purpose of the case studies is to learn from these experiences so that improvements can continue to be made to ensure the ongoing success of the scheme, and lessons can be taken forward for future projects or collaborations. Participants were asked to identify the key issues that arose for them, what worked well (the success factors identified above), what didn't work so well, and what could have been done differently, with the benefit of hindsight.

The learning from their feedback is summarised in this section as "lessons learned". These may be in the form of advice to other community organisations considering becoming a provider of social housing, or suggestions for the Corporation to consider as it approaches and works with other applicants to the Fund. These "lessons" are described separately for community organisations/local authorities and the Corporation respectively.

Since these case studies started there have been a number of changes to procedures, policies and processes under the Fund as a result of these and other early experiences with projects, and the process evaluation that was completed in June 2005. Guidelines and information for applicants has also been published (the website has been updated as recently as this month), which was a key area of concern for case study applicants. Accordingly, a number of the issues identified in the course of these case studies will have been addressed. Therefore, the "lessons" outlined below will not dwell on those process and procedural issues that have already been addressed, except to reinforce those points that need to be kept in mind by the parties when approaching any future project.

Lessons for community organisations and local authorities

Preparation for the project

Almost all the case studies highlighted the need for potential providers to prepare themselves for the project in various ways. This will be assisted by the guidelines on how to apply to the fund and the information required in an application that are now available on the Corporation's website. The key points arising from the case studies are outlined below.

For most organisations the commitment and support of the Board or Council for developing a project proposal with the Corporation will not be an issue, but for larger organisations that have a separate management structure to the Board, and for Councils, it is desirable to confirm this commitment and support for developing social housing and gain agreement (at least in principle) to working with the Corporation to develop the project.

For local authorities, the early re-affirmation that it is committed to investing in the provision of social housing will give both parties the confidence to proceed with the development of the proposal, and avoid having to get approval when the project has been further developed later down the track. For community organisations, their respective Boards need to be committed to the project, and any issues need to be surfaced and addressed. In particular, the key terms and conditions on which any loan facilities that might be offered need to be made clear and the organisation prepared to accept these.

The organisations can develop and maintain key documents covering its policies and procedures for organisational and financial management, property and asset management, and tenant services, and ensure the charter or objects of the group permit it to enter into the proposed project.

The organisations need to develop a good basis of evidence of the needs for social housing and ensure that this has been identified in a robust way.

Key roles should be assigned for the project, such as responsibilities for overall project management, legal issues, property management, finances, policies and procedures – this is especially important for those community groups that do not have paid staff available.

Develop a network of key contacts and external advisers, if the organisation does not have the key skills in-house or among its trustee members. These may include the professional services of an accountant, lawyer and/or property manager, or support from an organisation such as a council economic/community development agency.

Talk to other organisations that have been through the process, to understand what is involved in it, and the level of commitment required.

Consider at an early point all possible options for the project – whether it is building new housing, buying existing housing, or some partnership arrangement.

Identify and involve key personnel in the project

Those key people that need to be involved and/or consulted in key decisions on the project should be identified and involved at an early point, and the nature of their involvement understood. This might include the lawyer that needs to check the loan agreement before it is signed, key Board members, councillors on a key committee, or other senior managers. These people need to be informed of the project, its purpose, and the key terms and conditions for accessing the Fund so there are no undue hold-ups or surprises later in the process, and their interests and views are recognised and accommodated. For example, having a lawyer check the terms of any proposed loan agreement early in the process will allow time for discussion of these if required.

It is also important for both parties to confirm their own and understand each other's decision-making procedures, and their respective mandates and authority to make decisions. For example, a council may have to ratify a loan agreement above a certain value; the Corporation's Board must approve loan facilities in excess of $1 million. Understanding these issues from the outset will allow the parties to plan their timeframes accordingly, and manage their expectations.

Importance of communications

The importance of maintaining effective ongoing communications is almost self-evident, but was again highlighted in a couple of the case studies. This includes ensuring that each party has a clear and shared understanding of what is being communicated, and that community organisations, in particular, have the confidence to ask questions to clarify anything they do not understand.

Keeping in regular contact and communications, and ensuring a “no surprises” approach is adopted, will assist also in developing and maintaining good relationships between the parties.

Clarity of purpose, vision and maintaining focus

Case studies reiterate that community organisations need to be clear about what they want to achieve, to be realistic about this, and to keep focused on their goals. This is particularly important if the process is taking longer than expected (as it will), or some setback is suffered, and a period of frustration or disillusionment sets in.

It was also emphasised that a long-term commitment to providing social housing is required, and organisations need to be realistic about what it is they are getting into, and to understand the terms and conditions of conditional grants and loans, repayment issues, and the implications/ consequences and affordability of these, as they will have legally enforceable obligations. They also need to realise that, as social housing providers, if they lose interest or pull out they could hurt the people they’re trying to help.

Good community support networks important

As was outlined under the key success factors, the development of good networks and support groups within the community is important. These can provide organisations with additional support, access to information and expertise, can help identify opportunities that will promote the cause of the organisation (for example, for funding, resources, promotion, collaborations on projects). A wider collective group can also be more effective at lobbying for support.

Develop good relationships with the Corporation

A couple of organisations highlighted that it is important to develop good relationships with the Corporation, and to recognise that the process is about developing trust and working in partnership (see further discussion of this point under lessons for the Corporation). Communication is one part of this, but it is also being proactive in engaging the Corporation in the process and taking a long term view of relationship.

The calibre of people is important, particularly for newly established groups

A lesson for community groups is that the lack of a track record and financial history as a social housing provider is not necessarily a barrier to a project receiving approval for funding from the Corporation. It will be important, however, for new groups to ensure they have experienced people on board with a good mix of relevant skills represented, including business and financial skills, knowledge and experience of social housing sector and in working with their target client groups. The group needs to operate in a business-like way, with sound policies, procedures and systems in place. The Corporation will also look closely at the quality of thinking the group has done in support of its application.

Spread the risk

Two case studies highlighted that it is important not to rely totally on getting access to funding from the Corporation and the Fund, or all that they want/need. Organisations need to build their contributions from other sources, and desirably accumulate more than the minimum 15 percent contribution required. They should also recognise that projects almost always take longer and cost more than expected.

Lessons for the Corporation

The following areas draw conclusions and suggestions from the case studies for how the Corporation's processes and outcomes can be improved. These generally relate to managing relationships and the expectations of "partnerships" that the Corporation and providers have.

Processes, criteria, expectations

The need for the Corporation to provide early clarification of processes for developing and approving proposals, information required, and likely timeframes are common themes across almost all the case studies. As these projects were commenced relatively early in the life of the Fund, and the processes have since been reviewed and website resources/guides have been developed, many of the concerns leading to these issues being raised will hopefully have been addressed (they were also identified in the process evaluation).

The case studies raise a number of other aspects to do with the process and expectations that it is relevant to summarise here as "lessons" for the Corporation to take on board if it hasn't already done so. These include:

- ensuring the critical criteria to be met for a proposal to be eligible to be considered, and the key terms and conditions for acceptance of an offer of funding, are spelt out clearly and early, so organisations can at least self-assess their readiness, capacity and willingness to pursue an application for funding on those conditions
- clarifying the nature of the "partnership" expected – what is meant, how the Corporation expects the parties to work together, what the Corporation brings to the partnership, how it expects the relationship and role of the provider to develop over time. The distinction between partnership for the development of a project proposal and the role of the Corporation as a lender is particularly important to make
- the Corporation to formally confirm its commitment to working with providers to develop projects. This could be a letter of intent without guarantees of further funding, and/or confirmation of key milestones being reached in the process (such as acceptance into a developmental phase)
- ensuring there is consistency in **how** the process is applied by different project managers (which will assist also if there is a need for transitioning of staff)
- explanations of why the information requested is required, and how it will be used to develop the proposal or in decision-making about the proposal.

Identify and involve key personnel early in project

Just as the applicant organisations need to identify and involve key personnel early in the project, so does the Corporation. Case studies identified that it would have been useful to have involved the community design team earlier in the processes, with visits to proposed sites, inspections of units based on proposed designs (if available), advice and information about building and design options, and the identification of design "show-stoppers". The critical features that must be present need to be distinguished from what may be suggestions or options for consideration to improve the design and/or quality.

Early communication of terms of loan facilities

To reiterate the point made above, the early communication of the terms and conditions on which loan facilities will be offered should be clearly communicated early in the process, especially those terms that confer rights and obligations on either of the parties. Consider also providing plain-English "short-form" versions of the loan agreement. This will allow organisations to decide whether they are prepared to accept finance on the terms offered in an informed way. It will also allow time for any issues to be clarified and where necessary resolved in a timely fashion so that they do not hold up resolution of the project, as was the case in at least two of the case studies.

Adapt approach to needs and experience of providers

The Corporation has changed to a two-phased process to assessing an organisation's capability and the feasibility of the project. It is important also to keep in mind that a "one-size-fits-all" approach to these assessments will not be appropriate. The approach needs to be tailored to the level of experience and capability of the organisation, including due weight given to an organisation's track record and experience. This may require more "hands on" support and assistance for those organisations lacking relevant experience. It may also require taking a more holistic view of the experience and commitment of an experienced provider and not insisting on every single detail of documentation.

The Corporation may need to be more proactive and perhaps undertake an initial or preliminary assessment of the capacity and capability of an organisation. Such an assessment may need to review whether the organisation requires more or less support and assistance, and whether the proposed project concept has got potential. Examples of organisations that may require more "hands on" support and assistance include: small groups in locations that do not have access to appropriate resources and skills in their communities, with more time spent in initial development phases; and groups that have little or limited experience in property development projects of the nature proposed.

Adapting the communications style

The level and nature of the skill and experience of the organisations should also influence the way in which an organisation is approached and the style of communications. An experienced, reasonably large-scale provider, or one with obviously highly skilled and capable people involved, is less likely to be willing to accept "advice" or requests for information that are presented in a way that could be seen as interference in its right to self-determination and autonomy. Such a provider's experience and capability needs to be respected, and the relationship managed accordingly. The Corporation must temper its expectations of being involved in and consulted about decisions that fall within the general powers, responsibilities and competence of the partner organisation.

A less experienced organisation may welcome greater involvement, guidance and advice from the Corporation. Project managers and other Corporation staff dealing with applicant organisations quickly need to gauge which styles will be most effective and adapt accordingly.

It will also involve tailoring the language and terminology used to reflect the backgrounds and experience of the organisations, and for the Corporation to do its part in ensuring the other party clearly understands what is required or being communicated.

Maintain momentum

Project processes are almost always likely to take longer than the parties initially expect, even if there is good guidance about the process. For volunteer-based community groups, the timeframes are likely to be even longer, as they will often be unable to dedicate full-time resources to a project. The risk of projects taking longer than expected is that this can lead to frustrations and potential periods of disillusionment, where the motivation of parties involved may be lowered. This reinforces a need to manage expectations about the process from the outset.

Corporation project managers also need to be alert for signs that a project is losing momentum or going "off-track" due to various reasons, and act to try to maintain that momentum or bring it back on track. If momentum is completely lost, the Corporation loses the value of the time and any money it has invested in a group to develop its capacity or the project'. It also loses a potential provider of social housing that can address a local housing need; and its reputation suffers. Other potential providers may be less likely to come forward and begin the process. All of these situations defeat the purpose of the Fund.

Ways in which momentum or motivation can be maintained, apart from working to resolve hurdles or blockages to progress, include:

- keeping in regular contact with groups
- not allowing long gaps without communication
- asking for or giving updates on progress
- checking if there are any problems
- offering support for resolving these if appropriate.

If there are issues developing that are taking the project off-track, these need to be identified and addressed early. The role of the project manager will shift between coach, facilitator, mediator, advocate, problem-solver, coordinator and adviser.

Back-up for staff absences, turnover

In the early days of the Fund, there were issues arose because of a lack of back-up for staff who were absent for lengthy periods, or who left their roles or the Corporation. While resourcing has increased, so too has the level of interest in the Fund. It will continue to be important that there is appropriate back-up in place to manage staff transitions relatively seamlessly from the client's point of view. This means systems and processes to ensure knowledge of a particular project is shared, and that there is a back-up with some level of familiarity that can step into the role of project manager or key contact at relatively short notice.

Where there is a transition with a period of notice (for example a staff resignation), it would be important not to relax and think there is plenty of time for any handover to occur. An orderly transition needs to be managed with a full briefing of any temporary back-up roles (pending permanent replacements), documentation of the project and status of any issues that are outstanding.

Involvement of local neighbourhood units

Some projects have identified that greater contact and involvement with Corporation neighbourhood units would have been beneficial, especially if project managers are remotely based. This would help develop a closer relationship with the Corporation, and provide access to people who understand local issues and have access to suppliers/contractors of services that the Corporation has used in its own role as a developer of housing. This requires that these local staff have a greater understanding of the scheme than was reported in the case studies, so they are able to offer support and assistance.

Summary comment

As noted in the introduction to this section on lessons for the Corporation, these lessons generally relate to the management of relationships and the expectations of “partnerships” between the Corporation and providers. They do not address issues relating to the sustainable growth of community based organisations as providers of social housing, identified through these case studies.

The key issue is where the terms of loan facilities and rates of repayments utilise all a community organisation’s financial reserves and fully commit revenue streams to repayments and property operating expenses. This leaves little scope and ability for the organisation to accumulate further capital contributions to fund new units of social housing, except by reliance on grants and donations.

The investment the Corporation has made in developing the capacity of providers could be limited to a series of small one-off projects, despite the need for growth in the social housing sector. Unless growth can become self-sustaining, providers without significant other housing stocks in their portfolios may become unsustainable. If investment is one-off, then this may compromise the capability that has been established, and diminish the interest and commitment of the providers to become involved in a project. In turn, this may result in a loss of commitment, or reluctance to embark on the process at all.

This issue raises the need to consider the following questions and points.

- What is the role of the Corporation as lender in the context of the Fund’s goals?
- What rate of return on its investment should the Corporation aim to achieve? Is the current rate of return expected too high for the purpose and goals of the Fund?
- Can funding be provided in a way that allows the community housing providers to establish capital reserves to fund further social housing development (with appropriate conditions on how those reserves might be used)? Examples might include:
  - lower repayments through the first years of the loan
  - longer loan periods (eg., 30 years)
  - greater use of suspensory elements of the loan package, such as higher proportions of the total funding available, or suspending and writing off repayments over the first 5-10 years of the loan (if these are paid into a capital reserve fund and used for social housing developments).

The case studies illustrate good examples of how the Fund has helped to establish sustainable projects and capable community housing sector providers. What has not been demonstrated so well (except for those already established providers with sizeable social housing portfolios) is how the growth and development of the sector can be supported and sustained.

These issues were considered at the internal workshop, and the ideas and comments from this are presented in the next section.

Workshop findings

The draft findings from this part of the evaluation were presented to a workshop of National Office and Regional Delivery staff from the Corporation, and members of the Evaluation Advisory Group. A full list of participants is at Appendix Four.

Following the presentation of the evaluation findings, the workshop participants brainstormed a number of ideas about how the Corporation could make the Housing Innovation Fund more effective, or "stretch" the Fund to make it go further.

The presentation and brainstorming session formed the context for the workshop to consider the following key questions:

- What does it mean to work in "partnership", particularly in terms of building and maintaining relationships and communication?
- How will the effects of the Housing Innovation Fund be sustained?
- What do the evaluators need to look for in the next phase of the evaluation?

Making the Fund more effective or go further

The ideas for making the Fund more effective or go further that were raised in the brainstorming session were not evaluated or explained in great detail. They are presented below, grouped according to the similarity of the themes. These are available for the Corporation to explore further as required.

Alternative partners/partnership structures

- Partnerships with the private sector; [use Fund] as a subsidy.
- Collaborate with different partners – for example, community trusts, iwi, local authorities or churches.
- What types of relationship do we want? Note relationships at can be national, regional and local levels; can be strategic and operational.
- Develop relationships with other organisations that provide care/support services; work in partnership to develop their capacity to provide social housing.
- Potential partnerships with churches.
- Creating an overarching group structure (eg, a co-operative, "parent company") of small providers – creates leverage through increased asset base, share HR and IT expertise/costs, economies of scale.
- Need to start thinking at providing 'whole of government' approach – not just meeting housing needs but addressing social needs. Need to develop mechanisms to work across government.

- Link up to other government agencies and identify the Fund's contribution to their outcomes, which can create leverage. There may be potential partners and source of funding.
- Integrated solutions/integrated sustainability.
- Develop private sector sponsorships.

Alternative sources of funding/ways of using the Fund

- Project managers working with CBOs to access alternative sources of funding – for example, Public Trust, ethical lenders.
- Break financing requirements into components and, eg, the Fund covers infrastructure costs, with other lenders (eg, banks) funding actual construction, etc.
- Use the Fund to subsidise or cover interest payments to other lenders.

Criteria/defining need

- Picking the "winners" – pick the winners based on their (potential) capability. Winners could be mentors, but how do you pick them? What are the criteria?
- Review the overall approach to decision-making – is the need at a national, regional or local level? Is it a geographic versus sector need?
- Take a bottom-up approach – the need is identified in and by the community, and then develop the group/structure around it.
- Need to identify projects we are going to support.
- The Corporation becoming a 'developer' – identify/allocate community social housing in new developments.
- Do not have clear understanding of housing needs (note – methodology/tools developed to help groups identify it). Need to develop national and regional overview of needs.
- Organisations such as CHAI may be able to have better dialogue/leverage with community organisations than the Corporation.

Working in partnership

Participants generally agreed that there is a need to clarify and define what "partnership" means and how a partnership operates. There is a need to clarify the roles, terms and conditions of the partnership relationship between each partner, and the respective roles and expectations of the partnership.

It was recognised that "partnership" will mean different things to different groups and communities – for example, Māori, Pacific and other ethnic groups, or different community groups. It was also recognised that different groups need different approaches. This will require the Corporation to be flexible, to understand the different resources needed by different groups and the different motivating factors for wanting to be involved in social housing project. The term "partnership" and the nature of it needs to be defined with each group.

Different groups of workshop participants approached the question about what it means to work in partnership in different ways, including at a strategic and operational levels.

At a more strategic level, one group questioned whether the term "partnership" was in fact misleading, particularly as the Corporation grapples with the issues of a finite amount of money in the Fund and an excess of demand. This is driving the Corporation to manage the expectations of community groups and local authorities, develop and apply criteria for prioritising applications to the Fund, and look for new ways of working with groups to pull together funding packages.

The brainstorming session identified, among other things, the prospect of working with groups to build "community collaborations and partnerships". These might develop in geographic areas that may have an identified need for social housing, but have a range of smaller groups focused on the needs of their respective target client groups.

A community collaboration might take the form of a cooperative or some other collective group that can provide an "umbrella" organisation to coordinate and support the efforts of member groups, or develop projects for the member group needs. Such a "collective" could provide a focus for resources, skills and expertise. It could carry more weight in attracting new funding when dealing with other funding agencies apart from the Corporation. The role of the Corporation in this context may be more of a coordinator and facilitator of the establishment of such a group, and helping it to develop applications for funding from a variety of sources, including but not limited to the Fund. It will also require the Corporation to think carefully about what it wants to achieve from a more strategic relationship, and how it will commit to and support that.

The brainstorming session also identified the prospect of looking for integrated solutions to meet needs for social housing and sources of funding. In this context, the role of the Corporation Project Manager may be to help the group/s develop their capacity and again enable them to approach a range of different Government agencies to support/fund their project, with the Fund being just one of a number of possible sources.

Until now, the role of the Project Manager has been to help a group identify its needs for capacity building and organisational development in order to be a sustainable provider, and put in place mechanisms (through grants) to meet these needs. They have also helped the group to scope and define the project it wants to undertake, and test its feasibility, again with the assistance of a grant from the Fund. Once an organisation has put in place the necessary policies, procedures and systems to give the Corporation confidence it can become a sustainable social housing provider, the Project Manager develops a proposal to apply for funding from the Fund.

One group challenged whether it is a partnership at all if the outcome is pre-determined (i.e., a proposal and application for funding from the Fund) before the process begins. It suggested that a true partnership is one where the parties work together to develop a solution that meets their respective objectives and needs. Also, while there will be shared objectives, each partner may have its own unique outcomes that need to be accommodated. The outcome of the process and "partnership" might not necessarily be an application to the Fund for all the funding, or a financial package structured in a particular way and with limited flexibility. The development of housing may itself be only one possible outcome.

In the examples identified above, a Corporation Project Manager may become more of a facilitator or "enabler". One group at the workshop used the term "integrated solution brokers". Instead of a partnership, the Corporation would be collaborating with, or empowering, a group to develop as a sustainable provider with the ability to attract funding from a range of different sources, one of which might be the Fund.

These issues raise the question of whether the Corporation should be using the term “partnership”. If the Corporation does re-focus its role in working with community groups along these lines, it would assist in the differentiation of the Corporation’s role as “enabler” and that of commercial lender.

Other groups described the nature of the partnership expected with community based organisations (and presumably local authorities) in more operational terms, as a way of working with them. Key features of this included:

- reaching agreement on the ways of working with each other, explicitly identifying terms of engagement (eg., like a pre-nuptial agreement), and agreeing a process for how to manage/resolve conflicts that will arise
- clarifying the [application and approval] process from beginning to end
- being flexible and accommodating the different ways of working among different groups
- being approachable and honest with each other, and attempting to speak the same language
- ensuring there is regular contact, with face-to-face and/or site visits
- ensuring there is transparency and [building] trust, by being open and honest up-front, and acting in good faith
- ensuring there are no surprises – for example, providing a copy or example of the loan agreement to show what it looks like.

A number of comments were in the nature of the attitude to be adopted towards the partnership. This included:

- valuing and sustaining the relationship
- recognising the relationship will be ongoing and long term in nature
- having a commitment to open communication
- recognising that it could take a lot of hard work to keep the relationship functioning, and being prepared for that
- acknowledging that there is a potential for conflict, in particular the apparent contradiction of the development phases with the Corporation’s role as lender
- recognising that the “partners” are not always equal, and that there is power imbalance that the Corporation needs to take into account.

Sustaining the effects of the Fund

Workshop participants identified a range of suggestions for sustaining the effects of the Fund, and also posed some questions for consideration.

One group of ideas suggested that there needs to be a greater focus on, and support provided for, the longer-term sustainability of a social housing provider, rather than the current emphasis that is on an individual project. This means moving beyond the sustainability of the project to focus on the sustainability of the organisation. It includes working with groups to realise their potential as social housing providers, perhaps until an “ideal” portfolio size is reached. This means also maintaining an ongoing relationship and contact with a group beyond the focus on the current project. It may involve investing more in making the organisation itself sustainable, and focusing on the longer term need for social housing that is being addressed. This raises a number of questions and points for consideration:

- there is no common understanding of what is a sustainable organisation – this needs to be identified and defined
- if more is invested in organisational sustainability, this may mean fewer organisations with more dollars
- will just a single amount of 12 month operational funding be enough?
- are the organisations being set up effectively NGOs, and should they be treated as such (and what are the implications of this)?
- the need to be flexible in the relationship, and open to a community group’s desire to evolve/change
- maintaining ongoing relationship visits with a group beyond the current project, which may have resourcing implications if there are many small groups
- whether the concept of the draft memorandum of understanding between the Corporation and CHAI can be extended to clarify relationships with other organisations.

Another group of ideas related to the establishment of wider collaborations or partnerships, and the sharing of resources, particularly between community groups and organisations. These included:

- encouraging networking and collaboration across small providers – the sharing of resources and assets, mentoring, and secondments to build skills and capabilities
- developing umbrella organisations for a regional area, or promoting collective structures to enhance the sustainability of organisations
- sharing “success stories” where collaborations have worked to encourage new partnerships.

Some participants identified a need for the Corporation look for opportunities to leverage the scheme with other potential funding partners. This might include developing strategic relationships with other key stakeholders, such as linking more into local authorities’ community outcome processes, and linking the outcomes of the Fund to the outcomes sought by other agencies. It may also involve the Corporation assisting community groups to look for leveraging opportunities with other funding agencies, or private sector sponsorships, such as with KiwiBank.

Another group of ideas was around how the Fund could be applied, and integrated more with other skills and resources of the Corporation. This included:

- utilising skills and products from across the Corporation to create and build sustainable providers and projects, not just grants from the Fund
- considering opportunities for transferring Corporation stock to social housing providers, to help build sustainable portfolios
- more creative use of leveraging by the Fund, such as using it to subsidise interest payments made by community organisations to private lenders.

There was also some discussion around a need to pick "winners" – those organisations that are capable of developing into long-term sustainable and substantial social housing providers. This will require refining criteria for the selection of groups to work with and for the approval of funding around sustainability. It raises a question of how to define "winners" and their potential, rather than what a group is capable of in the near-term. This may involve modelling what has worked well in one area and transferring it to other areas.

Some participants identified needs for further information or tools for the sector. These include:

- the regional identification of needs for social housing, to support taking a strategic focus to the development of providers in regions with higher needs
- accurately measuring and reporting on the demand for social housing
- being able to alert partners to new and additional sources of funding
- providing practical advice, or a clearing house type of role, for alternative sources of funding.

Participants also noted that there needed to be a long-term commitment to sustaining the effects of the Fund at Cabinet, Corporation Board, and the Corporation's strategic policy development levels. This will need to flow through into the Corporation's business/operational policy and service delivery levels. As part of gaining this long-term commitment, there needs to be an understanding developed of why the Government is involved, and what it will and won't do to support the sector.

Finally, a key question that needs to be addressed is, what does a sustainable community housing sector look like? This was also posed as a question to be answered in the second stage of the evaluation. It is important to know and understand the key characteristics that make a sector sustainable, and what are the critical building blocks that need to be in place, so that the Corporation (and other interested stakeholders) "know where we are going". There may be opportunities to learn about this from the experiences of other sectors.

Summary comment

In summary, there was little in the way of definite actions proposed at the workshop for sustaining the effects of the Fund, and building a sustainable community housing sector. However, a number of ideas have been posed by participants at the workshop and from this evaluation that merit further consideration and investigation.

Key questions for next phase of evaluation

Workshop participants identified a number of areas that they considered should be looked into for the next stage of the evaluation of Housing Innovation Fund outcomes.

Generally, there was a view that the next stage of the evaluation should be focused on outcomes rather than process issues. Despite this, a number of suggestions were made that relate to understanding the Fund's processes better. It may be that these issues are better considered within an "in-house" ongoing review of the processes of the Fund. The suggestions that may be more process focussed are summarised at the end of this section, for further consideration by the Corporation.

A key area of interest is what impact or difference the Housing Innovation Fund has had. Questions posed within the scope of this area of interest include:

- has the Fund met its overall objectives and outcomes?
- would the projects have been developed anyway without the Fund?
- what are the differences between state housing and community based sector housing?
- what makes community based social housing provision unique – how does it support community organisations' customers, or help them leverage other opportunities?
- do communities recognise that the Fund's processes are a work in progress and feel involved in this process?

Some participants were interested in how the Fund and its outcomes support or link to other shared Government outcomes. These include those identified for the New Zealand Housing Strategy, and other Government priorities for social outcomes. It also includes identifying areas where the Fund could have contributed to other shared Government outcomes but didn't do so.

Relating to the discussion of how the Fund can be made more effective, some participants reiterated a need to describe what a sustainable community social housing sector would look like, and the steps to achieving this.

In terms of partnership relationships, some participants said the next stage of the evaluation needed to look at what the expectations of community organisations have of partnerships with the Corporation and with other types of organisations. They also suggested it needed to look at what the on-going relationship is going to be like with client organisations for the next 20 years, and whether this requires a role of relationships manager. There was felt a need to develop indicators of the evolution of roles within the partnerships.

Some participants identified the types of analysis and information needed in the second stage of the evaluation. This included:

- an analysis of where non-government money is attracted from
- financial or economic analyses should be complemented by an analysis of the social benefits and impact of the Fund
- identifying how projects link with the new prioritisation framework

- identifying what groups/sectors have not received funding from the scheme
- analysis of whether regional and national housing needs have been addressed, and how.

Those suggestions that may relate more particularly to reviewing aspects of the Fund's processes include:

- what is driving the length of time between the expression of interest in applying to the Fund, and receiving the funding
- how well have groups been supported through the [development of the project], and thereafter
- are the process improvements that were made actually yielding what the Corporation hoped for/expected?

Other suggestions reflected continuing to use a case study approach:

- key lessons and examples of good practice to share
- success stories – what has worked, where, when and why?
- what can we learn from things that have gone wrong?

Summary

The above suggestions for what the evaluators should focus on in the next stage of the evaluation will need to be reviewed and considered in the context of the key evaluation questions that have already been identified, and the outcomes framework that applies to the Fund. They will also need to be considered in the context of what expectations Government has for the evaluation of the outcomes of the Fund. These will be discussed with/by the Evaluation Advisory Group when the second stage of the evaluation is being scoped.

Survey of potential Fund applicants

Introduction

A survey of community based organisations (CBOs) and local authorities who have not been recipients of funding from the Housing Innovation Fund or are potential applicants to it was undertaken to identify potential barriers and forms of assistance that would encourage applications and the development of capacity in the social housing sector. Two variations of the survey were developed – one for CBOs and one for local authorities. Copies are attached at Appendix Five.

Response rates

A sample of 91 CBOs and 51 local authorities was identified as potential respondents for the survey (see page 24 for description of selection process). Responses were received from 41 CBOs (a response rate of 45 percent), including three responses from the same organisation that were merged into one response, and from 34 local authorities (a response rate of 67 percent).

Key findings

Characteristics of respondents

Community based organisations – Client groups

The CBOs responding to the survey often described more than one target client group for their services, and provided a range of services. The target client groups are most commonly elderly people and those with mental illnesses or special health needs (28 percent of respondents or 11 each), with 20 percent of organisations (eight) providing services to Māori and 15 percent providing them to families and/or children (six organisations). Other target groups for CBOs included: people with physical disabilities (10 percent or four organisations); low income households generally (three organisations); and two each targeted services to Pacific people, the homeless, and people released from prison. Groups identified by one CBO included people in need of emergency housing and accommodation, families unable to sustain high rentals or displaced from rental accommodation, individuals coming out of alcohol and drug treatment programmes, low income “transgender and rainbow clients”.

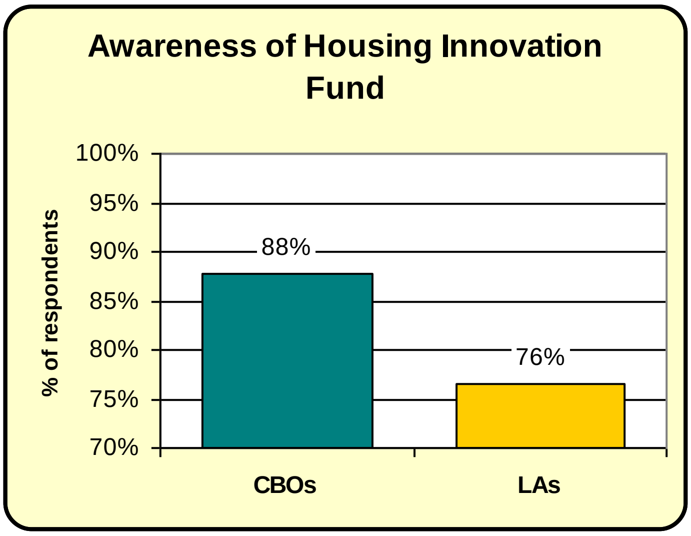
These CBOs provided a range of services to their various client groups, including both supported and emergency accommodation, various support services and/or a social work role, housing services such as home care/support, housing advocacy and assistance in finding housing solutions, and/or a more general advocacy role.

Local authorities – Type and location

Twenty-six of the local authorities (76 percent) are district councils, while 22 (65 percent) are in the North Island.

Awareness of the Housing Innovation Fund

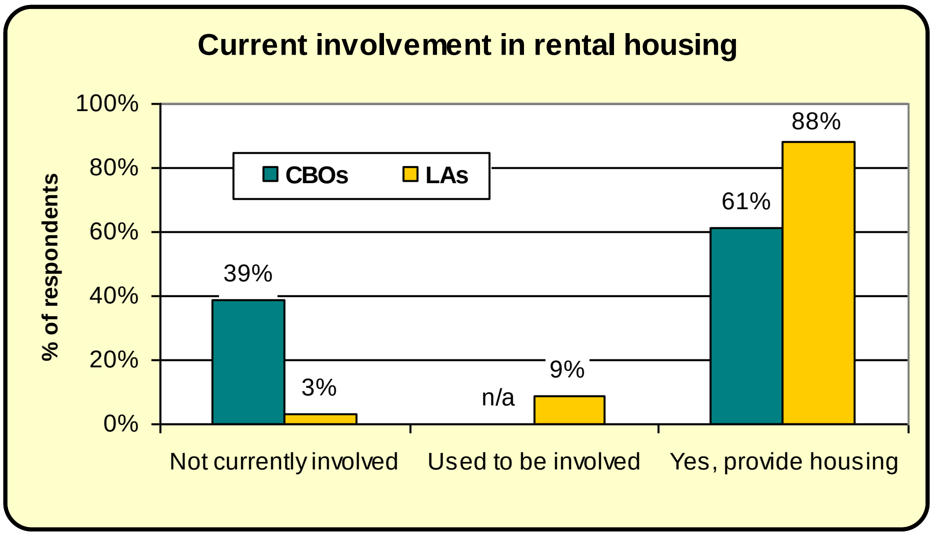
Before receiving the survey 36 CBOs (88 percent) and 26 local authorities (76 percent) were aware of the Housing Innovation Fund.



[Percentages based on n=41 CBOs and n=34 local authorities.]

Provision of housing

Twenty-five respondent CBOs (61 percent) currently provide rental housing and/or home ownership opportunities for their client groups. Thirty local authorities (88 percent) provide rental housing, with three indicating they used to be involved (5-10 years ago), and one indicating it has not been involved previously. Of those local authorities who used to be involved in providing housing, their last years for this were 1996, 2000 and 2001.



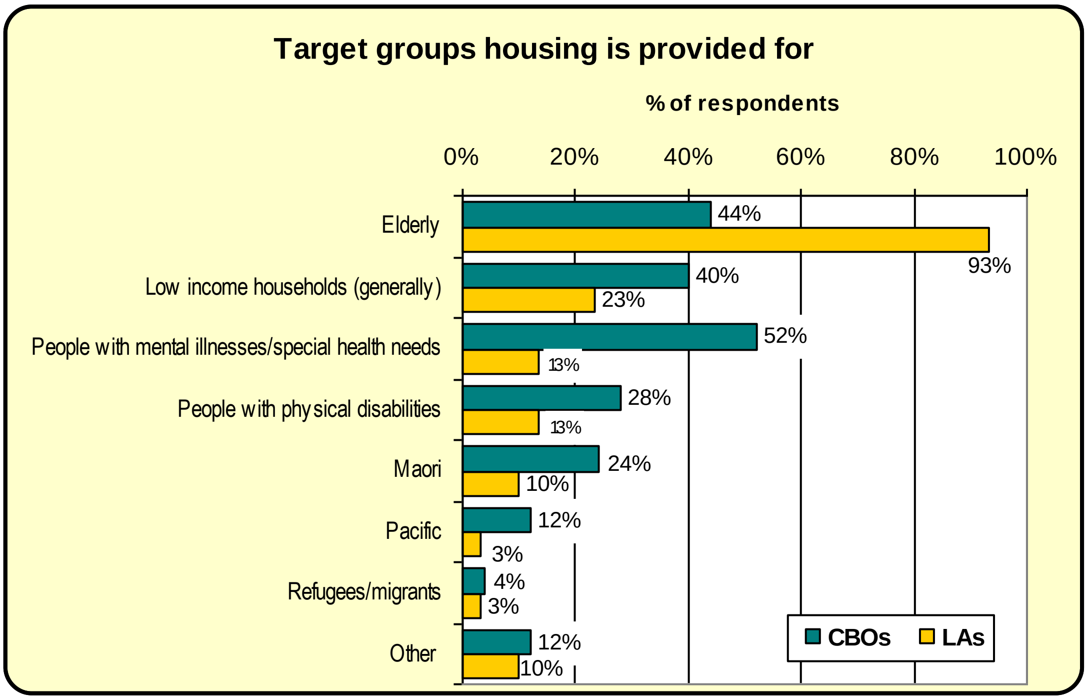
[Percentages based on n=41 CBOs and n=34 local authorities.]

The main groups local authorities provide housing for are the elderly (93 percent, or 28 councils involved in providing housing), low income households generally (23 percent, seven councils), people with physical disabilities and those with mental illnesses or special needs (13 percent, or four councils each). Small proportions target Māori (10 percent, three councils), Pacific and/or refugees/migrants (3 percent or one council each). Other groups identified by local authorities included those who are socially disadvantaged generally, houses available for general rental, and council staff. Numbers add to more than 100 percent as multiple responses are possible.

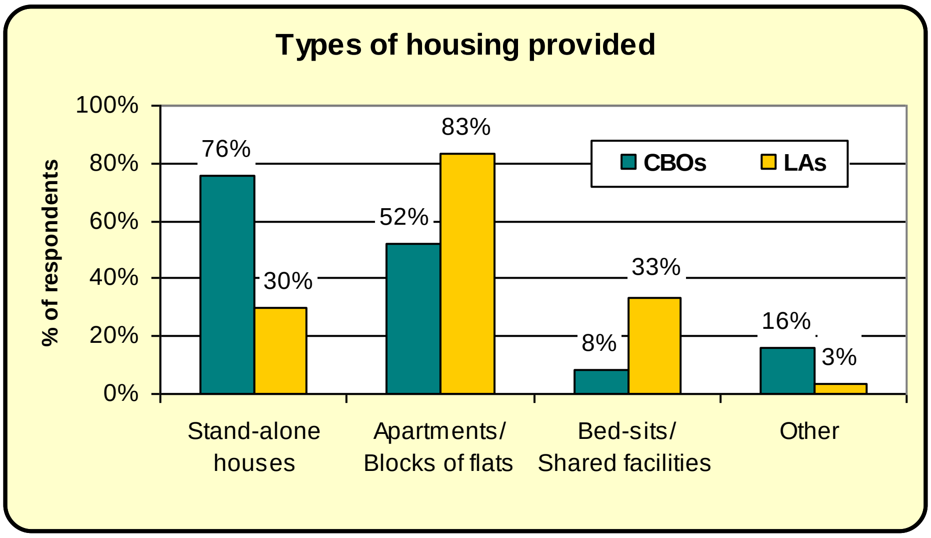
Among CBOs that provide housing, people with mental illnesses or special needs are the most commonly targeted group (52 percent, or 13 organisations involved in providing housing), followed by the elderly (44 percent, 11 organisations) and low income households generally (40 percent, 10 organisations). Seven CBOs provide housing for people with physical disabilities (28 percent,) and six provide housing for Māori (24 percent), while three organisations target Pacific people. Other groups for CBOs include transgender, drug and alcohol rehabilitants, and men upon their release from prison. Numbers add to more than 100 percent as multiple responses are possible.

The type or style of housing local authorities most commonly provides is apartments or blocks of flats (83 percent of those involved in providing housing), followed by 10 councils providing bed-sits/units with shared facilities (33 percent) and nine councils providing stand-alone houses (30 percent). Other types of housing identified include units in three complexes for owner-occupiers. Numbers add to more than 100 percent as multiple responses are possible.

In contrast, CBOs are most likely to provide stand-alone houses for their clients (19 CBOs, 76 percent of those involved in providing housing), with thirteen CBOs (52 percent) providing apartments/blocks of flats and two (8 percent) providing bed-sits/units with shared facilities. Other types of housing identified include rest homes, independent living units, and secure units. Numbers add to more than 100 percent as multiple responses are possible.



[Percentages based on n=25 CBOs and n=30 local authorities. Numbers add to more than 100 percent as multiple responses are possible.]



[Percentages based on n=25 CBOs and n=30 local authorities. Numbers add to more than 100 percent as multiple responses are possible.]

The table below shows the numbers of units and bedrooms for each style of housing provided by those CBOs and local authorities that provide housing. Providers range from very small to large.

	Community based organisations							
	Number of units			No.	Number of bedrooms*			No.
Type/style of housing	Min	Max	Average	Resp's	Min	Max	Average	Resp's
Stand-alone houses	1	442	36.1	19	1	2,057	132.1	17
Apartments/Blocks of flats	1	340	62.5	13	2	316	50.2	10
Bed-sits/Shared facilities	4	23	13.5	2	4	27	15.5	2
Other	1	17	10.8	4	24	894	317.0	4
Total no. units/bedrooms				**1,568**				**4,046**

	Local authorities							
	Number of units			No.	Number of bedrooms*			No.
Type/style of housing	Min	Max	Average	Resp's	Min	Max	Average	Resp's
Stand-alone houses	1	22	6.4	9	1	28	13.0	8
Apartments/Blocks of flats	3	2,625	200.4	25	6	439	107.0	24
Bed-sits/Shared facilities	6	311	73.1	10	6	311	84.4	8
Other	37	37	37.0	1	n/a	n/a	n/a	n/a
Total no. units/bedrooms				**5,835**				**3,346**

* Note – not all respondents specified the number of bedrooms for each type of unit.

The following table shows the proportions of each type of housing provided by CBOs that is rented. For those that do not rent out all of their housing, the balance of housing is assumed to be provided under a home ownership scheme or similar.[2] Sixteen CBOs with stand-alone houses (89 percent)

[2] The survey questionnaire only asked what proportion of their properties was rented.

rent all of these out, while seven of those providing apartments (64 percent) rent all of these out. Two CBOs that provide apartments rent out less than 30 percent of these.

	Community based organisations					
	Houses		Apartments		Bed-sits	
Proportion of units that are rented	**N**	**%**	**N**	**%**	**N**	**%**
100% of units are rented	16	89%	7	64%	1	50%
90-99%	1	6%	1	9%	..	..
70-89%	..	..	1	9%	..	..
50-69%	..	..	..	..	..	..
30-49%	1	6%	..	..	..	..
<30% of units are rented	..	..	2	18%	1	50%
Base: Those specifying percent rented	**18**		**11**		**2**	

The table below shows the changes in the housing portfolios for local authorities between 2001 and 2006. Over this period a small number of councils have reduced their stocks of stand-alone houses (two of the 10 providing these), apartments (three of the 24 providing these) and/or bed-sits (three of the 10 providing these). Just one council has increased the numbers of apartments in its housing stock. The remaining councils have retained the same numbers of houses, apartments and/or bed-sits.

	Local authorities					
	Houses		Apartments		Bed-sits	
Changes in housing stock over 5 years	**N**	**%**	**N**	**%**	**N**	**%**
Stocks have increased in past 5 yrs	..	..	1	4%	..	..
Same number	8	80%	20	83%	7	70%
Stocks have decreased in past 5 yrs	2	20%	3	13%	3	30%
Base: Those specifying information	**10**		**24**		**10**	
	Units	**Bdrms**	**Units**	**Bdrms**	**Units**	**Bdrms**
Net change in number	-2	-5	-12	-50	-77	-49
Base: Those specifying information	**10**	**10**	**24**	**23**	**10**	**8**

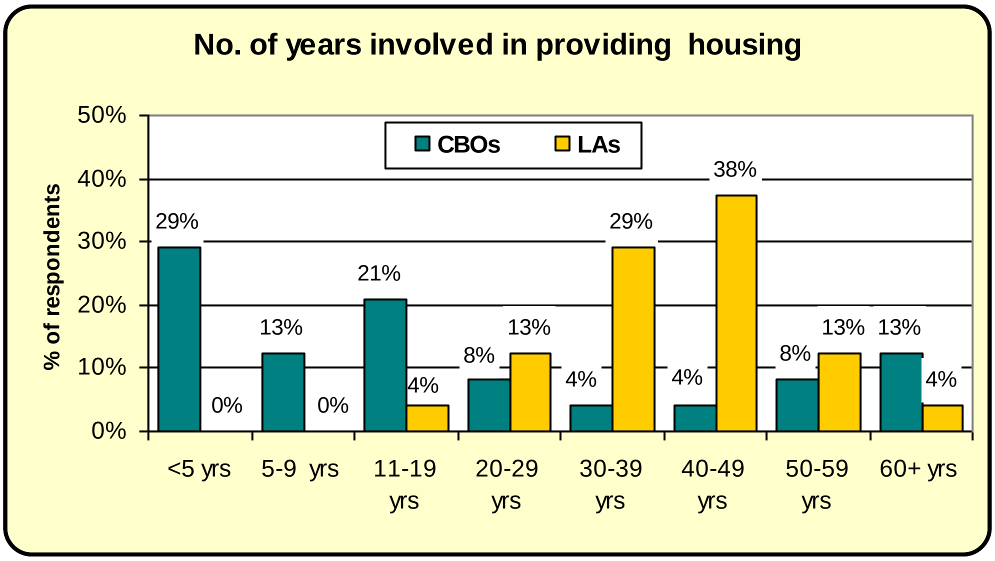
Where sufficient information is provided, there has been a net decrease in the numbers of units and bedrooms provided – a total decrease of 91 units and 104 bedrooms across the combined stocks of houses, apartments and bed-sits.

Length of time as a provider of community housing

The figure and table below illustrate how long CBOs and local authorities have been involved in providing housing to their respective communities.

CBOs have most commonly been involved in providing housing for less than five years (29 percent of those involved in providing housing and specifying this information, or seven organisations), with 21 percent (five organisations) having been involved in providing housing for 11-19 years and 13 percent (three organisations) for over 60 years. Actual lengths of time range from 1 to 97 years, with an average of just over 23 years.

In comparison, local authorities have been involved in providing housing for almost 39 years on average, and ranging between 17 and 76 years. Most commonly, local authorities have provided housing for 40-49 years (nine councils, or 38 percent of those involved in providing housing and specifying this information) with a further seven councils (29 percent) providing it for 30-39 years.



[Percentages based on n=24 CBOs and n=24 local authorities.]

No. of years involved in providing housing	CBOs	Local Authorities
Average	23.2	38.6
Min	1	17
Max	97	76
Base: Those specifying information	**24**	**24**

Council policies for investing in housing stock and rent-setting

Twelve of the councils that still provide social housing (40 percent of those involved in providing housing) have a policy that their housing portfolios must be fully self-funding, "*at no costs to rate-payers*", for maintenance, replacement and acquisitions. Three of these councils (10 percent) added that current policy dictates units will not be replaced when they come to the end of their economic life, or there are no further developments are planned to expand existing housing stocks.

Seven councils (23 percent) indicated that their housing stocks must be self-funding for all repairs and maintenance or operational costs, but the councils may budget separately for either small scale capital expenditure to improve stocks or that major plans for capital expenditure would be considered through their annual and long term community planning processes, and prioritised against other projects. One council said its rental units for the general public must be self-funding, but that those for elderly and special needs people were partly funded by the council.

Three councils (10 percent) identified that the council makes some contribution to maintenance costs on its housing stocks from general rate-payer funding, as funds from rental incomes are generally not sufficient to cover all that is required.

Six councils (20 percent) indicated they will make periodic capital investments, based on asset management plans, or through a renewal budget for any replacements that are required.

Other comments by councils in relation to their investment in their housing stocks include two councils identifying intentions to divest themselves of their housing stock:

> *"Council is not buying more stocks and will retain existing stocks until some other agency can show they can provide a better service and meet the community outcome."*
>
> *"Council has resolved to divest itself of housing stock through selling pensioner housing … In all cases the council retains ownership of the land on which the housing is located and leases it to pensioner housing community trusts."*

Two other councils are currently reviewing their housing strategies (including one working with the Corporation), while two more will make limited investments in their housing stock:

> *"The original housing was built with assistance from central Government and [any] proposed redevelopment will not proceed unless financial assistance is gained."*
>
> *"Council makes limited investments to existing stocks, but only when absolutely necessary."*

Seventeen of the local authorities (57 percent) set rents at below market levels, with six councils (20 percent) setting them at market rates, and three councils (10 percent) differentiating between rentals for elderly and/or special needs tenants as being below market with general rental housing being charged at market rents. One council commented that "*market rent has been the policy since the introduction of the universal accommodation supplement in the mid 1990s*".

One other council indicated that their rent setting includes a market rent component but is largely income related, while two councils assessed their rentals relevant to those charged by other nearby councils, and one said their rent setting policy was under review.

The main bases for setting rents were income related (eight councils), market-related (seven), or to ensure the housing units were self-funding (seven). Income related rents were commonly set as a percentage of national superannuation, ranging from 23.5 to 33 percent where this was specified. Where below market rents were set, and the levels related to actual market rents, the range at which councils aimed to set these was from 80 to 92 percent of market rents. In some of these cases, a combination of market and income related approaches was taken – for example, 80 percent of market rentals and not more than 33 percent of national superannuation, or retirement flats at 23.5 percent of national superannuation and general rental flats at 92 percent of market rents.

Rents set to be self-funding were set at levels that aimed to ensure the housing stocks were managed to break-even. One council set rent for the elderly that ensure those units are self-funding, while market rentals were charged for other stock.

Other bases for setting rents include:

- reviewing market rentals annually
- reviewing below market rentals annually against the operational costs or CPI adjustments
- capping increases (eg., at $6 per week, when the market has changed by $10 per week)
- reviewing rents in relation to what nearby councils charge.

Familiarity with support offered by the Housing Innovation Fund

Both CBO and local authority survey respondents have a somewhat limited familiarity with the types of support offered under the schemes available to them respectively.

Four CBOs (10 percent) were very familiar with the organisation development and project feasibility grants that are available, with 13 CBOs (32 percent) being quite familiar with the organisation development grants and 12 CBOs (29 percent) quite familiar with the project feasibility grants that are available. However, 6-8 CBOs (15-20 percent) were not at all familiar with these forms of assistance, and 15-16 CBOs (37-39 percent) were a little familiar with them. CBOs tend to be more familiar with the capital funding, grants or loans available, with 20 of the 41 CBOs being quite familiar (13 CBOs, or 32 percent) or very familiar (seven CBOs, 17 percent) with them. Four CBOs (10 percent) are not at all familiar with the capital funding, grants or loans available.

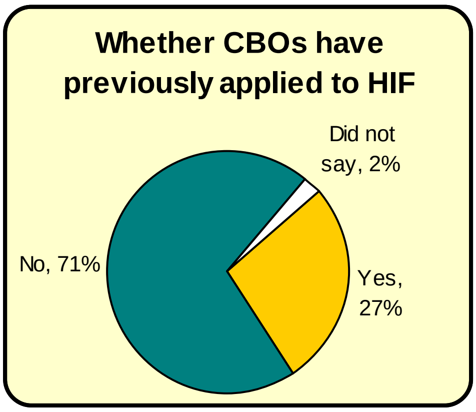
Among local authorities, just one organisation said it was very familiar with the loans available for acquisitions, modernisations and reconfigurations. However, 7-8 local authorities (21-24 percent) were not at all familiar with each of these types of support available, and 12-14 local authorities (35-41 percent) said they were a little familiar with each type of assistance.

	Community based organisations					
	Organisation development grants		Project feasibility grants		Capital funding, grants & loans	
Familiarity with HIF support	**N**	**%**	**N**	**%**	**N**	**%**
Very familiar	4	10%	4	10%	7	17%
Quite familiar	13	32%	12	29%	13	32%
A little familiar	16	39%	15	37%	14	34%
Not at all familiar	6	15%	8	20%	4	10%
No response/Did not say	2	5%	2	5%	3	7%
Base: All respondents	**41**	**100%**	**41**	**100%**	**41**	**100%**

	Local authorities					
Loans for:	**Acquisitions**		**Modernisations**		**Reconfigurations**	
Familiarity with LGH support	**N**	**%**	**N**	**%**	**N**	**%**
Very familiar	1	3%	1	3%	1	3%
Quite familiar	10	29%	12	35%	10	29%
A little familiar	14	41%	12	35%	14	41%
Not at all familiar	8	24%	8	24%	7	21%
No response/Did not say	1	3%	1	3%	2	6%
Base: All respondents	**34**	**100%**	**34**	**100%**	**34**	**100%**

Whether community based organisations have previously applied to the Fund

Eleven CBOs (27 percent) have previously applied to the Corporation for support or assistance under the Fund. Where respondents identified the outcome of this, three indicated they had received assistance or support (which highlighted that these organisations were sent the survey in error), one other indicated a first approach was unsuccessful but was later successful with an alternative approach, and another said it was having verbal discussions with the Corporation.



[Percentages based on n=41 CBOs.]

Where the outcome was unfavourable to the CBO, three organisations found the process very difficult. One opted out of the initial process, although it later changed its approach from a "new build" to the purchase of existing properties; another felt they wasted a significant amount of time with no result, and the third considered it very difficult to work in partnership with the Corporation.

> *"We spent more than a year of fruitless endeavour, [experienced] numerous changes of personnel, conflicting information and misleading promises of assistance, none of which eventuated."*
>
> *"After two years and $17,000 expenditure we opted out of new building as Housing New Zealand's requirements had raised the cost of the project from $400,000 to $680,000!! We later applied to purchase ready-built flats and have been successful."*
>
> *"[It was] very difficult to work in partnership with Housing New Zealand [as it] will not fund quality housing in New Zealand; our rating of Housing New Zealand re liaison and partnership is 4 out of 10."*

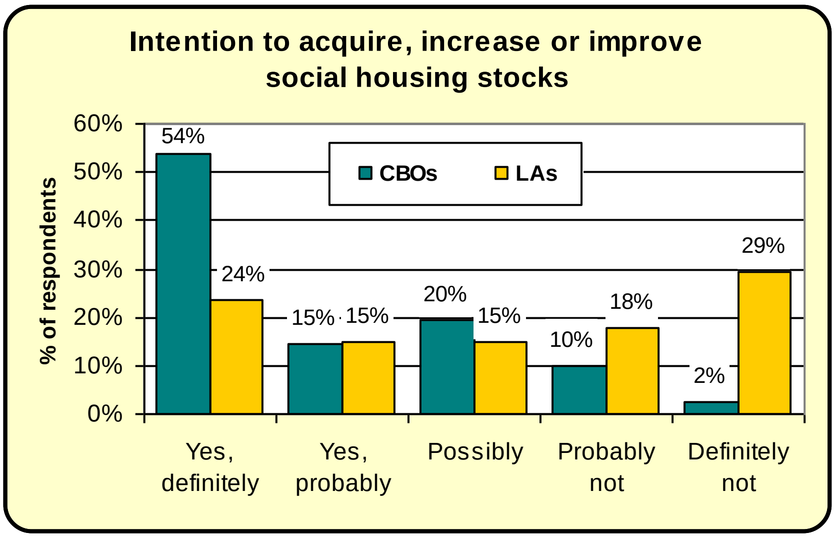
Two other organisations did not agree with or feel that the reasons for applications being declined made sense:

> *"We didn't receive anything; the reasons given didn't make sense to us."*
>
> *"Our application was declined. The predominant tenant is an … owned support services organisation [and the] housing [was] seen not to be publicly available ([we] would dispute this)."*

Intentions to undertake a housing project

Twenty-two of the CBOs (54 percent) indicated they definitely intended to establish or undertake a housing project, or to increase or improve their social housing stocks, with another six (15 percent) saying they probably intended to do so and eight (20 percent) saying they possibly would.

In comparison, local authorities are less likely to have any intention to acquire, increase or improve their social housing stocks (beyond current programmes of maintenance). Eight (24 percent) have definite plans to do so, and a further five (15 percent) each indicated they probably or possibly had an intention. However, six (18 percent) said they probably did not, and 10 (29 percent) said they definitely did not, have any intention to acquire, increase or improve their social housing stocks.



[Percentages based on n=41 CBOs and n=34 local authorities.]

Where CBOs indicated they were probably or definitely intending to establish a housing project and provided an explanation, 10 indicated they were building new housing, while four CBOs indicated a project was being planned. Three organisations each indicated the nature of their project was to provide some form of supported accommodation (such as a complex with in live-in social and health support positions, or access to these services), or identified needs for housing (including for mental health clients or to meet a shortage of affordable rental properties). Two organisations said they were currently applying to the Fund for assistance with their projects. One organisation each said it intended to improve their stocks, to purchase additional housing or to be involved in providing transitional housing.

Some of these organisations have plans that are more advanced than others, who have more of an intention than a definite commitment. Some already have land available or have purchased land for the project. Other one-off comments reflected an inability to borrow from the commercial sectors; an intention to provide information and education for home ownership community housing services for pacific people; or to be involved via a housing trust.

Among those CBOs that were possibly considering a housing project:

- four organisations were developing proposals regarding different options or having internal discussions about how housing projects might fit the role of the organisations
- two organisations said it was dependent on being able to access funding
- one organisation has been put off by their previous experience in applying to the Fund, saying that "*people have lost heart and moved away from involvement, [and] the holding trust may no longer be willing to put in cash assets*."

Of those CBOs that are probably or definitely not intending to establish or undertake a housing project, one hasn't discussed the matter yet. The provision of housing was not a core activity for another organisation, and one group is an umbrella organisation for others, rather than a "grassroots" service provider.

Of those local authorities that have definite or probable intentions to acquire, increase or improve their social housing stocks:

- three indicated that all options were under review
- five planned reconfigurations that included replacement of existing units, internal reconfigurations and upgrades
- three councils were planning to build new housing
- two were proposing improvements to stocks, including one council being definite it was not going to be acquiring or increasing stocks.

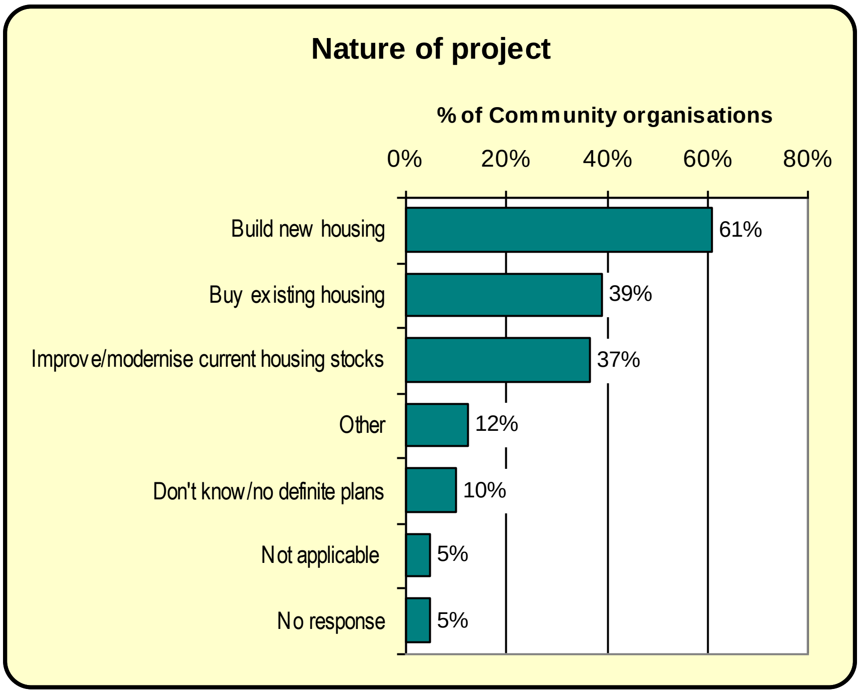
Three of these councils are already in discussion with the Corporation about accessing the Fund for support, another was preparing a proposal, and two said they were hopeful of accessing the Fund or that it depended on getting assistance from the Fund.

Among those councils that were possibly going to undertake projects to acquire, increase or improve their social housing stocks, three indicated no definite intentions but recognised that as stock aged further, major maintenance work, modernisations or reconfigurations may have to be done. Another indicated that it is looking at establishing a council controlled trading organisation to manage its housing portfolio on the basis that such a company would be in a better position to undertake modernisation of some of the older units. One other council indicated that its strategy was under review, with a full investigation to be carried out during the 2006/07 financial year.

Councils who probably or definitely had no intention to enhance their housing stocks, and who explained their response, indicated they were only going to maintain existing stock and not invest in or expand it. Two councils indicated they were divesting or moving out of the provision of housing, and two were either seeking or planning to use partners or third party organisations to deliver social housing, such as community housing trusts. One other council said it is at present working through a housing strategy, and will come to a position on what it will do, while another said there were sufficient flats, not fully occupied, and therefore no demand for extra housing.

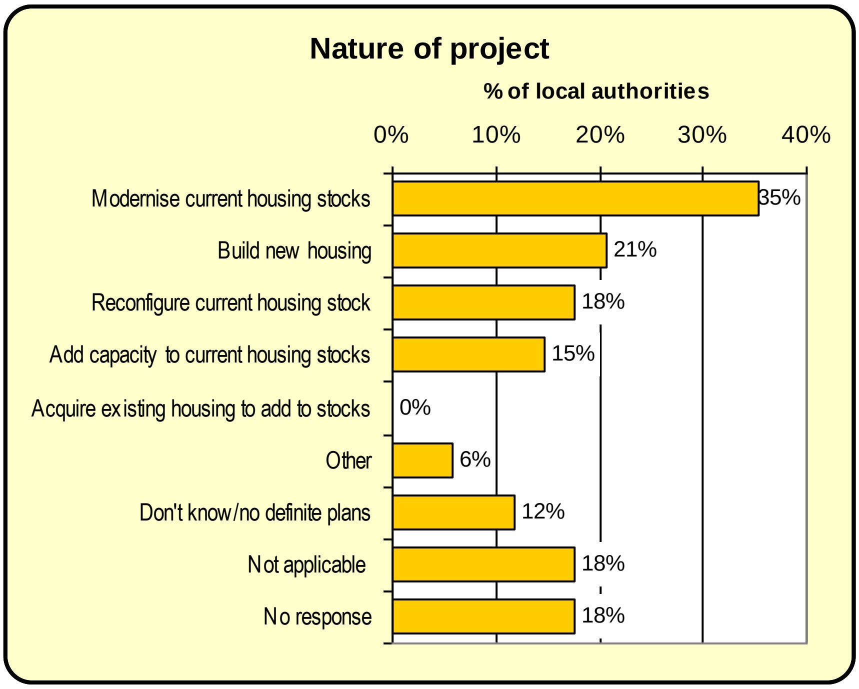
Types of projects

The majority of CBOs (25 organisations, 61 percent) intended to build new housing, with similar proportions intending to buy existing housing (16 CBOs, 39 percent) and/or to improve/modernise current housing stocks (15 CBOs, 37 percent). Four CBOs (10 percent) had no definite plans or ideas. Five CBOs (12 percent) had other ideas, which included renting existing housing, linking to other community housing and extending services generally, or buying a disused school and converting it to a Marae and training facilities. Numbers add to more than 100 percent as multiple responses were possible,



[Percentages based on n=41 CBOs.]

Twelve local authorities (35 percent) indicated the type of project they had ideas or plans for was to modernise their current housing stocks, followed by similar proportions having ideas or plans to build new housing (seven councils, 21 percent), reconfigure current housing stock (six councils, 18 percent), or add capacity to current housing stocks (five councils, 15 percent). Four councils (12 percent) had no definite plans. Two councils (6 percent) had other ideas or plans, which included identifying partners to deliver an affordable housing development(s) aimed at low income working households, without the council being the sole owner or landlord, or working through an established community housing trust. Numbers add to more than 100 percent as multiple responses were possible.



[Percentages based on n=34 local authorities.]

Barriers and support required for undertaking a housing project

Key barriers

The most common barrier preventing CBOs from establishing or undertaking a housing project, or from increasing or improving its social housing, is a lack of capital or funding (24 of the 39 organisations responding, or 62 percent). This includes:

- the ability to raise the community capital contribution or acquire land
- the ability to meet repayments, particularly from below-market rents that would need to be charged to make units affordable
- concerns about future funding streams
- an inability to borrow money from the commercial sector
- a lack of appropriate funding for transitional housing for families
- the availability of funds at affordable rates.

Six CBOs (15 percent) each mentioned that a barrier to them undertaking a housing project was:

- a lack of capacity
- not having the knowledge or capability
- a lack of support, commitment or policy direction within their organisations.

Not having the capacity means not having the people resources to undertake a project, or being fully committed to existing projects. Organisations identified they lacked knowledge or capability in a number of areas, including:

- structuring and providing service time frames
- how to go about developing an affordable and sustainable business/finance model, or one that incorporates the utilisation of assets as security for developing more housing
- information about how to go about such a project
- who to apply to for funding assistance.

Some of those organisations that lacked support for a project were in the process of building that support and commitment within their organisations. This included:

- seeking parent organisation approval to begin the process
- reviewing current policies of not investing in assets, with discussions occurring at board levels
- seeking approval in principle to develop a proposal for what would be change of direction from current core business
- waiting on policy decisions about what future services will be provided to target client groups.

Another organisation is currently establishing its credibility and working with its target client groups and building their commitment to possible solutions, and another is also building commitment to proceed with its project.

Four CBOs identified that the Corporation was a barrier preventing them undertaking a housing project. These included:

- difficulties in meeting with Corporation staff, or getting meaningful responses to requests for assistance or meetings
- the Corporation's "*lack of consultation in being responsive to Pacific/Māori/elderly needs*"
- an unwillingness or inability on the part of the Corporation to work with certain types of organisations.

Other barriers identified by one or two CBO respondents only included:

- being able to source land at an affordable price
- having a stronger, better local management structure, rather than working under a Wellington-based management structure
- a need for further information and research into the needs of an organisation's community and target client group.

Eleven councils (32 percent) identified that the most common barrier preventing them from acquiring, increasing or improving their housing stocks was also cost, affordability or a lack of finance. For some this is coupled with their council's policy of housing having to be self-funding, as any investment in additional housing would have to be met from general rates and, therefore, is not "acceptable".

Other aspects of this issue being a barrier included:

- a need for partial funding to assist the project get started
- the costs of a project
- an inability to fund projects from general rates, for which one council was experiencing a decline in its rating base due to its declining population.

Ten councils (29 percent) identified there was a sufficient supply of housing and/or a lack of demand for housing in their areas. This included that:

- their current housing stock is coping with applications and waiting lists
- they have a high vacancy rate
- there is sufficient private sector provision
- there are no affordability issues, either in terms of acquisitions or rentals.

Six councils (17 percent) indicated that the provision of social housing was not their role or part of their core business. This is described as a policy position for some councils, who see the provision of social housing as a central Government role, or that it is not an area they want to get back into. One council said housing was viewed as a low priority, and another would prefer to see further development through housing trusts rather than have the council focus on housing issues.

Staffing capacity and capability/knowledge were barriers for five councils, including:

- having time and resources to get a project underway, or to run a project
- a lack of internal expertise, for which both assistance and guidance is required
- a lack of appreciation/expertise in design issues, such as how to restructure or reconfigure units for special needs groups.

Four councils identified they had other priorities than social housing, with one saying this is particularly the case where there is a tight financial strategy and caps on capital expenditure – "*it is easy to find many other priorities such as infrastructural development when the housing is old but habitable*". Another of these said their council is focused on growth, which "*keeps us fully busy*". Another council is focused on affordable housing for low income working households, rather than social housing, as this is perceived to be the "gap" that needs to be addressed.

One or two councils each mentioned a range of other barriers, which included:

- a need to improve relationships with the Corporation, in the areas of getting accurate information and statistics, and access to quality information in the areas of design and "quality of life" housing

- a shortage of available land
- shortages of skilled trades people
- having very old policies, and no comprehensive assets management plan
- being focused on maintaining the existing stock to a good standard, rather than increasing it.

Another council is currently developing a social housing strategy which is expected to be considered and adopted by the council late 2006/early 2007.

Assistance or support for overcoming barriers

Sixteen CBOs (46 percent of those responding) identified that funding assistance or support would help their organisation or group overcome the barriers to undertaking a housing project. This included:

- capital funding that is subsidised or affordable at low/no interest
- funding/contracts to deliver services (such as from a District Health Board, or the Ministry of Social Development)
- funding for a housing support worker role
- dedicated funding for iwi and/or runanga
- funding to undertake a feasibility study, or to develop the organisational capabilities and capacity to provide/maintain social housing.

Ten CBOs (29 percent) indicated that some contact or discussion with, or information from, the Corporation would assist. This included:

- having better access to key people to provide advice, such as delivery managers or meetings with/action from the housing innovations project team local representative
- ongoing contact with someone at a senior level within the Corporation
- clearer and more transparent processes of how to access the Fund
- clear communication about what assistance is available, including "*without red tape*".

One or two organisations each mentioned a range of other types of support or assistance they would find useful. These included:

- assistance to help one iwi organisation work better with whanau and coordinate services with various agencies
- staff with the appropriate skills/capabilities to do the necessary scoping and planning
- assistance with developing partnerships
- mentoring or professional input and advice
- more technical support from the Corporation

- the Corporation's structures and processes being more conducive to iwi dynamics/operations – "*generally, iwi ways of doing things differ significantly to Housing New Zealand's processes and it's more difficult to 'fit' us in to boxes that are mainstream focused*"
- for the Corporation to sub-let units to a CBO at a low rental, for it to install tenants (all needs assessed) and support them
- recognition of the time and efforts CBOs put into housing efforts as counting towards the community contributions for funding
- support in coordinating a cross-ministerial agreement and budget to reflect a whole-of-government commitment and approach to what a CBO is trying to achieve (targeting reintegration and supported accommodations for prisoners on release, mental health clients and long-term transients)
- templates/model examples of applications to the Fund, rather than having to "*reinvent the wheel when examples are obviously available but we are not allowed to access them*"
- relaxing requirements to get three quotes for the likes of the organisational development and project feasibility grants.

Among local authorities identifying the assistance or support that would help their councils overcome the barriers they identified to undertaking a social housing project, thirteen local authorities (54 percent of those responding) also identified that financial support would assist their councils. This included general financial assistance or interest free or suspensory loans to provide improvements or additional stocks, or replace older units. One council identified that interest free loans needed to be on conditions that do not put off councils from taking them up.

Three councils (13 percent) would like assistance with planning for projects, including one looking for assistance with policy development, and another seeking access to research and statistical information, advice from architecture and design teams, and eco-friendly design guidelines for social housing.

Other forms of support or assistance that one or two councils each mentioned included:

- time/resources (including financial and personnel) to enable them to proceed through a project to improve stock
- a meeting with the Corporation for advice, or training
- clear direction from councillors (currently reviewing options)
- external agency support in funding the provision of the service – as it is "*not a council legislated responsibility to provide housing, nor should the service be provided at rate-payers expense*".

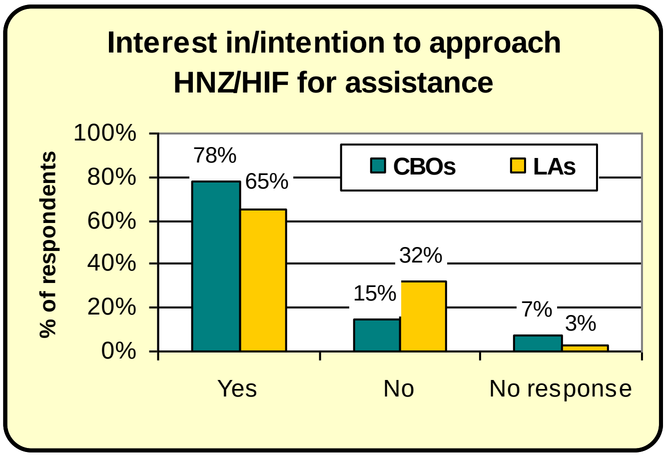
Five councils (21 percent) indicated there was no assistance that could be provided to help overcome the barriers. These councils had either divested their social housing or were planning to do so, or had decided that no further investment would be made in their housing stocks.

Interest in approaching the Corporation for support/assistance

Thirty-two CBOs (78 percent) and 22 local authorities (65 percent) indicated they were interested in or intended approaching the Corporation for assistance or support with the issues they identified, or more generally under the Fund.

The reasons that were given by those CBOs indicating they did not intend to approach the Corporation or the Fund included:

- one was an umbrella organisation and not a service provider
- they would be unlikely to apply without a firm indication of genuine and practical proposals
- it would depend on the outcome of rent support meetings with the Corporation and how the future rent relief/or support would be allocated or available
- there was no point approaching the Corporation again, as a previous proposal had been turned down with the reasons given not making sense, and the people involved losing heart moving away from being involved
- another CBO saying that, as it was a charitable trust, it would not be approaching because they were unable to borrow money from the commercial sector. It is not clear from this response whether it is identifying the Corporation as a private sector organisation, or whether it is beyond their powers to borrow money at all.



[Percentages based on n=41 CBOs and n=34 local authorities.]

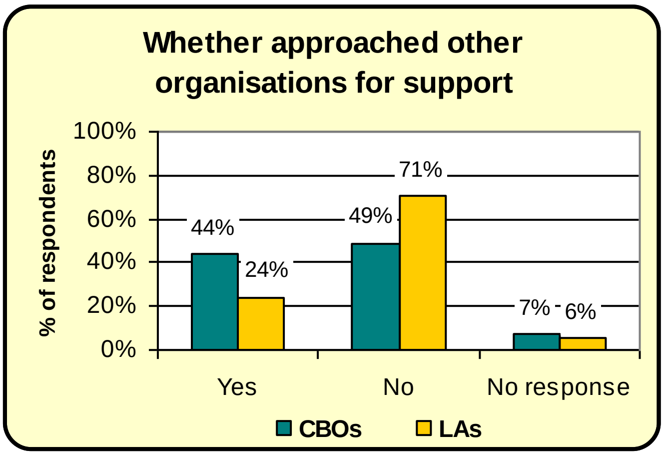
Among the local authorities indicating they did not intend to approach the Corporation or the Fund, seven of these had either divested or were planning to divest their housing, and/or did not plan to make any further investments in their housing stocks. One other council commented that "*while the loan system is interest free, at some stage it needs to be repaid – [which are] funds we don't have and cannot raise*." This comment reflects a lack of understanding of how the Fund works, which is essentially to provide a suspensory loan that is not repayable unless the council receiving the loan decides to not complete the project or exit the provision of social housing.

Another council who had approached the Corporation had been advised that its market rental policy precludes it from being considered for assistance from the Fund, despite the availability of accommodation supplements.

Other organisations approached for assistance or support

Eighteen CBOs (44 percent) and eight local authorities (24 percent) have approached other organisations for assistance or support in overcoming the barriers they identified. Just one organisation, a council, identified CHAI as an organisation approached for advice or support.

Other organisations that CBOs have approached include charitable organisations and trusts (five respondents), local councils (four), District Health Boards (three), Te Puni Kokiri (three) and the Salvation Army (two). A range of groups had been approached by one organisation each, including banks, Department of Corrections, Energy Efficiency Group (EEG), Lotteries Commission, the Minister of Housing, Ministry of Social Development, other social housing providers, PARS and/or the Wellington School of Medicine.



[Percentages based on n=41 CBOs and n=34 local authorities.]

The types of services and assistance being sought from these other organisations included:

- grants or funding (such as a contribution towards the 15 percent community contribution, for project assistance, and a capacity grant)
- contracts to deliver services; support, advice or assistance in establishing a project
- formation of working or steering groups to progress proposals
- exploration of opportunities for partnerships or collaborations
- access to cheaper rental accommodation
- access to council land.

One organisation received a two-bedroom unit from a charitable trust to kick-off their project.

Local authorities have also approached a number of organisations for support or assistance. These included:

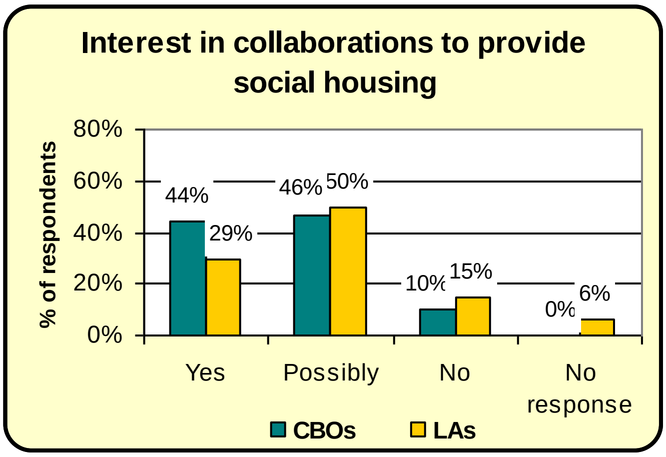
- Presbyterian Support Services for advice on options for housing and potential funding opportunities for renovations and upgrades, although one other approach for a collaborative project "fell through"
- a district health board, health service providers, and the Ministry of Health in relation to managing issues and housing for those with mental illnesses or special needs, although no support or assistance came from the latter two
- community trusts, for grants to support projects
- other councils, including one that has been through the process and another in respect of liaison and the exchange of information
- CHAI, for advice and support.

Just the one organisation, a council, identified the peak body CHAI as an organisation approached for advice or support (no information was provided about the effectiveness of this).

Interest in working on collaborations to provide social housing

Eighteen CBOs (44 percent) are interested in working with other organisations/groups in their communities on a collaboration to provide social housing in their areas, with another 19 CBOs (46 percent) possibly interested in doing so.

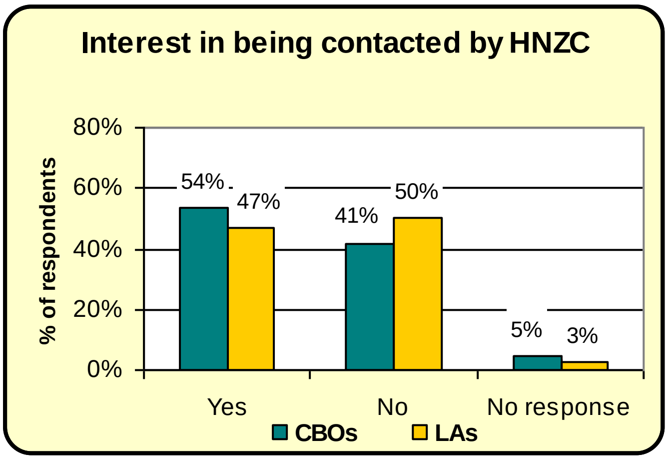
Ten local authorities (29 percent) are also interested in developing collaborations, with a further 17 councils (50 percent) possibly interested in doing so.



[Percentages based on n=41 CBOs and n=34 local authorities.]

Interest in being contacted by the Corporation

Twenty-two CBOs (54 percent) and sixteen local authorities (47 percent) responding to the survey indicated an interest in being contacted by the Corporation to discuss the assistance/support that may be available under the Housing Innovation Fund. The contact details for these organisations have been provided to the Corporation to facilitate this.



[Percentages based on n=41 CBOs and n=34 local authorities.]

Summary conclusions

Achievements relating to the development of community housing sector capacity and increasing stocks of social housing include:

- more housing units have been built than would otherwise have been the case, in areas and addressing local needs that may not otherwise have been supported by housing developments by the Corporation
- the Fund has successfully invested in capacity building
  - the more significant providers are ready, willing and able to develop more projects
  - most community based organisations agreed they were much better off for having worked through the capability development and assessment process (even though they found it long and frustrating to go through)
  - new providers have been attracted and established.

These demonstrate good first steps in developing a sustainable community based social housing sector, although as will be discussed later, a key question to be addressed is what are the key characteristics of a sustainable sector.

In terms of the longer term outcomes intended for the Fund, the projects represented by the case studies have been largely successful in contributing to these.

Among the local authority participants (two only), new stock has been acquired through the construction of new housing, local social housing needs have been identified and met, and the Crown's investment in these projects has been protected

Among community based organisations:

- local housing solutions have been developed for local social housing needs
- there has been an increase in the provision of social housing by the community based housing sector to those in need
- there is evidence that some aspects of the infrastructure that supports community based housing providers have been effective.

In relation to this last point:

- capacity building grants have been effective where these have been used. However, not all organisations that might have benefited from these were offered them (although the organisations were able to access support from other sources)
- the peak body, CHAI, has not functioned effectively to support these projects. This body was itself undergoing development at the time these projects were being developed and some providers had little need for this support

- the website, information and Corporation's support roles were not functioning particularly effectively, although the website and information available has been developed since the projects were initially being developed. There are also mixed reports about the effectiveness of the support roles, in particular the design team but also other roles that had different interpretations of policies and the Fund, and were also learning as they experienced and addressed different issues
- the partnership priority framework was not functioning particularly effectively. The process has since been reviewed and changed but there remains a question about how relationships are managed and how effectively the Corporation communicates its expectations of the partnership role it wants to develop, and its actions match these words.

In terms of the local government projects, the limited number of these reflects a limited range of approaches to the delivery of social housing solutions. However, concerns relating to the functioning of the Partnership Priority Framework are similar to those identified for community based housing providers.

Among the case studies, there have not been examples of active collaborations between community based organisations and local authorities, and with or without the Corporation. However, the survey of potential applicants indicates a reasonably strong interest in participating in collaborations and partnerships from both local authority and community organisations.

Key barriers facing community organisations will be building up the 15 percent community contributions for new projects, and the limited funding available. Also, there are/will be affordability issues:

- being able to afford land/properties suitable for development as social housing in areas that have adequate social and public services
- servicing and repaying loans from the Fund and being able to set social rents for tenants of properties.

As interest in and awareness of the Fund grows there will be increasing demand for what is likely to be limited funding. This suggests:

- a need for prioritising according to a set of criteria to determine which groups/projects are supported, with early determination and confirmation to the groups concerned of the key criteria to be satisfied
- creative ways of using the funding available – for example, using grants from the Fund to pay interest costs of commercial loans
- facilitating access to alternative/secondary sources of funding, including relaxing the Corporation's security requirements to hold a first mortgage
- consideration given to "mainstreaming" collaborative projects with proven community based social housing providers as part of the Corporation's wider investment into the development of community housing stocks (i.e., move the relationship out from under the auspices of the Fund).

These case studies were based on early projects and participants have not experienced the changes that have taken place as a result of ongoing development of the scheme and its processes, and the process evaluation that was carried out. Many of the issues that have been addressed have been raised again. Therefore, summaries of what contributed to the success of projects, and lessons that may be taken from these experiences, have generally focused on what is important for community based organisations and local authorities to consider. They have also focused on those “soft” issues that the Corporation should consider or bear in mind in terms of managing relationships and expectations, rather than “hard” issues relating to systems, processes or information that have been reviewed and improved.

In terms of the relationships, a number of the case study projects expressed surprise and not a little concern at the extent of involvement the Corporation seeks to have in what they perceive as their areas of discretion and decision-making responsibility. Many equate applying for funding to applying for a bank loan, and are unprepared for the length of the process, and the extent to which the Corporation wants to “advise” them.

Through the proposal development or capacity building phases, the term “partnership” seemed to many to be something of a misnomer, as the case study organisations perceived the relationship to be more one of compliance than partnership. The way in which “advice” is conveyed sometimes came across as demands, or expectations that it would be followed. Greater awareness of communications styles and the way in which communications are perceived by the recipients is required by Corporation staff (perhaps supported by appropriate training).

In the early stages of the case study projects, the application process and key criteria to be satisfied by community based organisations and local authorities was not communicated clearly, or was “drip-fed” to them. It is not clear whether this practice has changed with time and experience of applying the processes. If not, the Corporation needs to be more up-front about the process, times to work through it and the key criteria to be satisfied for a community based organisation or local authority to progress an application (the “show-stoppers”) or to have build designs approved, far earlier in the development of the relationship.

There have been concerns expressed about the remoteness of Project Managers from case study sites, and their need to “consult Head Office” on matters relating to the application/proposal. This impacted on timelines and responsiveness to inquiries, and a lack of detailed understanding of local contexts and environments. Some of this concern will have been countered through time and experience. However, some groups expressed a desire to be able to work with local Corporation neighbourhood units, who knew the group, their environmental context, and who were more readily accessible. Some also considered local managers should have more delegated authority to deal with applications for funding, and at least more knowledge and understanding of the Fund and its parameters and processes, so they could better support community based organisations.

Despite these issues, personal relationships between Project Managers and community based organisations/local authorities are generally strong and welcome. Relationships with the “faceless bureaucracy” are not so strong, however. Case study organisations have been frustrated by the time taken, the lack of clarity of processes/criteria, and demands for information and compliance. Once the capacity building phase had been completed, and the application/proposal approved, the processes of drawing down approved funding were considered to operate smoothly and efficiently.

Because of the timeframe over which these projects were developed, definitive conclusions cannot be drawn yet about the achievement outcomes of the Fund, although many of the early indications are positive. These will be clearer after the completion of Stage Two of this evaluation.

As the scheme evolves, and particularly as it comes under increasing pressure from more interest being shown, the relationship between the Corporation and potential applicant organisations needs to be re-aligned, and the way in which the Fund is utilised reconsidered. The case studies highlighted two key areas for attention:

- What does it mean to work in “partnership”, particularly in terms of building and maintaining relationships and communication?
- How will the effects of the Housing Innovation Fund be sustained, by providing for the continued growth of community based housing providers and their increased contribution to the provision of social housing to those in need?

These questions were also considered at an internal workshop of Corporation staff and Evaluation Advisory Group members. While the workshop participants did not reach conclusions on these issues they did identify a number of points or areas for further consideration.

Working in “partnership”

There was a general recognition of the need to clarify and define what “partnership” means and how it will operate. It was recognised that different groups and communities will have different understandings of this.

There was a question over whether the term “partnership” was in fact misleading, particularly as the Corporation grapples with the issues of a finite amount of money in the Fund and an excess of demand. This is driving the Corporation to manage the expectations of community groups and local authorities, develop and apply criteria for prioritising applications to the Fund, and look for new ways of working with groups to pull together funding packages.

This led to suggestions that the role may be more a “housing solutions broker” where a range of possible solutions to the identified housing need may be identified with the Corporation working collaboratively with the community organisation. An application for funding from the Fund may be just one of a range of possibilities, as the Corporation and the community organisations (there may be more than one working together) strive to meet their respective objectives.

Participants also made a number of suggestions about how partnership relationships could be developed and maintained, and the attitudes that are required to make them more successful.

Sustaining the effects of the Fund

In terms of sustaining the effects of the Fund, workshop participants identified a range of ideas and suggestions for further consideration and investigation. These included:

- a need for a greater focus on and support for the sustainability of the organisation, rather than the current emphasis on the sustainability of the project

- establishing wider collaborations or partnerships of community groups and organisations, to encourage sharing of resources, skills and knowledge, and achieve economies of scale
- the Corporation looking for opportunities to leverage the scheme with other potential funding partners, such as local authorities, other Government agencies and private sector sponsorships
- better integration with and utilisation of other skills and resources of the Corporation
- picking “winners” – those organisations that are capable of developing into long-term sustainable and substantial social housing providers
- needs for further information or tools for the sector, especially measuring and reporting on regional demand for social housing, and advice on and assistance in accessing new and alternative sources of funding
- the need for a long-term commitment to sustaining the effects of the Fund, at the Cabinet, Corporation Board, and strategic policy development levels, and flowing through into the Corporation’s business/operational policy and service delivery levels
- identifying and defining what a sustainable community housing sector looks like, and the key characteristics that make a sector sustainable.

Workshop participants also identified a number of areas that should be focused on in the next stage of the evaluation. These will need to be reviewed and considered by the Evaluation Advisory Group in the context of the key evaluation questions that have already been identified, and the outcomes framework that applies to the Fund.

Discussion of survey findings

There is a generally a good level of awareness about the Housing Innovation Fund among CBOs and local authorities, although there is still a substantial proportion of local authorities (around a quarter) that are not aware of it even after it has been in place for three years, and a majority of local authorities provide rental housing.

Those local authorities that do provide housing are likely to have done so for some time – at least 17 years and an average of 39 years. This contrasts with the CBOs that provide housing (three in five respondents do), with significant numbers having provided housing only within the past five years, although the average length of time is around 23 years.

Three of the responding councils have exited the provision of housing within the past 5-10 years. This survey indicates seven more are either planning to do so or do not intend to invest further in housing, with four of these indicating they were not previously aware of the Housing Innovations Fund. Also, there has been a small net decrease in the numbers of housing units and bedrooms available from local authorities that provide rental housing over the past five years. These indicators reinforce the need for the Corporation to promote the Fund to local authorities and make it attractive for them to continue to provide social housing in their communities – whether this is directly or by actively supporting CBOs to do so.

Many of the councils’ approaches to investing in their housing stocks are based on policies of their portfolios having to be fully self-funding – i.e., no cost to ratepayers. While some are prepared to make small capital expenditures to maintain and improve their stocks, few are prepared to make larger capital expenditure commitments. Just over half set rentals at below market rates, although around one in five set them at market rates. A mix of approaches is taken, including setting rents on the basis of tenant incomes, a proportion of the market rents, and/or at a level to ensure the housing stock remains self-funded.

CBOs tend to have a greater awareness and familiarity with the different types of support available under the Fund than local authorities (although this may be affected by the way in which the sample of CBOs to be surveyed was identified), and a quarter of CBOs responding have previously applied to the Fund (despite the criteria used for selecting the sample), with varying success.

There is a reasonably high level of interest among CBOs in undertaking new housing projects, with two-thirds indicating they probably or definitely will do so, which is also higher than the level of interest among local authorities (around two-fifths probably or definitely intend to undertake a housing project). For CBOs, the nature of these projects is most commonly a new build, followed by acquisitions of existing housing and improvements or modernisations of current stock. Among local authorities, around a third propose to modernise current stocks, with around one in five each intending to build new housing, reconfigure current stock and/or add capacity.

The key barriers for both CBOs and local authorities are a lack of funding – for CBOs this includes both for their capital contributions and or funding streams to make repayments sustainable. Other barriers for CBOs include a lack of capacity, a lack of capability or knowledge, and a need to build support or commitment for undertaking a project at the organisational level. Other barriers for local authorities include a view that the provision of social housing is not a core role for councils, and a lack of staff capacity, knowledge and capability. A lack of demand and sufficient supply of housing in their areas was also a reason for Councils to not undertake new housing projects.

The assistance that would help overcome these barriers was, unsurprisingly, access to funding or financial support, and information or advice from the Corporation. Majorities of CBOs and local authorities indicated they are interested in or intending to approach the Corporation for support or assistance. However, among those who did not intend to there appears to be some misconceptions about the criteria for accessing the Fund or the terms on which a financial package might be offered that would be worth clearing up.

Funding to the extent CBOs and local authorities believe might be required is unlikely to be available (at least for many of them). The Corporation can ensure, however, that these organisations have good information about the process and understand what is required. They can then work on an informed basis towards either developing an application and proposal to access the Fund or a project, or developing a partnership or collaboration with other like-minded organisations to help address their needs.

A number of councils, however, are philosophically opposed to being involved in the provision of housing, and particularly in terms of using ratepayer funds to do so. This constitutes a significant barrier to overcome. The Corporation may need to identify other strategies to encourage more local authorities to engage in providing social housing. These might include the Corporation advocating the benefits of councils being involved in social housing and the fit with the purpose of local government described in the "new" Local Government Act 2002. The provision of social housing can assist with promoting "*the social, economic, environmental, and cultural well-being of* *communities, in the present and for the future*", which the Act describes as one of the purposes of local government.[3]

Less than half the respondents have approached other organisations for support or assistance – most commonly charitable organisations or trusts and local councils for CBOs, and little commonality among local authorities in terms of other organisations approached. Interestingly, just one council identified CHAI as an organisation approached for support or assistance, and no CBOs.

Encouragingly, substantial numbers of CBOs (44 percent) and local authorities (29 percent) indicated an interest in working with other organisations or groups in collaborations, and another 46 percent and 50 percent respectively said they would possibly be interested. The workshop discussions indicated that this was an approach that was favoured. It will involve encouraging organisations to pool resources, knowledge and experience, and focus its efforts on supporting fewer, potentially larger projects, rather than trying to build the capacity of more numerous, marginal organisations. Encouraging collaborations between local authorities and community organisations is also a key outcome for the Fund, which could help to better identify and meet community needs for housing solutions.

[3] Local Government Act 2002, s 10(b).

Case studies

This section comprises the case studies that were undertaken with the two local authorities and six community based organisations.

Each case study includes:

- a brief introduction
- a summary of the outcomes achieved in relation to the intended outcomes of the Fund
- the background to the project, including a description of the organisation, the rationale for the project and identification of needs, the development of the project, the funding package approved
- an outline of the key issues the participants had to address during the project
- the factors that contributed to the success of the project (deemed to be the approval of funding for the project)
- lessons that can be drawn from the experience
- summary conclusions for the project
- acknowledgements of the participants in the case study.

Each case study is prepared as a stand-alone report, so there may be some repetition within them.

In each case, as well as interviews with the participants, key documents held by the Corporation were reviewed, including correspondence between the case study organisations and the Corporation, letters of offer for assistance from the Fund, and partnership proposals that were prepared by the respective project managers. These documents provided additional background information of the organisations, the projects and issues that arose. However, they have not been referenced for the purpose of this report.

Each of the case studies was provided to the participating organisations for them to comment and correct any errors of fact or interpretation, although not all provided feedback. They were then provided to the Corporation Project Managers involved, for them to also provide any comment or feedback.

The cases were then finalised, and will be provided back to the organisations on the finalisation of this report.

Points to note

Other points to note about the selection of these cases for inclusion in this report are that four of the six CBO case studies identified by the Evaluation Steering Group for inclusion were based in the South Island. All of these were affected by there being a single Project Manager for the entire South Island during the start-up period of these case studies. This lead to difficulties over workload issues, and a lack of back-up for absences, which impacted on the process.

Both local authority case studies selected are also based in the South Island, although local government projects are managed by a single project manager based at National Office, rather than by the regionally based project manager responsible for projects with community organisations.

The projects identified for case studies were selected on the basis that they were deemed "successes" – meaning that applications for funding had been developed, processed and approved. However, not all of the projects had been completed at the point at which the case studies were prepared. Some were substantially completed in terms of construction or acquisition of properties for social housing purposes (and in one case a project was completed before funding was approved). Others were still in relatively early stages of planning, resource consent or construction, and the approach for one other project was having to be re-thought due to construction tenders coming in substantially higher than expected or funding was approved for.

Case 1: Dunedin City Council

Introduction

Dunedin City Council (DCC) applied and received approval for funding to build six housing units for older people (four two-bedroom and two one-bedroom stand-alone units) to meet demand and to improve the quality of its housing stock.

Initial discussions between DCC and Housing New Zealand Corporation were held in July 2003, with DCC submitting a request for funding from the Local Government Housing Fund in November 2003. DCC ultimately accepted the Corporation's offer of funding and its terms and conditions in May 2005.

While this process was quite protracted, it reflected the new and relatively untried processes of the Housing Innovation Fund ("the Fund"), and that these were to some extent being developed as the project unfolded. The Corporation was also in a state of flux, and working to resource the Fund area. The process highlighted a number of issues that have since been addressed with changes to procedures and policies, and the recruitment, training and development of experienced staff.

This case study report will highlight the key factors that contributed to this project reaching a successful outcome. It will not dwell on those process and procedural issues that have been addressed, except to reinforce those points that need to be kept in mind by the parties when approaching any future project.

Summary of outcomes achieved

In terms of the intended initial/intermediate outcomes for the Local Government Housing Fund[4], this project has achieved the following.

- *Loans and grants are provided for acquisitions, modernisations and reconfigurations:*

  Housing New Zealand contributed $472,500 to the project, with DCC matching this and providing the sites for development, for the DCC to construct two one-bedroom and four two-bedroom units in Dunedin City.

- *Criteria and forms of assistance provided are effective in encouraging local government to enhance/retain social housing:*

  The availability of the Fund and the assistance provided has encouraged DCC to expand its portfolio of social housing faster than it otherwise would have. Although DCC could have funded the entire project itself, their policy of a self-funding, sustainable housing portfolio means they are limited in the number of projects they can undertake. Development of newer, better quality housing comes at the expense of a rationalisation of more inefficient, poorer performing stock (lower tenancy rates, older stock, with poorer access, facilities and parking). Access to funding under the Fund means that more projects can be undertaken than would otherwise be the case.

4 See *Housing Innovation Fund – Hierarchy of Outcomes* at Appendix One.

If the funding had not been available, this particular development would have proceeded with funds at hand. However, subsequent developments would have been at least delayed until funding could accumulate, and some would perhaps have been abandoned altogether. Overall, it would mean that the whole process would slow down, with reduced ability for DCC to meet its targets for improving its housing portfolio.

- *A range of creative and innovative approaches to the delivery of social housing solutions is implemented:*

  This project involves a relatively straight-forward approach to building six additional units of housing (four two-bedroom and two one-bedroom units) on sites owned by the DCC, for a net increase of six units in the Council's housing stock.

- *Collaborations between local authorities, community based organisations, private and central government sectors to provide social housing:*

  This collaboration is between DCC and Housing New Zealand only, with Housing New Zealand providing loan finance for the project. Despite some early difficulties with the process and the length of time taken DCC is keen to develop an ongoing partnership with Housing New Zealand, to develop and implement strategies to address some of the housing issues looming for Dunedin in coming years. These include an ageing population and shortages of suitable housing.

- *Local social housing needs are identified and met:*

  Local social housing needs were identified and have been (in part) met: elderly people with limited income are one of the key target groups for the Fund.

- *Partnership Priority Framework is functioning effectively:*

  There is some dissatisfaction with the approach taken to assessing DCC's organisational capability and the project feasibility, even though personal relationships appear to remain strong and professional. This is largely due to the frustration over the lengthy process, the somewhat linear and overly detailed (in DCC's view) process of putting together the proposal and application, and DCC's concern that insufficient regard was had for its length and level of experience and proven commitment to providing social housing, and coming through in a somewhat patronising attitude.

  This dissatisfaction may contribute to DCC being disinclined to go through the process again, and a feeling that, while DCC may have accepted the loan conditions, the partnership relationship is more grudging than one of mutual respect and collaboration. While a number of the process issues will have been resolved, it will be important for DCC to feel that the process is more streamlined, easier and transparent, and less detail intensive for having already been through the process, if it is to seek to access funding, or work in active partnership with Housing New Zealand on other similar projects.

  DCC expressed a desire for the partnership relationship to be a more collaborative and longer term relationship, as it comes to grips with housing issues arising from the changing demographics of the city's population.

- *Financial assistance provided for new projects on terms that protect the Crown's investment:*

  The financial assistance approved for this project is a 20-year, interest-free loan. The terms of the loan provide that it is only re-payable (together with interest) if DCC either abandons or does not complete the project, or decides to withdraw or significantly alter its investment in joint-funded social housing during the term of the loan. If the Council intends at any time to sell the land or units constructed with this funding or any replacement project approved by Housing New Zealand, then it will first offer to sell such land or units to Housing New Zealand or to a social housing provider approved by Housing New Zealand, at market value. This protects the Crown's investment in this social housing project for the term of the loan, and if DCC does decide to sell the units there is an opportunity to ensure they are retained as social housing (although Housing New Zealand may have to pay the market value, in addition to the investment it has made in financing half the construction cost of the project).

- *Collaborative models for management and ownership of social housing protect the Crown's historical investment in social housing stocks*

  (Not applicable to this project.)

Background

Description of the organisation

DCC is an experienced provider of social housing, with a portfolio of around 1,000 housing units, and has been involved in providing housing since the 1940s. Housing is managed through the Property Management Business Unit, which has four staff – a Housing Manager and three Housing Officers. This unit reports through the Finance and Corporate Support Group in DCC's management structure.

DCC's Housing Policy identifies priority groups for its housing as (in order):

- People aged 55 years and over with limited income
- People under 55 years of age with limited income and/or disabilities.

It does not have a focus on providing housing for large families.

Rationale for the project and identification of needs

This specific project was for the construction of quality one-bedroom and two-bedroom units for people over 55 years of age, on land DCC had identified as appropriate for older people's housing – close to services and transport links.

DCC identified the need for housing for this target group based on its experience with and observation of its changing housing market, and the greater demand for affordable rental housing, reflected in vacancy rates dropping for all DCC housing, waiting lists for placements in DCC housing and the growing length of time prospective tenants are on waiting lists. There was also growing recognition within DCC of issues associated with an ageing population driving demand for one and two person housing units.

Designs for the proposed units were based on the design of housing units previously constructed by DCC in 2002 that were in use and appeared to be working well with satisfied tenants. While Housing New Zealand had some concerns with the proposed layout and design of the site and buildings, DCC had commenced construction of its units and it was considered that these issues were not significant enough to warrant rejection of the proposal.

Returns expected from rentals

There are specific income and asset tests for prospective tenants, and rents are not to exceed thirty percent of the single person national superannuation, with these set to cover the cost of the services provided.

Rents for the new units under this project were expected to be around $96 for one-bedroom and $125 for two-bedroom units, which are 76 percent and 60 percent of average market rents[5] respectively for similar properties in the area.

Long term vision

DCC's long term commitment to provide housing is set out in its Long Term Council Community Plan 2003/04 to 2012/13. Its policy is to ensure that council housing is self-funding and sustainable at "breakeven" point.

Funding package negotiated with Housing New Zealand

The DCC proposal was approved by Housing New Zealand, and an original letter of offer was sent in February 2005. Following some clarification and negotiation of the terms of the loan offer, a revised offer was accepted in May 2005. This provided a term loan facility of $472,500 for DCC to construct four new two-bedroom and two new one-bedroom housing units on sites owned by DCC. Particular conditions of the loan facilities offered include:

- The term of the loan is 20 years, and is interest-free for all of that period subject to certain repayment conditions (below).
- The loan will be repayable, together with interest calculated at an interest rate reasonably determined by Housing New Zealand, if at any time during the term of the loan the Council either abandons the housing project or elects not to complete it and does not re-apply the funds for another social housing project approved by Housing New Zealand; or the Council decides to withdraw from or significantly alter its investment in joint funded social housing.
- If the Council intends at any time to sell the land or units constructed with this funding or any replacement project approved by Housing New Zealand (whether before or after 20 years from the date on which the loan is drawn down), then the Council will first offer to sell such land or units to Housing New Zealand or to a social housing provider approved by Housing New Zealand, at market value.

Key issues

During the project and the course of its development the parties had to deal with a number of issues.

Long term commitment to social housing vs. DCC's housing strategy

For Housing New Zealand, DCC's strategy of selling under-performing stock (in terms of tenancy rates and quality) and replacing it with better located, quality stock that meets a range of criteria,

[5] Based on Ministry of Housing Tenancy Services 2004 Market Rent Information, sourced from internal Housing New Zealand documentation.

with an overall reduction in the number of housing units envisaged, is apparently at odds with the Fund's goal of encouraging local authorities to retain or increase their social housing stocks. Also, it was apparent that DCC could cover the total cost of the project, and early indications from DCC staff were that the funding would enable DCC to implement its housing strategy more quickly. Housing New Zealand was therefore concerned to ensure that any funds saved by DCC were invested into other projects that protected the levels of social housing stocks.

This led to a tension between the parties, where Housing New Zealand wanted a long-term commitment from DCC to retaining its housing portfolio, and sought to secure its loan over DCC's wider portfolio, while DCC was concerned to protect its right to make decisions regarding its wider housing portfolio, and pointed out that because elected councils change, no cast-iron guarantees on future council policies could be given.

DCC had indicated further projects were being developed with several in the pipeline, and gave verbal assurances that the capital saved on the current project would be used to develop these other projects. Housing New Zealand sought to include this commitment within the terms of the loan.

Within DCC, there were also concerns about its Strategic Housing Plan that had been developed in 1999, with the current management considering it may no longer be valid and may need to be reviewed. In particular, it appeared lacking in key information and understanding of the implications and social issues associated with an ageing population and the growing demand for social housing in Dunedin. As a consequence, DCC is undertaking a housing policy review in conjunction with other local agencies, which will cover a wide range of housing issues. It goes beyond DCC's provision of housing, and is likely to have implications for DCC's housing portfolio.

Housing New Zealand processes

Within Housing New Zealand, there were also a number of issues that impacted on the process and, therefore, the levels of frustration experienced by DCC – some of these relate to the newness of the process and lack of clear guidelines. They included varying interpretations and a lack of clarity and consensus, on issues that arose and their implications, for example, in the negotiation of the contract, or the degree and level of detail given as guidance. Housing New Zealand didn't always have a "corporate" view of these issues, and they needed to be resolved or policies developed "on the run". This had flow-on effects for the rate of progress, the wording of the agreement and the responses to DCC.

Housing New Zealand was undergoing considerable changes as well, with a lack of staff resources and a change-over in staff part way through the project. This had implications for continuity of knowledge about the project, and added to delays and frustrations with gaps in communications being experienced by DCC.

For DCC, the length of time to complete the process was a major source of frustration, although DCC felt it was very patient: "*We don't want annoy an organisation that is giving us $400-500,000*". Other sources of frustration included:

- a lack of clarity around what information was required and the process that was being followed

- a belief there was an excessive level of detail that was required to support the application; gaps in communications and periods of apparent inactivity
- what appeared to be repetitive requests for information; and issues of dealing with Wellington-based Housing New Zealand staff.

A number of these issues have been addressed in changes to procedures and the process. Issues were a feature of the scheme being new, and/or due to Housing New Zealand staff developing processes and procedures "on the run"; therefore, some of the causes for concerns should not arise again.

DCC also considered that more regard should have been had for its experience as a housing provider and the size of its portfolio, and that a more holistic view should have been taken of this. They also felt that greater opportunities for face-to-face dialogue with locally based Housing New Zealand representatives may have helped resolve issues more speedily and effectively.

Terms of loan agreement

In terms of the loan agreement, Housing New Zealand initially proposed a draft deed reflecting the conditions of the loan. The terms of the deed, the obligation to hold stock for social housing purposes and the consequent penalties if it is no longer used for social housing were conditions considered onerous by DCC, and not encouraging of continued participation in the provision of social housing.

DCC was also concerned about the conditions that initially secured the loan over DCC's entire housing stock portfolio rather than units the loan was to be directed to. DCC was also concerned about the requirements to gain Housing New Zealand agreement if it wanted to dispose of poor performing units. DCC was wary of "unreasonable" restrictions, and wanted to ensure its independence was protected and that it would not lose control over its own assets. These concerns were exacerbated by DCC not seeing a copy of the loan documentation until late in the process, and then taking issue with a number of points. It appeared to Housing New Zealand that it was then that DCC realised the implications of the loan conditions, and Housing New Zealand's goal of keeping councils in the provision of social housing, although Housing New Zealand believes it had been careful to articulate these throughout the process.

A number of DCC's concerns over the proposed deed and loan documentation were addressed in negotiations and further discussion – the term was reduced, and the security over the property was limited to the property in question. DCC accepted there would be a penalty for opting out of social housing, and this was agreed at a more acceptable level.

When the letter of offer was presented, it stipulated that the offer was open for a period of 10 days. DCC objected to this, given what they considered to be extensive delays in the process to date. It also became apparent that DCC staff had to get approval of the full Council to the loan, and 10 days was inadequate to secure this approval.

Housing New Zealand had recognised that, during the course of developing the project proposal and approving the loan, and discussing the details with officers of DCC, there was something of a risk that the terms of the loan and engagement would not be accepted by elected members, and that there would be pressure to change the loan agreement/conditions. This raises an issue of ensuring the respective parties either have a mandate to negotiate and enter into an agreement, or understand each other's procedures for ratifying or approving a contractual agreement, early in the process so that appropriate timelines can be identified. This will also be a particular issue if a proposed project requires changes to a council's policy, and those changes must be approved by council or a committee of council. This requires an appreciation of the political process by Housing New Zealand.

Finally, at the end of the day, DCC recognised that the offer was a good one, and committed itself to the terms of the loan; for DCC, this also meant that Housing New Zealand recognised the value that DCC can offer to the increased provision of social housing within Dunedin.

Success factors

Project champions

Both DCC and Housing New Zealand recognised that a key factor that contributed to the success of the project (the approval and acceptance of funding for the project) was that each had a "champion" for the project, who was committed to making it work.

For DCC, this role was played by the Housing Manager, who acted as a facilitator between the Council and Housing New Zealand, helping each side maintain its integrity and achieve its objectives. This meant staying focused on the long term benefits of the project and its contribution to the bigger housing issues facing Dunedin, and supporting and advocating for the deal within council, both elected members and officials such as other managers, legal and financial services.

For Housing New Zealand this was the role of the Project Manager – the person with ownership of the process, responsible for pulling all the pieces together and negotiating an outcome with DCC. The Project Manager reconciled concerns identified by DCC or inconsistencies in views within Housing New Zealand and developed responses to issues raised.

Perceptions of the Fund

Thee Fund was recognised as a good scheme, and provided local authorities such as DCC with a good deal. The vision of the scheme and the partnership model that was presented was very encouraging, at least at the outset (some of the difficulties experienced have lead to questions about this).

Skills and experience of key personnel

Other key factors contributing to the success of the project included that the people involved from Housing New Zealand and DCC are experienced in housing issues. They could relate to each other on a professional level, and understood what each other was talking about.

Lessons learned

The following lessons may be drawn from this experience.

Early clarification of terms of the loan agreement

Housing New Zealand needs to ensure the other party fully understands the conditions of any loan early in the process, and for local authorities that this includes provisions that are intended to encourage them to retain and continue to provide social housing. It would help if a draft of the contract is provided at an earlier point in the process to allow the parties to talk through issues more, and to decide whether they can/are willing to proceed with the proposal on that basis.

Mandate to commit respective organisations

Each party needs to confirm with the other its decision-making and approval process in respect of entering into a binding contract. Each party also needs to clarify the mandate of the principal parties to enter into discussions, so that the respective obligations and the impact of these on timeframes are understood.

Greater clarity of information required, critical criteria, and key conditions for acceptance

It would be helpful to applicant parties for there to be greater clarity in the type and level of information required. The identification of the critical criteria that must be met in a proposal would help. The key conditions for acceptance of an offer from Housing New Zealand need to be laid out from the outset.

Ongoing communication critical

Ongoing communication throughout the process, including being responsive in a timely fashion (or conveying accurate timeframes for responses), is always essential. In this case these issues may have been affected by the resourcing difficulties being experienced by Housing New Zealand. The Corporation needs to clarify and confirm key processes and policy issues early on in the implementation of Fund. However, this will always be a key element in providing a professional, quality service, as well as demonstrating respect in what is meant to be a collaborative partnership.

Apply Fund processes with flexibility

While the process has been reviewed and changed since its initial iterations, it is important to keep in mind a need to maintain a level of flexibility that recognises and adjusts for the relative experience and capabilities of prospective providers. Applying a “one size fits all” approach will lead to tensions in a prospective partnership, particularly with the more experienced and capable providers. Encouragingly, however, discussions with Housing New Zealand staff suggest that this approach has evolved since its early applications and is being applied in a more flexible manner.

Summary conclusions

This project with Dunedin City Council was one of the first initiated after the introduction of the Fund. It suffered to some extent from this in terms of Housing New Zealand operationalising the concepts underpinning the Fund and putting resources in place to manage the influx of interest following the initial presentations on the Fund.

DCC expressed some dissatisfaction with the approach taken to assessing its organisational capability and the project feasibility, and the lengthy process. This dissatisfaction may contribute to DCC being disinclined to go through the process again, and a feeling that, while DCC may have accepted the loan conditions, the partnership relationship is more grudging than one of mutual respect and collaboration. A number of the process issues will have been resolved. It will still be important that the process is more streamlined, easier and transparent, and less detail intensive for DCC having already been through the process, if it is to seek to access funding, or work in active partnership with Housing New Zealand on other similar projects.

Despite these early difficulties, DCC is supportive of the concept of the Fund and the development of an ongoing partnership with Housing New Zealand. DCC has expressed a desire for the partnership relationship to be a more collaborative and longer term relationship. It sees this as key to addressing the housing issues looming for Dunedin in coming years. DCC looks forward to working with Housing New Zealand to develop and implement strategies to address these.

Due to its apprehensions about the process it experienced, however, DCC would also like to see further evidence that Housing New Zealand wants a long-term collaborative partnership. This evidence includes follow-up discussions and planning for “where to from here” and future (bigger) projects. Greater sharing of information and experiences about innovative design features and new products that may be relevant to Dunedin housing conditions, alternative models of social housing, sample District Plans that support social housing, etc, are further examples of what DCC is looking for.

This project with DCC has also helped Housing New Zealand review and refine its processes and policies from an operational perspective. This will stand Housing New Zealand in good stead with projects it embarks upon with other local authorities.

In terms of longer term outcomes for the Fund, this project has permitted the Council to acquire six additional units for social housing, helps provide a local solution for local social housing needs, on terms that protect government’s investment. A positive unintended outcome of the DCC project is that the process has lead to a heightened awareness within DCC of social housing problems. Currently it has helped encourage DCC to move from an asset management to a social planning focus within its housing policy and strategy development. It is also better able to look at implications of an aging population for future social housing needs.

Acknowledgements:
We wish to acknowledge and thank the following people for their time and contribution to this case study:

- Barry Sleeman, Housing Manager, Dunedin City Council
- Marc Slade, Policy Adviser, Housing New Zealand Corporation

Case 2: The Fowler Trust

Introduction

The Carl and Irene Fowler Charitable Trust (the Fowler Trust) applied and received approval for funding to build two one-bedroom housing units in Lumsden for low to moderate income older people resident in Northern Southland to remain in their community. The project adds to the three units already owned by the Trust.

The Fowler Trust first registered its interest in applying for funding from the Housing Innovation Fund (“the Fund”) within 48 hours of the Fund being announced in the May 2003 Budget. Its initial application was sent to Housing New Zealand Corporation in September 2003 following attendance at a presentation about the Fund. The Fowler Trust ultimately accepted the Corporation’s offer of funding and its terms and conditions in May 2005.

This project involved a small rurally based Trust that was relatively inexperienced in submitting applications for, and receiving funding from, government agencies, and in terms of property management. There was an extensive process of capacity building required, and issues associated with level of security able to be offered in respect of the proposed development. In addition, the processes of the Fund were relatively new and untried, and were being developed as the project unfolded. Project management support was based in Christchurch, and was learning about the new processes of the Fund, and having to balance demands for both old and new roles with the Corporation.

Since this project was established and approved, there have been a number of changes to procedures and policies, the need for which was highlighted in this and other early experiences with projects under the Fund. This case study report will highlight the key factors that contributed to this project reaching a successful outcome, which was the approval and acceptance of loan funding for the project.

Summary of outcomes achieved

Access to funding under the Fund has meant that two one-bedroom housing units have been able to be constructed to provide further options for low to moderate income elderly people previously resident in the Northern Southland area to remain in their community with friends and family. The housing units have been specifically designed for elderly people, with small plots of land and wheelchair accessible.

The total estimated cost of the project is $483,825. In this case, Housing New Zealand’s contribution was a 25 year loan with the first 10 years being interest-free, and a conditional grant that is only re-payable if the Trust ceases to use the properties for social housing purposes. The Fowler Trust contributed a further 15 percent of the project cost, consisting of cash and land.

In terms of the intended initial outcomes for the Fund[6], this project has achieved the following.

- *Sustainable community housing providers:*

  The Fowler Trust is now a sustainable community-based social housing provider. It has the capability and capacity to manage its portfolio of social housing, and regards itself as being in a far stronger position to do so with the benefit of having worked through the process of applying to the Fund and developing a comprehensive proposal. The Trust also considers it is in a stronger position because it had to review and develop its policies, procedures and systems as a result of having to meet Housing New Zealand's standards and requirements. One issue that may be of concern is that trustees can continue in their roles and retain the interest and commitment shown to date, and that there is an ability to attract like-minded individuals to replace outgoing members of the Trust as and when required.

  There must also be a concern about the Fowler Trust's ability to attract or generate the finance required to undertake more social housing projects. Although the Trust has built up its knowledge and capacity, and there appears to be a demand for more of the same style of housing, the Trust has exhausted its cash reserves on this project. Rental income from its (now) five properties will be committed to servicing the loan that it has, and to the maintenance of those properties. It will have limited ability to accumulate sufficient cash reserves to fund a further 15 percent contribution, even if further funding will be available from the Fund.

- *Range of social housing models and creative approaches to completed projects:*

  This project involved the design and construction of purpose-built units for the Trust.

- *Non-government investment is attracted:*

  Non-government investment has been attracted in terms of the 15 percent contribution of the Trust, including the land gifted to the Trust by the Catholic Church.

- *Project meets social housing needs of intended target groups:*

  The project meets (in part) the social housing needs of intended target groups, as elderly people with limited income are one of the key target groups for the Fund.

- *Project sustainable without ongoing Housing New Zealand support:*

  This particular project is now sustainable without ongoing Housing New Zealand support. The mix of conditional grant and terms of the loan have been modelled to show that rental income from the Fowler Trust's five properties is adequate to service repayments of the loan over the course of its term, and that the Trust has the capability to manage their assets.

- *Effective relationships with community housing partners:*

  Housing New Zealand now appears to have a good and effective relationship with the Fowler Trust, and the Trust considers the relationship to be very collaborative. During the early parts of the process, however, this relationship was not very effective, due largely to Housing New Zealand's processes being untried and evolving, and resourcing levels not being sufficient. The Fowler Trust has been quite charitable in its description of the relationship, and unnecessarily apologetic for its lack of experience.

[6] See *Housing Innovation Fund – Hierarchy of Outcomes* at Appendix One.

- *A range of effective mechanisms for delivering assistance, with flexibility to meet community housing needs:*

  The mechanisms for delivering assistance to this project included a conditional grant and a 25-year term loan.

- *Mechanisms satisfy Housing New Zealand and government's requirements for accountability:*

  The mechanisms for organisational, financial and risk management, asset management, and tenant and client services have been reviewed thoroughly by the Trust and Housing New Zealand. These, and the terms of the funding agreement, have satisfied Housing New Zealand that they meet its requirements for accountability.

- *Criteria and forms of assistance encourage community housing providers to engage in social housing projects:*

  The availability of the Fund and the assistance provided certainly encouraged the Fowler Trust to engage in this social housing project. The Trust did have a small number of existing properties, but had been unsuccessful in gaining funding from alternative sources to extend these to address the demand that was identified.

- *Partnership Priority Framework functioning effectively:*

  The Partnership Priority Framework was a new and untried process, and did not function effectively in this project. However, since this project has been through this process, this process itself has been changed from a four-phased linear process to a two-phased approach. This change, along with greater experience in applying these processes, should mean future applications of the process are more effective and efficient.

- *Housing New Zealand support roles functioning effectively:*

  Support provided by the Housing New Zealand Design Team does appear to have been effective and appreciated by the Trust. Housing New Zealand project management support roles did not function particularly effectively due to the reasons outlined above – a new and untried process, lack of clarity and guidance in what was required from the Trust, support roles learning about the process themselves, support roles being inadequately resourced and therefore unable to give as much attention to the needs of the partner as required, and a lack of cover for an extended period of absence by the primary project management support. Again, most of these issues have now been resolved and the support roles are better resourced and more experienced.

- *Capacity building grants to providers are effective:*

  No capacity building grant was provided to the Trust, despite a need for assistance in this area. The assistance was provided by Venture Southland, a local government agency, which turned out satisfactorily, but happened more by chance than by design. There was an extensive period of 6-8 months during which trustees admitted they were floundering over what to do and how to go about meeting Housing New Zealand's requirements, before they linked up with Venture Southland.

- *Peak Body (CHAI) functioning effectively:*

  Not applicable to this project.

Background

Description of the organisation

The Fowler Trust was established in 1997 by Carl Fowler, who funded the construction of three self-contained residential units in Lumsden that are rented to elderly people who lived in the Northern Southland area, so they could remain close to friends and family.

The activity of the Trust was governed by its Deed of Trust, which had very specific objectives in relation to these original three units – acquiring a specific property, building three units on it in accordance with plans that had been lodged with the Southland District Council, and letting or leasing these units for residential accommodation preferably to elderly or retired persons previously resident in Northern Southland.

The Trust is administered by a Board of five Trustees who act in an honorary and voluntary capacity. The five trustees are all active with other roles within their communities, and through their networks of contacts can call on a wide network of support. While having no paid employees, they use professional services as required – legal, accounting, and building consultancy for property inspections.

Rationale for project and identification of needs

The Fowler Trust trustees established that there was demand for additional residential units in Lumsden to enable elderly residents to remain in their communities close to friends and family, and maintain an independent life for as long as possible.

The trustees consulted extensively with their community on the need for low rental housing designed specifically for the elderly and received letters of support from an extensive cross-section of the community.

Organisation development

Although the Trust had managed its three units for around seven to eight years, its business policies and procedures needed to be developed and documented to a standard acceptable to Housing New Zealand. The Trust also needed to develop a property management and maintenance plan, and a tenant information booklet. Crucial assistance in the development of these was provided by Venture Southland, an economic and community development agency funded by the Southland District, Invercargill City and Gore District Councils.

Rent-setting policies

Rents for the existing units are set at below market rates so as to be affordable for limited income elderly people and allow them to maintain an independent life for as long as possible. These rents are currently $100 per week.

On completion of the construction, rentals will be reviewed and set at $120 per week for the one three-bedroom house, $110 per week for the two-bedroom units, and $100 per week for the three new one-bedroom units. The latter compares with a market rental Housing New Zealand determined at a rate of $120 per week.

As residents would be eligible for accommodation supplements from WINZ, the net rental would be less than 30 percent of income for residents on superannuation.

Development of the project

In 2001, the Catholic Church donated land near the three existing units to allow additional units to be constructed. The trustees had also accumulated funds from the rentals of their existing properties, but had been unsuccessfully approaching various other charitable and community funding organisations, or the Southland District Council, for the further financial assistance needed to undertake the construction of the additional units since around 2001.

The establishment of the Housing Innovation Fund was announced in the May 2003 Budget, and within 48 hours the Trust registered its interest in applying to the Fund with Housing New Zealand. In September 2003, the Trust's chairperson attended a presentation on the Fund by Housing New Zealand, which explained the process for applying to the Fund for funding, and later that month sent an application to Housing New Zealand.

The original project proposal was for the construction of three units. The Trust received a feasibility grant in early May 2005 to identify project development costs for the proposed three units, gain a valuation of these and obtain a market valuation for its existing three properties for the purpose of determining the level of security it had for a loan from the Fund.

However, the value of the gifted land was less and the cost to build the proposed units was significantly greater than expected, and financial analysis by Housing New Zealand found that only two units were financially viable. As a consequence, construction of a third unit was deferred, and would be considered as a future project. Also, the lower land value and higher construction costs forced the Trust to approach the original benefactor, Carl Fowler, for a further gift to ensure the Trust could meet its 15 percent capital contribution for the project.

The Housing New Zealand Design Team also provided some useful advice and feedback to the architects that the Trust used to draw up the plans for the proposed units, which enabled the Trust to develop housing that was more suitable for elderly people.

Funding package approved by Housing New Zealand

In late May 2005, the Fowler Trust was offered and accepted funding from the Housing Innovation Fund. The loan facilities consisted of:

- A 25-year loan, with the first 10 years being interest free, and converting to a table mortgage from year 11
- A conditional grant (15 percent of the total cost), only repayable if the Fowler Trust sells the properties or ceases to use them for social housing purposes within the term of the loan.

Construction started in late 2005, with the Trust beginning the draw-down of its loan in December 2005.

Key issues

During the project and the course of its development the parties had to deal with a number of issues.

A new process

The Fowler Trust was one of the first applicants to the Fund, approaching Housing New Zealand shortly after it was first launched. The process of accessing the Fund was affected by the fact that the implementation of the Fund was still being rolled out, and processes, policies, systems and procedures were still being developed.

The impact of this was that Housing New Zealand's project management support was also learning about the process as it rolled out; sufficient Housing New Zealand staff resources had not been put in place to provide adequate coverage of the area or sufficient back-up when the primary contact was unavailable due to a lengthy illness; and there was a lack of clarity and guidance for the Trust in terms of what to do or expect, or in terms of information that needed to be provided.

One consequence is that the Trust provided and was asked to provide information in a piecemeal fashion, with a lot of "back and forth" required with the Corporation to address gaps in the information, to re-send and/or re-present information in alternative ways, and little in the way of explanations from the Corporation. The trustees spent a considerable amount of time collating and providing the information requested, which was especially difficult as they were all volunteers and unused to dealing with a government agency in this way.

They were then required by Housing New Zealand to submit the information again within a comprehensive application. However, they did not have the skills, experience or resources to do this, and were unsure how to proceed, and the trustees "floundered" for 6-8 months before they gained assistance from Venture Southland.

Experience, skills and resources

The trustees are all active with other roles within their communities, and some manage their own significant businesses. Despite their experience, they were not prepared for Housing New Zealand's requirements for documentation of policies, plans and procedures, or for the requirement to submit a comprehensive application. Also, there was a lack of the necessary skills and experience within the local community that the Trust could employ to assist them with these requirements.

It was somewhat by chance that the Trust learned of and approached Venture Southland for assistance. An adviser from Venture Southland:

- evaluated what was required by Housing New Zealand from the Trust
- prepared the Trust's full application for them to review and approve, in the right "government speak" language and in a way that would meet Housing New Zealand's requirements
- helped put together the policies and procedures that Housing New Zealand required
- helped the Trust work through the Housing New Zealand's financial modelling process.

The assistance of Venture Southland in these respects was crucial. As one of the trustees commented –

> *"We were very lucky that we had [Venture Southland] to pull together the information in a way that Housing New Zealand required. We did not have the time or the experience to do it. [The adviser] was very useful as he could speak the lingo and understood what [Housing New Zealand] wanted. We would have run into trouble if we did not have access to this professional expertise …. We did not fully understand what Housing New Zealand wanted as this was the first time we had been through this [type of] process. It felt like they were talking above us and speaking to us in their own terms."*

The adviser from Venture Southland also commented:

> *"I don't know how community trusts and organisations would be able to manage the application process if they did not have access to someone who can understand what Housing New Zealand actually requires to be delivered. The bureaucracy and all the paperwork that was required was a big challenge to the trustees. … The trustees did not have this particular type of experience."*

Development of policies, plans and procedures

As noted above, despite having managed its three existing properties for several years, the Fowler Trust had not developed and/or documented its key policies and procedures around managing the Trust and its properties. The Trust essentially had to develop these from scratch, and had the perception that Housing New Zealand wanted the trustees to do the work themselves. However, for the reasons identified earlier, one trustee commented:

> *"We would have had to pay someone to develop the policies that Housing New Zealand required. However, in a rural community there was no-one who had the necessary experience to do it down here. It would have turned the trustees right off if we had had to develop the policies ourselves."*

While a development grant was discussed with the Trust, and the local Housing New Zealand Housing Services Manager was consulted to identify potential consultants to work with the Trust, none were identified. It was during this search process that the Trust approached and obtained assistance from Venture Southland in the development of their policies. As a result, a development grant was not applied for as Venture Southland's service is offered free of charge.
Advice and guidance was also provided to the Trust by local (Invercargill) Housing New Zealand staff (Housing Managers) to assist them with developing their Tenancy Management processes and policies.

The trustees found that the standards Housing New Zealand required were far higher than they expected, which meant the Trust had to raise its standards and "tidy up its affairs".

Property values and building costs

The relatively depressed property values in a rural town such as Lumsden created a number of problems that needed to be worked through. The value of the land gifted to the Fowler Trust by the Catholic Church was lower than the Trust expected, and left the Trust unable to meet the 15 percent capital contribution required. Also, the cost of building the new properties escalated from an earlier (January 2003) estimate that the Trust had, and exceeded the market value that would result, and while the income stream from their existing units helped them, the Housing New Zealand financial model could not be made to work. These issues resulted in the Trust having to approach Carl Fowler for an additional contribution, and to modify their proposal and build two units instead of the three originally proposed.

The Housing New Zealand Design Review team provided advice to the Trust's architects on the design of housing for the elderly. This advice identified the higher cost more to build the new units than the Trust had estimated. This caused some frustration for some Trust members. They saw the modification to the design as unnecessary and adding costs, and believed that if they'd followed the model for their existing units (a local builder designed and built them) they would have been able to have built the third unit. Generally, however, the majority of the trustees felt the resulting units were more suitable housing for their intended clients.

Isolation and distance of Lumsden

The isolations and distance of Lumsden from Housing New Zealand project management support and professional services exacerbated a number of problems. The Housing New Zealand project manager was based in Christchurch. Support was generally only available by phone and letter. Meetings that were held generally ran out of time to fully address all the questions and issues that the Trust had, due to travelling requirements for the project manager. The Trust's lawyer, architect and accountant were all based in either Gore or Invercargill, which added difficulties and time to the process when documents had to be discussed and signed.

Time taken to work through the process

The time taken to work through the process – September 2003 to December 2005 – was far longer than anyone expected. Many of the reasons for this relate to the issues identified earlier:

- The newness of the Housing Innovation Fund meant Housing New Zealand was still developing its policies, processes and systems, and did not have a step-by-step guide to lay out for the Trust what to expect, do and provide – "*We decided what to do as we went along, and this made it a frustrating process for both parties*".
- Housing New Zealand was following a four-phased process that was quite lineal, and often repetitive (this has since been reviewed and changed).
- The trustees were unsure what and how to respond to Housing New Zealand's requirements for information, until they received support from Venture Southland.

Also, the project manager had insufficient time to put into the project because of a heavy workload (covering the whole South Island at that point), compounded by being ill for a period of 5-6 months and there being limited back-up support or cover for the role.

For the trustees it seemed that nothing happened for a year within that time. They might have given up except for their motivation, long-term commitment and drive, and support from each other. They also felt they had little option but to be patient, although this was difficult as the trustees (like so many in rural communities) are more "doing" people who "get things done". As one of the trustees commented:

"We had to put up with it because we wanted the money. We had no choice. We had already applied to three different sources of funds [and] they had all turned us down. They were more interested in "bums on seats", supporting sports stadiums [and] that type of stuff rather than supporting projects like ours. Housing New Zealand was our last hope."

Review of the Trust Deed

In assessing the Trust's Deed for the purposes of determining whether the Trust had the legal powers to undertake the proposed project, Housing New Zealand's legal team found that the very specific nature of the Trust's objects in the Deed appeared to relate to the existing units the Trust managed, and were limited to a specific area of land, and a specific housing design. The Trust needed to amend its Deed to give it more flexibility and the power to undertake the proposed project. The Trust was advised to consult its lawyer. This occurred, and the Deed was amended satisfactorily.

Future developments

The Fowler Trust will find it very difficult to raise money to fund its 15 percent capital contribution for the third property under the current rules of the Fund. The Trust has had to use up all its reserves in funding the approved project, and committing revenue streams from all its properties to servicing the loan received from the Fund. Only if another benefactor emerges or substantial donation is made will the Trust be able to proceed.

This will be somewhat frustrating for the Trust as they have spent considerable time, energy and money in developing their skills and capability as a social housing provider. It will also be an issue for other small trusts that embark upon a project and use up all their capital reserves to meet their 15 percent capital contributions to a project and gain access the Fund.

Success factors

Support provided by Venture Southland

Both the Fowler Trust and Housing New Zealand recognised that a key factor that contributed to the success of the project (the approval and acceptance of funding for the project) was the role played and assistance provided by Venture Southland. The adviser from the community and economic development agency understood and had the ability to translate the requirements and expectations Housing New Zealand had of the Trust into language that the trustees unused to "the bureaucratic systems and processes of government" and "government speak" could relate to. He was able to develop the proposal and policies for the Trust in a way that satisfied Housing New Zealand's requirements. The Venture Southland adviser also provided the resource and expertise to do this that was otherwise unavailable in the small rural community, guiding the Trust through the process.

Organisational capacity building

Being required to work through the process, although lengthy and frustrating for the trustees, is recognised as a something that worked well – it tested the Trust's commitment to the project and ensured that the Trust put in place good systems, policies and procedures for managing its affairs, safeguarding it from making mistakes and the risk of fraud, and protecting both partners when the use of public money was involved. The Trust feels it is stronger and better placed for having worked through the process, and has acquired a lot of skills, abilities and knowledge that it didn't previously have.

Utilising professional services when required

Having a range of professionals involved in the project was important – architects, lawyer, accountant, the Venture Southland adviser, and Housing New Zealand's project manager and Design Team. Each brought expertise members of the Trust did not have; they communicated with each other and worked well together, often directly. While initially considered time-consuming and a waste of money, the necessity for this professional level of services is now well-recognised, the professionals added value, and were essential to ensuring a good result was achieved.

Commitment of Trust members

The determination and commitment of the trustees to succeed was a success factor. Their patience and commitment was tested significantly, both in terms of trying but not succeeding in attracting funding prior to the Housing Innovation Fund becoming available, and in terms of their patience and efforts throughout the process of developing and submitting their proposal, policies and plans to the point of having funding from the Fund approved. This determination and commitment was based in a belief in what they were trying to achieve – providing housing opportunities suitable for older people so that they can retain their independence and live close to friends and family.

The chairperson of the Trust is recognised as having played a key role in the success of the project, encouraging and keeping the other trustees going, maintaining the vision and dealing with issues with patience and discussion.

Relationships with Housing New Zealand

The relationship with Housing New Zealand is also seen as key to the success of the project. Despite the time taken and frustrations along the way, the Trust considered that Housing New Zealand was overall very responsive, friendly, helpful and informative, and delivered on what they said they would.

Lessons learned

The following lessons may be drawn from this experience.

Clarity of vision and maintaining focus

A community organisation needs to be clear about it wants to achieve (a vision), and keep focused on this. It needs to recognise the process is likely to take longer than they expect, and that there will be times during it that they may feel frustrated with, a perceived lack of progress, and with the demands Housing New Zealand may be making of them. Despite the frustrations, the trustees recognise that it has been worthwhile and they are in a much better, stronger position for having been through it.

Good policies, procedures and networks are important

A community group can prepare itself by maintaining its policies and charter/objects of the group, and keeping these up-to-date. It should also develop a network of reputable external advisers and specialists it can call on for support, advice or assistance, and the economic and community development agencies of local councils may be a good source to approach.

Housing New Zealand to more proactively identify where support may be required

There is a risk, especially for small communities, that relevant expertise is not available in their local area. In such a case, Housing New Zealand may need to take a more proactive role in identifying where support and assistance may be required, and in providing this support. This may include Housing New Zealand staff working more closely with a community group, or being more proactive in applying a capacity development grant for the community group to engage suitable expertise from outside the local area if necessary.

Based on the Fowler Trust experience, Housing New Zealand needs to be more proactive in assessing the capability and capacity of the group, and provide the types of support available under the Fund (e.g., capacity development grants). This may require Housing New Zealand to assess the feasibility of the project (e.g., undertaking the financial modelling) and the capacity of the group at an earlier stage, in at least some interim fashion, to determine whether the project is "a goer or not", and if it is then what support or assistance may be required by the group. This may also require Housing New Zealand spending more time visiting the group and location at the commencement of contact, and perhaps undertaking a workshop with the group to understand the nature and scope of the proposed initiative, the environmental context of it, what might be required from Housing New Zealand and/or the group to support and deliver the project, where assistance with building capacity may be required, and starting to build the relationship with the group.

Housing New Zealand could also ensure that its other specialists, such as the community design team, are engaged earlier in the process, so that the feasibility/planning of the project and capacity development issues can be worked on concurrently.

Clarify process to be followed

Housing New Zealand needs to ensure a community organisation or group is fully aware of the process it needs to work through to access the Fund by taking them through it step-by-step. Community organisations or groups need to understand what will be expected of them, the likely timeframes, and Housing New Zealand's role and approach – namely that the process is about building sustainable providers of social housing and "not just a tick the box or jump through the hoops" and that Housing New Zealand provides a team of expert specialists to help build the knowledge needed and to help make the project happen.

Tailor approach and language to the customer

Housing New Zealand needs also to adjust its approach (including the language and terminology used) to the background, skills and experience of the people involved, and communicate in a way that they can understand and relate to more clearly. Just because the group is not familiar with government processes and terminology does not mean they are less able.

Ensure sufficient back-up is available for key personnel

Finally, Housing New Zealand also needs to ensure it has appropriate back-up systems, support and cover in place in the event that the primary contact in the relationship with a project is unavailable for a lengthy period of time, or leaves the Corporation, so that the progress and momentum of the project is maintained.

Summary conclusions

This project with the Fowler Trust was one of the first initiated with a community group after the introduction of the Fund. The process of managing it was affected by the lack of clarity of policies, procedures and information requirements, along with staff inexperienced in applying these, and having too heavy a workload to give sufficient attention to the project, contributing to the extensive time taken to complete the project. However, it is anticipated that these initial difficulties have largely been addressed with more time and experience in operating the Fund, and the review of processes that has occurred.

Despite the length of time taken and the frustrations along the way, the Fowler Trust recognises the Fund as a great initiative, and a good process to have worked through. They have achieved two further units to help older people continue to live in the community close to friends and family, rather than having to move away from the area to get suitable housing for them, and would not have achieved this without the support of the Fund.

From Housing New Zealand's perspective this was an example of a project where Housing New Zealand recognised the need for this type of housing in a small rural community, and that a relatively small amount invested in a community organisation such as the Fowler Trust can make a huge difference to the community.

Overall, this project has largely been successful in contributing to the intended outcomes of the Housing Innovation Fund, albeit on a relatively small scale. Local social housing solutions have been developed (or enhanced) for local social housing needs, with the increased provision of social housing to those in need. The Fowler Trust has the policies, procedures and asset portfolio in place to become a sustainable organisation over the longer term.

Ongoing participation in social housing

The Fowler Trust would like to build additional social housing units to meet demand, as finance allows this. However, there is a concern about the Fowler Trust's ability to undertake more social housing projects. Having worked through the process and built up their knowledge and capacity, they appear to have the capability to undertake more projects of a similar nature, including the building of a third unit as a Stage Two of this development, and there appears to be a demand for more of the same style of housing within the Lumsden and surrounding area.

The difficulty is that the Trust has exhausted its cash reserves on this project, and rental income from its (now) five properties will be committed to servicing the loan that it has, and to the maintenance of those properties – it will have limited ability to accumulate sufficient cash reserves to fund a further 15 percent contribution, even if further funding will be available from the Fund.

The Trust is, therefore, likely to be reliant on receiving a further gift of capital, land, or a grant to raise this contribution, and the chances of this are difficult to estimate. However, having been through this process and developed its capabilities and experience, their chances are likely to be better than they were before the project.

Acknowledgements:

We wish to acknowledge and thank the following people for their time and contribution to this case study:

- The Trustees of the Fowler Trust: Mary Ryan (Chairperson), Brian Potts, Bill Humphries, Doris Brown
- Wayne Duncan, (previously) Venture Southland
- Other community members: Sue Anderson (Southland District Councillor), Yvonne Helliwell (Northern Southland Social Worker)
- Christine McQuillan, Partnerships Project Manager, Housing New Zealand Corporation

Case 3: Just Housing

Introduction

Just Housing Otepoti Dunedin (Just Housing) received approval for funding to build two two-bedroom and two three-bedroom housing units in Dunedin for low to moderate income earners. Funding for the project was approved by the Housing New Zealand Board in December 2005.

This project involved a small Trust that essentially had to re-invent itself from scratch – while there was an existing entity with its own Trust Deed, and a cash asset of around $110,000, it needed to develop a full range of policies and procedures. During the lengthy process involved, Just Housing had to deal with periods of disillusionment due to a lack of perceived progress; uncertainty about the extent of support from Housing New Zealand for the project and the process being followed; challenges to the credibility of the Project Coordinator from its key stakeholders when a formal commitment of support from Housing New Zealand was not forthcoming; a lengthy process of securing funding from the Dunedin City Council; and a need to scale back original proposals due to financial feasibility and resource consent issues.

Since this project was established and approved, there have been a number of changes to procedures and policies for applying to the Fund and an increase in the level of resourcing provided by Housing New Zealand, the need for which was highlighted in this and other early experiences with projects under the Fund. This case study report will highlight the key factors that contributed to this project reaching a successful outcome, which was the approval and acceptance of loan funding for the project.

Summary of outcomes achieved

Access to funding under the Fund has meant that two two-bedroom and two three-bedroom housing units have been able to be constructed in Dunedin for low to moderate income earners, which will complement housing provided by Housing New Zealand.

The total estimated cost of the project is $1,176,676. Just Housing contributed $189,000 consisting of cash and land. Housing New Zealand's contribution was a 25 year loan with the first 10 years being interest-free and converting to a table mortgage from year 11, a conditional grant and a suspensory loan to be written off over 10 years that are only re-payable if Just Housing sells or ceases to use the properties for social housing purposes during the term of the table mortgage.

In terms of the intended initial outcomes for the Fund[7], this project has achieved the following.

- *Sustainable community housing providers:*

  Just Housing may now be considered a sustainable community-based social housing provider. It has the capability and capacity to manage its portfolio of social housing, and the potential to become a larger social housing provider in the Dunedin area. The Trust is in a far stronger position to do this though having spent time getting its policies and procedures right at the start.

[7] See *Housing Innovation Fund – Hierarchy of Outcomes* at Appendix One.

- *Range of social housing models and creative approaches to completed projects:*

  This project involved the design and construction of purpose-built units for the Just Housing.

- *Non-government investment is attracted:*

  Non-government investment has been attracted in terms of the approximately 16 percent of the project cost's contribution of the Trust (to the value of $189,000).

- *Project meets social housing needs of intended target groups:*

  The project meets (in part) the social housing needs of intended target groups, as people with limited income are one of the key target groups for the Fund.

- *Project sustainable without ongoing Housing New Zealand support:*

  This particular project is now sustainable without ongoing Housing New Zealand support. The mix of conditional grant, suspensory loan and terms of the loan have been modelled to show that rental income from Just Housing's four properties is adequate to service repayments of the loan over the course of its term, and that the Trust has the capability to manage their assets.

- *Effective relationships with community housing partners:*

  Housing New Zealand now has a good and effective relationship with Just Housing, and the Trust considers the relationship to be very collaborative. During the early parts of the process, however, this relationship was not as effective, due largely to Housing New Zealand's processes being untried and evolving, and a lack of availability of key staff. This improved when the Project Managers were given the time needed to the job, and the responsiveness towards the end of the process was considered outstanding. Also, Just Housing feels that it now "understands the game" whereas at the beginning it did not; it saw the application process as belonging to the Housing New Zealand Project Managers and not the Trust; and the Trust regarded the approval process as invisible to them. These comments do not appear to reflect a true spirit of partnership between the Trust and Housing New Zealand, if that is what is desired.

- *A range of effective mechanisms for delivering assistance, with flexibility to meet community housing needs:*

  The mechanisms for delivering assistance to this project included a conditional grant, 25-year term loan and a suspensory loan. This project was one of the first instances in which a suspensory loan was granted. It was required due to the level of rents proposed to be charged (75 percent of market rent and around 35 percent of the income of the target group), which meant a larger amount of loan funding could not be sustained. This has demonstrated that the Fund has applied its range of effective mechanisms for delivering assistance, with flexibility to meet community housing providers' needs.

- *Mechanisms satisfy Housing New Zealand and government's requirements for accountability:*

  Housing New Zealand has reviewed thoroughly the policies and procedures for organisational, financial and risk management, asset management, and tenant and client services developed by the Trust. These, and the terms of the funding agreement, have satisfied and reassured Housing New Zealand that Just Housing meets its requirements for accountability.

- *Criteria and forms of assistance encourage community housing providers to engage in social housing projects:*

  The availability of the Fund and the assistance provided encouraged Presbyterian Support Otago to take over the previous Just Housing Trust's cash assets and engage in this social housing project.

- *Partnership Priority Framework functioning effectively:*

  The Partnership Priority Framework was a new and untried process, and did not function very effectively in this project – "*At the start Housing New Zealand was making it up as we went along*". However, since Just Housing has been through this process, the process itself has been changed from a four-phased linear process to a two-phased approach that encourages people to treat it in a more holistic sense.

- *Housing New Zealand support roles functioning effectively:*

  Housing New Zealand project management support roles did not initially function particularly effectively due to the reasons outlined above – a new and untried process, lack of clarity and guidance in what was required from the Trust, support roles being inadequately resourced and therefore unable to give as much attention to the needs of the partner as required, and a lack of cover for an extended period of absence by the primary project management support. Again, most of these issues have now been resolved and the support roles are better resourced and more experienced. In respect of this project, the support roles were functioning effectively by the end of the project, and the support provided by the Housing New Zealand Design Team has also been effective and appreciated by the Trust.

- *Capacity building grants to providers are effective:*

  There was no capacity building grant provided to the Trust to help it develop its policies and procedures, despite a need for assistance in this area. As it turned out, Just Housing was able to secure a grant from the Ministry of Social Development for this purpose, which turned out satisfactorily for the Trust. The Trust did, however, receive a development grant to review different styles of social housing, and the Housing New Zealand financial model based on its initial idea of developing and building eight houses. It later received a feasibility grant for a more design specific study that investigated the site it purchased, and a first-stage architectural design to allow a cost estimate and valuation to be given, approach the Council for necessary consents, proceed to tender, and have a loan package approved by Housing New Zealand.

- *Peak Body (CHAI) functioning effectively:*

  Not applicable to this project.

Background

Description of the organisation

Just Housing was first incorporated in 1994 for the purpose of providing housing options to low income families. It had been involved in building two houses in a rent-to-buy scheme, the second of which became a loss-making situation for the Trust. In about 2004, the then trustees decided other organisations carried out similar types of social housing projects, and were in a stronger position to do so due to their greater experience and international links. The trustees also wanted to pursue other interests that they had.

As a consequence, the trustees approached Presbyterian Support Otago, as the Trust had cash funds of around $110,000 that it wanted to pass on to an organisation that would continue to assist low income families into affordable housing.

At around this time, a research study into housing needs in Dunedin ("*Old Cold and Costly - A Survey of Low Income Private Rental Housing in Dunedin 2004*" published by Presbyterian Support Otago) was being discussed, and brought a number of key stakeholders together including the Housing New Zealand regional manager, who identified that a new Housing Innovation Fund had been launched.

Presbyterian Support Otago agreed to support the continuation of the Just Housing Trust, and appointed a new group of suitably skilled representative members of the community as trustees, and provided administrative support for the Trust by appointing its Community Mission Director as one of the trustees and Project Coordinator. Presbyterian Support Otago also allowed the Trust to draw on its experience, management systems and infrastructure for support, and would remain involved in the project through its representatives among the trustees, assisting the Trust to maintain, assess and manage tenants, and give support to tenants with high needs.

Rationale for project and identification of needs

During the development of the proposal, Just Housing reviewed the research on housing needs in Dunedin, and discussed housing issues with Housing New Zealand. It also had links with and consulted members of the Poverty Action Network Dunedin Otepoti (PANDO), which was a network of over 40 organisations involving local and central government agencies, social service organisations and community groups with interests in poverty, social deprivation and community building within the Dunedin area. Just Housing and the proposed project had widespread support among the members of PANDO.

Organisation development

The Trust had to develop a full range of policies and procedures related to the governance of the Trust, organisational and financial management, asset management, and tenant and client services. It received a grant from the Ministry of Social Development to develop these, only finding out later that it could have had a development grant from Housing New Zealand for this purpose. The Trust was also able to rely on models and support from Presbyterian Support Otago in the development of its policies and procedures.

Rent-setting policies

Just Housing developed a proposal to build housing that would meet the needs of its target group (low to moderate income families), and complement the provision of State housing in Dunedin. Its policy is to set rents at an affordable level for low-income tenants, which are income-related at 35 percent of disposable income before housing costs are paid. Its original plan was to build eight houses, but an initial feasibility study, which looked at different styles of social housing, reviewed the literature in the social housing area, and reviewed Housing New Zealand's financial modelling for the project, showed that this was not going to be financially feasible or sustainable at non-market rents.

Development of the project

Before a full proposal had been developed, Just Housing located a suitable site for development through its wide network of contacts. As there was a shortage of suitable flat sites in Dunedin, Just Housing purchased the land before it had any formal commitment from Housing New Zealand to the project.

A feasibility study on the site purchased was conducted, supported by a feasibility grant from the Fund. This allowed for the investigation of the site, and allowed house designs and an outline specification to be developed to a point that they were able to be costed by a quantity surveyor, and the proposed property plans valued by a professional valuer. Housing New Zealand's Design Team also visited the site, reviewed the plans and provided suggestions and advice.

Following this, it became apparent after discussing the financial implications with Housing New Zealand that the Trust could not build the five houses on the site that it had envisaged due to cost issues and a need to change an existing resource consent for four units (which was considered unlikely to be achieved easily from adjoining neighbours). Therefore, Just Housing decided that it would reduce the project to building four units. Costs also had to be pared from the project, and Housing New Zealand's Design Team assisting Just Housing to do this.

The Trust spent 18-24 months developing a relationship with officers and councillors to gain the Council's support for the project. The officers ultimately persuaded the Council that a project having a million dollars injected into the city was worth supporting, and Housing New Zealand eventually provided a letter indicating they were committed to the relationship with Just Housing. The Council approved a grant of $19,000 per year for three years, which boosted the level of community contribution the Trust had available for the project.

Late in the process, it became evident that the financial modelling required a proportion of the loan to be suspensory. This was required due to the proposed level of rents to be charged (around 75 percent of market rent and 35 percent of the income of the target group), and the relatively but not unduly high construction costs. Also, the decision to reduce the development from five to four units meant that the average cost per unit was higher, and the income from the units would be lower.

Funding package approved by Housing New Zealand

The funding package for the Just Housing project was approved by the Housing New Zealand Board in December 2005, based on an assessed total cost of $1,131,540. In addition the Board was asked to approve a contingency of around 10 percent of the total from the Fund to be applied if there was a difference between assessed costs and tenders received for the project.

Just Housing went out to tender for the project and received three close competitive tenders. However, all came in higher than the assessed cost, and approval was sought and given to utilise some of the contingency approved by the Board. The final cost was $1,176,676 and the final loan package consisted of:

- A 25-year loan, with the first 10 years being interest free, and converting to a table mortgage from year 11
- A conditional grant (15 percent of the project cost), only repayable if Just Housing sells the properties or ceases to use them for social housing purposes within the term of the loan

- A suspensory loan, written off in equal instalments over a 10 year period, and repayable if Just Housing sells the properties or ceases to use them for social housing purposes within the term of the loan.

Just Housing's contribution to the cost of the project equated to 16 percent of the project cost, including the value of the land and cash by way of the Council grant.

Housing New Zealand made the loan offer to Just Housing, and it was accepted, in May 2006. Construction of the units is due to be completed in November 2006.

Key issues

Overall, the process of developing the proposal was longer than expected, and the Trust went through periods of disillusionment about the lack of progress and uncertainty about the lack of formal commitment from Housing New Zealand to developing the project. Just Housing also suffered from a number of the same issues that other early projects under the Fund went through due to the newness of the Fund – an unclear process, a lack of understanding about the role of Housing New Zealand, and a lack of resourcing that meant the Housing New Zealand project management support was stretched thinly and did not have enough time to provide all the support the new Trust required.

Other factors that Housing New Zealand had to take into account included the relative newness of Just Housing as a group, and having no financial history on which to base credit worthiness. Housing New Zealand also had to resolve internally how to treat the value of the land contributed to the project by Just Housing. These and other key issues are discussed further below.

Financial model and access to suspensory loan

The biggest surprise for Just Housing after becoming aware of the availability of the Fund was to discover the financial model – 15 percent community contribution and 15 percent grant from the Fund, plus loan – was not a sustainable model to pay the loan off based on non-market rent rates. They had the impression that if a group had the 15 percent community contribution they were "home and hosed", but that is not the case if rent is based on affordable and not market rents. This financial model was questioned, and Just Housing's credibility was challenged, as many "professionals" and key stakeholders said the model could not be right.

Long after the Trust discovered the financial model was not going to work, Housing New Zealand told Just Housing about the possibility of a suspensory loan being available, which caused some concern that "*not all the cards had been put on the table*" by Housing New Zealand. The Trust had unnecessarily been left in a state of anxiety about how the project would be affordable. The Housing New Zealand Project Manager was more confident that the project would "get there" although this was difficult to convey to the Trust. In the view of the Trust, however:

> *"The possibility of a suspensory loan needs to be transparent; we did not discover until the end of the process that the suspensory loan was big enough to ensure 'we crossed the line'."*

When it became apparent that the tender price was more than the lending that was available, and Just Housing had to drop one of its proposed five units because of cost, this was resolved by the

Trust, Housing New Zealand Project Manager and Housing New Zealand's Finance Team discussing and working through the cashflows and implications. The Trust's Project Coordinator had a good financial knowledge/understanding and was able to participate fully in these discussions.

A lack of information and clarity re the process and Housing New Zealand's role

A factor that was associated with the newness of the Fund and that the policies and procedures were still being developed was a lack of clarity from Housing New Zealand about the terms and conditions of the loan, the process, the information required from the Trust and the role of Housing New Zealand in terms of the project.

The early information was considered misleading, and made the process seem far more straightforward than it was. Just Housing was not made aware of the overall process, and did not fully realise there was "*a number of loops and hoops we had to go through along the way*", and policies were being "*made up as [Housing New Zealand] went along*". Also, Just Housing did not get any "green lights" along the way to say that they had passed certain stages or achieved certain milestones: *"We had to assume and trust [Housing New Zealand] knew where we were going."*

The terms and conditions of the loans were not well set out in the published information about the Fund, and the size of the capital repayments required over the first 10 years of the loan was not made clear initially.

Just Housing had the initial impression that it would make the application, which would either be accepted or rejected by Housing New Zealand, but this was not the way it worked. They learned later that it was the Housing New Zealand Project Manager's application that goes to the Housing New Zealand Board: "*It was an invisible process of approval for us* ".

The Trust also gradually realised that the process was more about relationships, trust and testing the willingness and commitment of both parties. While there was a "flexible working relationship", it did not know what this meant, or the limits and nature of this flexibility:

> *"We had no idea [what was meant by "flexible working relationship"*] *in the early stages. However, as we worked through the process we began to understand how to play the game."*

The Trust did appreciate, however, that Housing New Zealand needed to test whether it was committed to the project and to community social housing, particularly as it was a huge investment of government money:

> *"Overall the process was staunch; it tested us to see if we were up to it, to see if [Housing New Zealand] could see the 'whites of our eyes'. It was also the right process to follow to see if the community organisation can handle it."*

Just Housing suggested the process may have been deliberately made more challenging to test this commitment, but this was denied by Housing New Zealand.

A delay in formal commitment to the project by Housing New Zealand

It was not until quite late in the process that Housing New Zealand formally identified that it was committed to working with Just Housing to develop this project. From Housing New Zealand's point of view, however, it considered that they were demonstrating a high degree of commitment by spending the time working with the Trust on the project, but could not give a definitive commitment that Just Housing would be able to access funding as that was a decision for the Housing New Zealand Board.

However, the lack of formal commitment from Housing New Zealand impacted on the Trust's relationships and credibility with other key stakeholders, including other trustees and the Project Coordinator's managers at Presbyterian Support Otago, as well as the preparedness of Dunedin City Council to commit funding to the project. In effect, Housing New Zealand was asking the Trust's Project Coordinator to "trust us", and other stakeholders began questioning the Project Coordinator's judgement in doing so when nothing more concrete was forthcoming from Housing New Zealand.

There was also no formal acknowledgement/suggestion along the way that the Trust had passed critical stages or had met the important steps.

The Trust also had to take a significant risk in purchasing land for the development when a suitable site came up, but before Housing New Zealand committed to loaning money for the project. It recognises that there are inherent risks in property development but considered that: "*Housing New Zealand needs to also understand and recognise that we are a small community organisation in a small territory*."

The Housing New Zealand Project Manager recognised the Trust needed reassurance that project was proceeding and hurdles could be overcome. While the Project Manager was quite certain that the project would get there, the hurdles were not as big as the Trust feared, and there was sufficient commitment and flexibility within Housing New Zealand to deal with them, it was difficult to convey this to the Trust despite trying to reassure the Project Coordinator. The Housing New Zealand Project Manager does acknowledge, however, that:

> *"We could perhaps have given a letter of intent that indicated we [Housing New Zealand] were working with them to develop a project without going so far as to guarantee they would get the funding."*

Length of the process

The length of time the process took was far greater than Just Housing expected, although it would not have deterred them even if they had known prior to starting the process. There was, however, a period of disillusionment about the lack of progress being made, and the lack of a formal commitment by Housing New Zealand, almost to the point of giving up. The Trust's Project Coordinator undertook an objective project analysis about whether Just Housing should continue with the project or not, the risks and benefits of the project, and the critical factors that would make the project work. This was shared and discussed with the Project Coordinator's manager at Presbyterian Support Otago. Fortunately, at that point, "*things started to fall into place*".

Lack of Housing New Zealand resources to support the project

As with other early projects under the Fund, a lack of Housing New Zealand staff resources impacted on the amount of time and support the Housing New Zealand Project Manager could give to the project, and when the initial Project Manager was absent for a lengthy period, the availability of back-up to cover that role. The initial Project Manager was based in Christchurch (the eventual back-up Project Manager was based in Wellington), and when the former did visit Dunedin, there was insufficient time to be able to sit down and work through the issues, including at the start of the project, to better understand the process. Just Housing commented:

> *"Housing New Zealand's resources in the South Island were stretched thin. At the start we had "half-a-person"; this was not helpful to us as we did not have enough time with [the person] to be able to sit down and work through the issues. [We'd have a] couple of hours for a meeting then as the questions just began to emerge and develop [the person had to leave to rush for a plane. … It would have been great if more time had been spent with us at the beginning – half a day or a full day – [so] … we could tease out the issues."*

When the initial Project Manager was unavailable for a long time, the second, Wellington-based Project Manager stepped in to the project, pulled together the information collected by the initial Project Manager and developed the application/proposal. The Trust considered the second Project Manager did very well at picking up the issues; however, this person also had a very full workload, and there were gaps in communications over this period. From Housing New Zealand's perspective, the lack of back-up for key staff being away, or leaving Housing New Zealand, with sufficient knowledge/understanding of the project to be able to step in at relatively short notice was also an issue, which has been addressed better with increased resourcing to deal with applicants to the Fund.

The establishment of Just Housing as a "new" provider

Just Housing was essentially a new provider, even though it had been incorporated several years previously. As such, it needed to develop a full range of policies and procedures, which it did with the help of a grant from the Ministry of Social Development and support from Presbyterian Support Otago. The Trust did not appear to be aware that assistance was available from the Fund for the purpose of capacity development. Housing New Zealand acknowledges the Trust should have been told about funds for capacity building. Just Housing also considered it would have been useful if templates or examples of the policies required could have been provided by Housing New Zealand for new (or existing) community organisations to use when developing their respective policies and procedures.

Views within Housing New Zealand are mixed. The Housing New Zealand Project Manager's view is that it is better for organisations to develop their own policies and procedures as this makes them more real and meaningful for them, and develops a sense of ownership and greater understanding. Just Housing considered that even if there were templates or guidelines, the organisation would still have to tailor them, either themselves if they have the skills and expertise or by using somebody else who has these professional skills, and that the process would still allow the organisation to "own" them and it would be easier, faster and a more efficient way to achieve what Housing New Zealand needs.

Just Housing also needed to establish its credibility with Housing New Zealand as an organisation that had the experience and commitment to undertake the project and remain involved for the long term. This was needed as the Trust did not have a financial track record/ history on which to base an assessment of credit risk on. The following features played a large part in giving Housing New Zealand the reassurance it needed that the project would be managed capably and competently, and that the Trust was “in it for the long haul”:

- the experience and credibility of the Project Coordinator and trustees
- the development process and the quality of thinking behind the project
- the strong community support from Dunedin City Council, Presbyterian Support Otago, and all the leading social agencies in Dunedin and in the local Housing New Zealand region.

Shortage of suitable land

One of the key issues facing the Trust was a shortage of flat land in Dunedin that is suitable for building on. Fortunately for the Trust and the success of the project, the Trust’s Project Coordinator and trustees had a good, active network of contacts that were on the lookout for properties appropriate for the Trust’s project. One was identified, and the Trust needed to move quickly to secure it. This section then governed the shape of the project and work on the feasibility and design of the project began earlier than might otherwise have been the case.

Valuing the land contribution

Within Housing New Zealand, there were differing interpretations between the Project Manager and the Lending Team about how to value the land contribution that Just Housing was making to the project, which only became apparent when the papers were being prepared for the Board. The Project Manager considered the valuation should be based on the developed value of the land, while the Lending Team considered it should be valued at cost. This reflects the newness and untried nature of the policies at this early point in the scheme, and was resolved to be based on the developed value. The Credit Policy of Housing New Zealand has been amended accordingly.

Success factors

Throughout this project there have been a number of factors that have been critical to its success.

Skills and experience of key personnel

The Project Coordinator was a key factor in the success of the project in a number of ways:

- He has a passion/commitment to social housing, having been a researcher and advocate in this area
- He was able to surround himself with a new group of trustees who supported/shared his passion for social housing, and essentially revitalised the Trust
- Undertaking the project analysis when some disillusionment with the process had set in, to identify the strengths, weaknesses, gaps and opportunities, and to identify whether the project was actually worth continuing
- His community networks that allowed the land to be identified and purchased, and connections with a range of social service agencies means tenants will come with support from these services

- He had experience of projects of this nature before – the frustrations of property/building development and of negotiating the practicalities of building – which stood him in good stead.

The second Housing New Zealand Project Manager's enthusiasm for the project and experience of community housing was a key factor, and helped "make it happen": Just Housing indicated that: *"We would probably have lost heart without [the Project Manager] and team*". The Project Manager also knew what information was required to meet the criteria for the Housing New Zealand Board to approve the loan.

From the Project Manager's point of view, this commitment came from being "excited" about the project. It was one in which the whole project, from conception to delivery, was developed within the life of the Fund. As such there was perhaps an extra commitment to make the project work – it was a good test case. This role extended to the approach taken in encouraging and providing reassurance to the Trust when it was required, and to championing the project within Housing New Zealand to resolve issues in favour of the project.

This "team" included the Community Architect from Housing New Zealand's Design Team, whom Just Housing said was very responsive and gave speedy responses to any of its requests. The Community Architect visited Dunedin on two occasions, reviewed the designs and complimented their architect. He suggested a few price-cutting options which were adopted: "*He provided high quality advice which was critical to the success of the project*".

Relationships between Housing New Zealand and Just Housing

The relationship between the Housing New Zealand Project Manager and Just Housing Project Coordinator was a strength. It was described as a collegial relationship. It included constructive questioning and suggesting around the policy and project development processes. Solutions were worked out together. Good work that each party brought to the process was recognised.

Support from Dunedin City Council and Presbyterian Support Otago

The relationship and support gained from Dunedin City Council was a key factor – the Council's grant of $19,000 per year for three years was crucial as it boosted up the proportion of community funding for the project, and will also be potential support for future projects. Just Housing considered the Council to be "the wheels under the project" and they "forced" Housing New Zealand to demonstrate/formally commit to the project in writing.

The project could not have been done without the support of Presbyterian Support Otago. The project was a huge commitment of the Project Coordinator's time, and Presbyterian Support Otago was paying his salary, which allowed the Project Coordinator to focus his attention on the project, and providing all the administrative support free of charge, which was not factored into the "overall costs" of the project. Just Housing therefore had the infrastructure to support the project but wonders how other small community organisations would cope without this.

Other factors

Other features described as success factors included the fact that the Trust was "gifted" with a substantial cash asset, and that the project complements the provision of state housing in Dunedin.

Lessons learned

Importance of community support networks

This case reinforces a need for groups that want to become social housing providers to ensure they have good support from, and strong networks and relationships with, their communities.

Relationships with and accessibility of Housing New Zealand

Just Housing identified that community social housing providers also need to develop a good relationship with Housing New Zealand staff working with the Fund, and recognise that the process is about developing trust and working in partnership: "*There is no other way to get things done*".

Accessibility is also important, particularly for community groups, with a need for plenty of opportunities for face-to-face contact. As the Trust commented: "*It is not a paper war; it is about people*."

Clarification of processes, timeframes and commitment by Housing New Zealand

Although the relationship between Just Housing and Housing New Zealand has developed into a strong one, there was far more uncertainty in earlier parts of the process. This uncertainty stemmed from:

- a lack of information about the Fund's policies and procedures up-front (it was late in the process that the possibility of a suspensory loan was raised, and capacity development grants were not offered)
- a lack of formal commitment to working with Just Housing to develop and scope the potential project; a lack of "sign-posts" along the way of the process
- the approval process being "invisible" to the Trust.

While some of this may be due to the newness of the Fund and its policies/processes, the manner of working with community organisations "in partnership" needs to be addressed, the process made more transparent, and information about the policies, procedures and assistance available provided up-front in the relationship.

Also, it became apparent that the lack of a formal commitment to working with a community group began to cause Just Housing difficulties in dealing with its stakeholders and partners. While it is understood that Housing New Zealand cannot guarantee funding will be available, more could be done to reassure a group that Housing New Zealand is committed to working with it to develop its project and raise its capacity and capability. Perhaps reassurance could be by way of a letter of intent, but also by having key milestones identified and the achievement of these reported along the way.

Just Housing has indicated it would have found it useful for Housing New Zealand to spend more time with them at the beginning of the process, to allow issues to be identified, discussed and understood. From Housing New Zealand's point of view, spending a half or full day with every potential group is likely to be unrealistic, so it would need to identify those groups that it does invest more time in, and should develop criteria and a process for identifying those with the most potential, including perhaps the breadth of community support, and the extent of need in the community (and the quality of the evidence for this).

Housing New Zealand agrees that the process is hard, and that there's a lot of work involved. There will be issues to resolve, but Housing New Zealand wants to work with applicants to resolve them, and people should understand that the process is not about "ticking boxes". Organisations have a perception that Housing New Zealand is asking for screeds of information, and it is important for Housing New Zealand Project Managers to explain why they're asking for the information and what they are doing with it. The organisation needs to know that the information is being assessed and analysed, and they will ask questions to clarify and enhance their understanding of the project and to develop confidence in the community-based organisation's ability to deliver and manage it.

Build new housing vs. purchase existing housing

Just Housing would recommend to other prospective community-based housing providers that they consider the option of acquiring existing housing stock and renovating these (if required), as "*it may be a less fraught/stressful way to go*" than building new houses. They should also seek to find more than the minimum 15 percent community contribution required, and should note that a project will always take longer and cost more than you originally expected/planned.

The calibre of people involved is key

Just Housing was essentially a new group, and had no financial accounts/history to base credit checks on. This project demonstrates that this should not be a barrier to a community group accessing the Fund. In such a case, much will depend on the backgrounds and experience of the people involved, and the quality of thinking behind the project and its development. For Housing New Zealand, there is a need to be careful that the Project Manager does not become an advocate of the community group just because they have a good relationship with them – the Project Manager needs to keep looking at the quality of what the organisation is doing, and maintain a degree of objectivity, but should not ignore the calibre of people involved when assessing the organisation's suitability for funding from Housing New Zealand.

Ensure sufficient back-up is available for key personnel

Other points to note that arose from this project are that Housing New Zealand needs to have sufficient resources and a system in place to ensure it has adequate back-up for key staff being away, or leaving Housing New Zealand. Any back-up resource needs to have sufficient knowledge/understanding of the project to be able to step in at relatively short notice.

Summary conclusions

The Just Housing project was one of the first initiated with a community group after the introduction of the Fund. The process of managing it was affected by the lack of clarity of policies, procedures and information requirements, along with staff inexperienced in applying these, and having too heavy a workload to give sufficient attention to the project, contributing to the extensive time taken to complete the project. However, it is anticipated that these initial difficulties have largely been addressed with more time and experience in operating the Fund, and the review of processes that has occurred.

This case is also characterised by it being one in which the whole project, from conception (including the re-establishment of the Trust) to delivery, was developed within the life of the Fund. From Housing New Zealand's perspective, it is a good test case of the development of a social housing provider under the Fund, and Just Housing may now be considered as having the potential to become a relatively large player in social housing in Dunedin. For this reason it was considered important to get the policies and procedures right from the start.

Despite the length of time taken, Just Housing recognises the demands as reasonable in the context of the amount of public money being committed, and the process of establishing trust, a relationship with Housing New Zealand and the credibility of itself as a social housing provider as important. It would not have deterred the Trust from starting the process even if it had known how long it would take.

In terms of the intended outcomes of the Fund, this project has largely been successful, albeit on a relatively small scale. Local social housing solutions have been developed (or enhanced) for local social housing needs, with the increased provision of social housing to those in need. Just Housing has the policies, procedures and asset portfolio in place to become a sustainable organisation over the longer term. A positive unintended outcome from this process has been the new skills learned by the Trust, including property management, legal and architectural issues, project management, political lobbying, and fund raising.

Ongoing participation in social housing

Just Housing now has a goal of acquiring or building 20 more affordable, good quality houses on good sites in the Dunedin area, and considers it is better placed to achieve this having worked through the process with Housing New Zealand. However, as with other relatively small community-based housing providers, there will be a concern about Just Housing's capacity and ability to attract more funding to be sufficient to meet its "community contributions" towards any future social housing projects. To its credit, however, the Trusts networks and relationships with key stakeholders and other community organisations are strong, and it may be in a reasonable position to be able to attract grants or other sources of funding to initiate further projects.

Acknowledgements:

We wish to acknowledge and thank the following people for their time and contribution to this case study:

- Dennis Povey, Project Coordinator, Just Housing
- Stephen Cross, Partnerships Project Manager, Housing New Zealand Corporation

Case 4: The Wellington Housing Trust

Introduction

The Wellington Housing Trust applied and received approval for funding to build two four-bedroom housing and four two-bedroom units in Newtown, Wellington, to provide affordable, quality housing for refugees and people with physical disabilities.

The Wellington Housing Trust is a long-established provider of social housing in the Wellington City area, with a strong network of relationships with other social agencies, although it did need to extensively review and develop its policies and procedures as part of its capacity development phase. This project involved the demolition of two existing properties owned by the Trust on adjacent sites, with these properties having reached the end of their economic use, and building new purpose-built housing on these sites.

The Wellington Housing Trust first submitted a proposal for funding from the Housing Innovation Fund (“the Fund”) in September 2004. It received grants for organisational development, capacity building and a project feasibility study. A full proposal was developed and completed in November 2005, and Housing New Zealand made its offer of a conditional grant and term loan in January 2006, which was accepted by the Wellington Housing Trust later that month.

The project was established relatively early in the life of the Fund. The project experienced a number of the difficulties that other projects faced in terms of a lack of clarity of policies, procedures and process. It also had to work with three different Housing New Zealand Project Managers during the process, due to turnover among Housing New Zealand staff and its need to recruit for new roles established to manage the funding process.

Since this project started there have been a number of changes to procedures, policies and processes under the Fund as a result of this and other early experiences with projects. This case study report will highlight the key factors that contributed to this project reaching a successful outcome, which was the approval and acceptance of loan funding for the project.

Summary of outcomes achieved

Access to funding under the Fund has meant that the Wellington Housing Trust has been able to replace two housing units in poor condition with two four-bedroom housing units and four two-bedroom housing units, to cater for housing needs of refugee and migrant families, people with physical disabilities, and other low income tenants who cannot afford Wellington market rentals and are on the Trust’s waiting lists. The larger housing units have been specifically designed for refugee families, and one of the smaller units has been specifically designed with disability access.

The total estimated cost of the project is $1,882,390. In this case, Housing New Zealand contributed 70 percent of the estimated costs by way of a 25-year loan, with the first 10 years being interest-free; and 15 percent through a conditional grant that is only re-payable if the Trust ceases to use the properties for social housing purposes. The Wellington Housing Trust contributed a further 15 percent of the project cost, consisting of cash and land.

In terms of the intended initial outcomes for the Fund[8], this project has achieved the following.

- *Sustainable community housing providers:*

  The Wellington Housing Trust was arguably already a sustainable community-based social housing provider. However, the review and documentation of its policies and procedures, strategic and business plan, and asset management policies, procedures, programmes and condition assessments mean that the Trust is in a much stronger position now than before funding was available from the Fund.

- *Range of social housing models and creative approaches to completed projects:*

  This project involved the demolition of two existing properties owned by the Trust on adjacent sites, with these properties having reached the end of their economic use, and building six new purpose-built housing units on these sites.

- *Non-government investment is attracted:*

  Non-government investment has been attracted in terms of the 15 percent contribution of the Trust, including cash and land.

- *Project meets social housing needs of intended target groups:*

  The project helps meet the social housing needs of intended target groups, as migrant families and people with limited income are among the key target groups for the Fund. It also serves the government objective of replacing houses that are at the end of their economic life with good quality medium density housing.

- *Project sustainable without ongoing Housing New Zealand support:*

  This particular project is now sustainable without ongoing Housing New Zealand support. The mix of conditional grant and terms of the loan has been modelled to show that rental income from the Trust's properties is adequate to service repayments of the loan over the course of its term. The organisational assessment and development shows that the Trust has the capability to manage its assets.

- *Effective relationships with community housing partners:*

  The relationships between Housing New Zealand and the Wellington Housing Trust are considered to be good and strong, and the Trust considers the relationship to be quite collaborative. As will be noted, however, during the early parts of the process the Wellington Housing Trust would have liked Housing New Zealand to have given greater guidance on what the Trust needed to do. It felt that Housing New Zealand was almost trying to be too flexible in its approach.

- *A range of effective mechanisms for delivering assistance, with flexibility to meet community housing needs:*

  The mechanisms for delivering assistance to this project included a conditional grant and a 25-year term loan.

[8] See *Housing Innovation Fund – Hierarchy of Outcomes* at Appendix One.

- *Mechanisms satisfy Housing New Zealand and government's requirements for accountability:*

  The mechanisms for organisational, financial and risk management, asset management, and tenant and client services have been reviewed thoroughly by the Trust and Housing New Zealand. These, and the terms of the funding agreement, have satisfied Housing New Zealand that they meet its requirements for accountability.

- *Criteria and forms of assistance encourage community housing providers to engage in social housing projects:*

  The availability of the Fund and the assistance provided has encouraged and enabled the Wellington Housing Trust to engage in this social housing project. Prior to this project there is the possibility that the Trust was not working to its full potential. As a result of the work it did during the capacity building phrase, the Wellington Housing Trust feels it is much sharper, stronger and better off. It has a clearer idea of its target market and role in providing housing in Wellington – what it does and wants to do. The proposal development process also gave the Wellington Housing Trust trustees the information they needed to make decisions about its aging housing stock, where to invest, strategic positioning, etc. The completion of the asset management plans and procedures identified above provide specific action plans to which the Trust can work on.

- *Partnership Priority Framework functioning effectively:*

  As with other early projects under the Fund, the Partnership Priority Framework was a new and untried process, and did not function particularly effectively in this project. The issues related to the lack of clarity and guidance about the process available, and the different project managers having different understandings of the policies and process of the scheme. However, since this project has been through this process, this process itself has been changed from a four-phased linear process to a two-phased approach. This change, along with greater experience in applying these processes and training for staff involved, should mean future applications of the process are more effective and efficient.

- *Housing New Zealand support roles functioning effectively:*

  The proximity of the Wellington Housing Trust to the Wellington National Office and history of relationships has had a positive impact on the support available, despite the concerns expressed above. The Housing New Zealand Community Architect in particular has provided considerable support to the Trust – the extent of this is due in part to pre-existing relationships and involvement with the Trust.

- *Capacity building grants to providers are effective:*

  The Wellington Housing Trust received two capacity building grants to assist with its organisational development, and the development of asset management plans and policies. It also received a grant to undertake a feasibility study on the proposed site. All of these were highly effective in achieving the purpose for which they were provided – see also comments above in relation to the availability of the Fund and the assistance provided.

- *Peak Body (CHAI) functioning effectively:*

  The Trust has found this role slow to develop, and it was not in a position to provide support or assistance when the Trust was working through the process.

Background

Description of the organisation

The Wellington Housing Trust is an incorporated Charitable Trust that was established in 1981 as the Mount Victoria Housing Trust and later changed its name to the Wellington Housing Trust in 1982. The Wellington Housing Trust has a policy of housing people who have access and affordability issues. These generally include refugees and new migrants, people with mental health disabilities and those on a low income. Prior to this project, the Trust had a portfolio of eight properties with 23 rental units, with tenants paying around 70 percent of market rentals for these.

The Trust is governed by a group of eight elected trustees. It employs a part-time coordinator to manage its day-to-day activities, and contracts out its property management services to a local property management company.

Organisational development

In early 2004 Housing New Zealand approached the Wellington Housing Trust to ask if it was aware of the Fund and what it was thinking of doing about it. The Trust had worked with Housing New Zealand a lot over the years, and had a good relationship. Housing New Zealand, for its part, knew the Wellington Housing Trust was a reasonably large provider of social housing in Wellington. The Trust was interested, and began working with Housing New Zealand to develop its application and proposal.

The Trust received an organisational development grant of around $15,000 from the Fund to:

- review the Wellington Housing Trust's mission and objectives
- review and develop a strategic plan
- review, develop and document a wide range of operational and other policies and procedures
- ensure it had the necessary information and documents to make an application to the Fund.

The Trust also received a capacity building grant of $15,000 from the Fund for assessing its current properties and developing a comprehensive asset management plan and policies. This grant enabled the Trust to: assess the condition of its current properties; develop and price a repairs and maintenance schedule; obtain up-to-date valuations; investigate the feasibility of improving layouts and upgrading properties; receive advice about strategic options for managing its portfolio; develop an asset register; and receive advice and assistance to develop asset management policies and procedures.

Rationale for project and identification of needs

Through its own research and evidence from other agencies (such as Wellington City Council, Housing New Zealand and other social service providers), the Wellington Housing Trust established there was a high need for housing for refugee families that larger housing providers such as Housing New Zealand and the Wellington City Council were struggling to meet. In particular, these families required larger houses that can meet the needs of the immediate and extended families, and many ethnic groups place importance on having space to accommodate visitors. Also, the design and layout of the Trust's standard houses did not meet the cultural and practical needs of some refugee families.

Development of the project

As a result of the property assessment, the Trust identified two of its currently owned properties, which were on adjacent sites, as being at the end of their economic life. Condition reports showed that renovation to an acceptable standard would be very costly. As a result of the condition assessments the Trust began to develop a proposal for the demolition of these housing units and building new, additional units on the sites. The housing would be of a better configuration, provide more housing units with different solutions for different target groups, and separate housing solutions for each family group.

The Trust aimed to build two four-bedroom units for refugee families, with input to the design from the Refugee and Migrant Service of Wellington and other agencies and individuals, and one of the two-bedroom units would be accessible for people with physical disabilities. The remaining units would be available for those people who meet the Trust's criteria of having low to moderate incomes.

In September 2005, the Wellington Housing Trust received a project feasibility grant of just under $15,000 to investigate the suitability of the site for its intended use, and to develop initial architectural drawings to allow the project to be quantity surveyed and valued. This feasibility study identified a need to construct a retaining wall, and that further investigation regarding the soundness of the foundations was required, which ran the risk that the cost of site works could rise during the construction.

The Community Architect from Housing New Zealand's Design Team provided advice to the Trust regarding the best options to take (e.g., the strategy of demolish and build), housing design issues and the development of a design brief. He was also involved in the process of selecting the architects, reviewing and enhancing their plans, and providing technical advice to the Trust on issues they knew little about.

A full proposal was completed by the Housing New Zealand Project Manager in November 2005.

Funding package approved by Housing New Zealand

The Housing New Zealand Board approved funding in December 2005, based on an assessed total cost of $1,882,390. Housing New Zealand made the loan offer to Wellington Housing Trust, and it was accepted, in January 2006. Wellington Housing Trust's contribution was for 15 percent of the project cost, including the value of the land and cash. The loan package consisted of:

- A 25-year loan, with the first 10 years being interest free, and converting to a table mortgage from year 11.
- A conditional grant (15 percent of the project cost), only repayable if Wellington Housing Trust sells the properties or ceases to use them for social housing purposes within the term of the loan.

General

Overall, the process of developing the proposal took longer than the Trust expected, and it expected there would be a framework and formal process to work through. Also, it was still early days for the Fund and the Wellington Housing Trust found it hard to get clear guidance from Housing New Zealand. The Trust had to deal with three different project managers during the project. However, the proximity to the National Office in Wellington, and the history of working with Housing New Zealand staff assisted the Trust in the process. Overall it felt the process went well and is pragmatic enough to recognise the impact of it being a new process being implemented.

Also, while the initial plans for construction fell within Council regulations for site coverage, a change in the by-laws was advertised before resource consent was given, creating an issue that needed to be resolved.[9]

A risk for Housing New Zealand in this development was that the Wellington Housing Trust had some aging housing stock that required a lot of maintenance. However the development of a good set of asset management policies and condition reports with the help of a grant from the Fund addressed this concern.

Key issues

During the development of this project the parties had to deal with a number of issues.

A new process, and a lack of guidance

While the Wellington Housing Trust knew the process of applying for funding from the Housing Innovations Fund would be extensive, it didn't realise it would take so long (two years) or require so much work from the Trust. The Trust expected there would be a framework and formal process to work through, but as it was early days for the Fund. The Trust found it hard to get clear guidance from Housing New Zealand, and although Housing New Zealand clearly had some requirements it needed a project to meet at the end of the day these weren't articulated clearly. The Trust felt that either the staff that it was dealing with did not know what these requirements were, or they were a moving target.

At the beginning of the process there were a lot of possible scenarios discussed with Housing New Zealand without getting a lead or sense of direction. In the end the Wellington Housing Trust decided to just get a proposal done, identified the work it needed to do to be satisfied its application was appropriate, and put it to Housing New Zealand, so there was something concrete to work on.

The Wellington Housing Trust recognised Housing New Zealand was strongly committed to working in partnership with it, but felt this was almost too much so, given the lack of guidance and clarity. The Trust commented that while a partnership approach is good, it needs some underlying structure or process to it. On the other hand, Housing New Zealand considered the collaborative approach that developed between the parties was a positive feature of the project, as opposed to Housing New Zealand identifying what work they considered the Wellington Housing Trust had to review/develop/improve on.

[9] This has since been resolved with Housing New Zealand helping the Trust by writing a letter of support for the Trust's resource consent application

However, the Trust would have liked Housing New Zealand to have a framework and process in place, and clear criteria that are well-known and articulated. It wanted to be able to get to a point in the process where it could feel it has covered off all the relevant points and be comfortable with its application. It did not want to respond to questions and requests for information that Wellington Housing Trust had already provided. This would involve Housing New Zealand having a clear process, and giving more guidance, so the Trust could be sure it was not going in a different direction or duplicating its efforts; for example:

> *"At points we were told 'yes, that's almost right, but not quite' and we had to re-do the information again. More clarity about what's wanted is required."*

The impact of this was that a huge amount of work was involved, which the Trust felt was more than there should have been, and that the Wellington Housing Trust had to pay for (i.e. staff/trustees' time). The Wellington Housing Trust would have preferred to have had more support from Housing New Zealand in the form of guidelines about what was wanted in proposals, a template to use when developing the application/proposal, and/or resources or templates to use when developing policies. In respect of the latter, Housing New Zealand sees the peak body, Community Housing Aotearoa Incorporated (CHAI) as having this role, but the Trust has found this is slow to develop, and had not in any event been available when the Trust was working through the process.

The Housing New Zealand Project Manager recognises the Trust may have thought that they were asked for a lot of "repeat" information, but tried only to ask for relevant/useful information that was needed to ensure "*I understood all the information so I could ensure the application would be a success*", and to protect the investment of public money.

Staff turnover/changes

The Wellington Housing Trust dealt with a number of Housing New Zealand staff at the beginning of the process, and had two project managers during the project with a transition period between these when the continuity was provided by Delivery Manager – Housing Innovations, who provided some stability behind the local project managers and became a key contact. This was in part a symptom of the Housing New Zealand restructuring itself to implement the Fund, and movements of staff within Housing New Zealand.

However, apart from disruptions to the development of relationships, the Trust also found there was a lack of common understanding among the roles about the scheme, its processes and policies. This will have been due in part to the process of development of these that Housing New Zealand was working through. From a client's point of view, this can create extra work for them if information has to be changed, repeated or re-packaged. To counter this, Wellington Housing Trust tried to ensure it met with the Project Manager(s) frequently, and maintained communications with them.

The initial Housing New Zealand Project Manager worked with the Wellington Housing Trust to access funds to undertake a review of their policies and procedures, as well as their strategic and business plan over the medium/long term, and funds to review their asset portfolio and management plan/policies. The later project manager had to "*come up to speed*" quickly with all the information on/about the Wellington Housing Trust and its proposal, as they needed to understand the proposal/organisation "*really, really well*", particularly as this project loan would be require Housing New Zealand's Board approval (over $1.1 million), and would be thoroughly scrutinised.

Pressure to succeed

It appeared to the Wellington Housing Trust that there was some pressure for the application to succeed, particularly at the Housing New Zealand end. This seemed to the Trust to come through as requests for "*last minute work … to 'tick off' queries*" and "*panic levels were up at Housing New Zealand's end, as they appeared under pressure to get everything through*". The Housing New Zealand Project Manager agrees that they felt an added pressure with this project proposal, given that the application was for over $1.1 million and the Board had to approve it, and also that with the Trust being a Wellington-based organisation, it had a "higher profile" and was open to more political scrutiny.

Lack of formal commitment

The Trust experienced a level of frustration and anxiety that there was never any formal commitment by Housing New Zealand to the project (although there was an informal commitment) until the funding package had been approved, and that it could have fallen over at any point – the Wellington Housing Trust could have done all the development work but there was no guarantee it would receive funding. The Trust would have liked to have had a decision that it was eligible to be considered for funding, and ticked that off the process formally.

The Housing New Zealand Project Manager recognised the Trust was somewhat frustrated in this, and tried to reassure it that there was a concerted effort by all parties involved to get the application approved. However, the Trust also had to be aware that there is always a concern or risk (for both parties) that all the work might "*come to nothing*", if the Board did not approve the application and that it was the Board's decision.

Other issues

Other areas in which the Wellington Housing Trust felt it would have been good to have had more support from Housing New Zealand include advice about good contractors to use throughout the process, drawing on Housing New Zealand's experience in developing and constructing its own housing properties.

Also, the requirement to have credit checks on the trustees was not received well by them, with the trustees considering that this requirement did not acknowledge their length of tenure and commitment to the Wellington Housing Trust over many years, that the credit checks were of questionable relevance from a legal standpoint, and that they felt like an invasion of privacy as the Trustees are covered by Trustee Liability Insurance and the loan was entered into with the legal entity not individuals.

Housing New Zealand is clear, however, that it is making significant investments of public money in these projects, and that there are many examples of community organisations that have misused public funds. Also, it needed to be recognised by community organisations that there will be a requirement for them to enter into a legally binding contract at the end of the process, which will set out commercial obligations that Housing New Zealand will hold them to, and enforce if it is defaulted on.

Success factors

Skills and experience of key personnel

Both the Wellington Housing Trust and Housing New Zealand recognised that a key factor that contributed to the success of the project (the approval and acceptance of funding for the project) was the fact that the Wellington Housing Trust had a paid coordinator position. This position was had an incumbent who was proactive, very experienced in and understood the community social housing sector and community funding processes, looked for these types of opportunities, and knew how to pull together very good funding applications. The Wellington Housing Trust Coordinator was also considered to be very good at identifying the work programmes Wellington Housing Trust should be focusing on and reviewing to strengthen the organisation.

Having a paid coordinator meant that the Trust organisation is not solely reliant on the time and efforts of volunteers, where things will take longer and the organisation may not always have ready access to the all the skills/experience needed to support a project such as this.

Good community networks and relationships

The relationships and networks that the Wellington Housing Trust has established with other social agencies and community groups, such as the Salvation Army, the medical unit at Kilbirnie, and Refugee and Migrant Services was a strength. These, coupled with the experience of the Trust itself, helped the Trust understand the needs for community social housing, and what the market for social housing was like. It also ensured the Wellington Housing Trust had a strong community support network, and allowed them to consult effectively in the design of the housing units to ensure they were suitable for their target groups.

Track record as a community social housing provider

The Wellington Housing Trust’s long, established track record and experience as a provider in community social housing; was recognised as a key factor in the success of their proposal. The Trust is committed to being a long-term key player in this sector, and Housing New Zealand did not consider its long-term sustainability a risk as it already had a solid housing portfolio to build upon. Despite having been established for more than 20 years, the Trust still had a need to review and develop their policies and procedures, as “*like many community organisations, documenting policies is one of the last things that you do*”. Being required to review and put these in order to support the application process and the opportunity to re-think the mission/purpose of the Trust has meant the Trust feels it is stronger, prouder and more positive in its attitude. They also have more focused aspirations around what they want to do and how they going to achieve it. This “revitalisation” and affirmation of its mission and purpose has helped the Trust persevere through the process.

Support from Housing New Zealand

The Wellington Housing Trust also received good support from Housing New Zealand throughout the process. In particular the Housing New Zealand Community Architect was very helpful, and provided a lot of support for the Trust when reviewing and weighing up the wide range of options or possible projects it could have focused on. This included helping the Trust settle on the option that it chose – to focus on building new units on the site of existing housing stock that was beyond its economic life. The Community Architect was also very helpful with regard to the housing design, including the development of the design brief, being involved in the process of selecting the architect, providing a concurring review of plans, improving the ideas of architects, and providing technical expertise on issues the Trust knew nothing/little about. This support gave the Trust confidence in dealing with technical design issues, and that the Wellington Housing Trust would ultimately be more likely to get the project approved by Housing New Zealand.

The enthusiasm and support from other staff at Housing New Zealand was also noted by the Trust, who felt they were keen and committed to making the project work. The good team support and effort from other Housing New Zealand staff in their respective roles to make the application/project work is also recognised by the Housing New Zealand Project Manager.

The fact of the Wellington Housing Trust being based in Wellington, and the history of working with staff from Housing New Zealand, also helped the Trust – it already had personal relationships with a number of key staff, and probably had better access than other community groups in areas where the project manager role was being established.

Feasibility study on the proposed project site

The site of the project also had its challenges, and the provision of a grant from the Fund to undertake a good feasibility study was critical – this identified options. The site was not as bad as the Wellington Housing Trust first thought. Without the feasibility study, the Wellington Housing Trust may have been put off developing the site. Getting the grant to do the study meant that it was done at no risk to the Trust.

Lessons learned

The following lessons may be drawn from this experience.

Early assessment of organisation capability

An early assessment by Housing New Zealand of a community organisation's confidence and experience is required, and greater direction and guidance provided if this confidence and experience is relatively low.

Greater clarity of process to be followed, criteria to be met

Coupled with this is a desire from community based organisations for greater clarity of the process to be followed and the criteria to be met in an application. In this project the Wellington Housing Trust would have liked Housing New Zealand to have given more direction than attempt to be too flexible, with a more formal framework and process in place and clear criteria that are well-known, so it could judge whether its application was appropriate and had addressed all the relevant points. It is noted, however, that since this process was substantially completed the overall process has been reviewed, policies have been tried and tested, and Housing New Zealand project managers and other staff have greater experience, knowledge and understanding of what's involved in developing and processing applications to the Fund.

Managing staff transitions, ensuring common understandings

For Housing New Zealand, and from a community organisation's point of view, any changes in staff associated with a project need to be as seamless as possible. This will require all staff to have a common understanding of the scheme – to "*all be singing from the same song-sheet*" – and to ensure they can be brought up to speed as quickly as possible on a project through an adequate briefing and/or documentation about the project.

Maintaining good relationships/communications with Housing New Zealand

The Wellington Housing Trust recognises a need to establish and maintain good relationships with Housing New Zealand staff. This includes or will involve keeping in contact with them throughout the project; involving them to get buy-in to what the group is trying to achieve; and ensuring there are “no surprises”, so that whenever they receive information, they know its coming, what it’s about, etc. The relationship should be looked at as a long-term one that will extend beyond the life of the application/approval process.

Maintaining momentum

Where the process begins to drag out longer than expected, for whatever reasons, the Housing New Zealand project managers should be alert to a need to act to keep the momentum of the project going. They do this by proactively keeping in contact with the group themselves, checking if there are any problems, encouraging them and maintaining their focus on the end goal. A timeframe could have been agreed to which would have helped keep the project moving.

Assigning responsibilities

If an organisation does not have a full time coordinator (or equivalent position), Housing New Zealand needs to ensure the organisation thinks about and divides the responsibilities for different tasks that need to be completed among the organisation (for example, amongst the directors, trustees). Having someone focussed on driving the process from the community organisation’s end is highly desirable.

Summary conclusions

In terms of the longer term outcomes of the Fund, this project has largely been successful: local social housing solutions have been developed (or enhanced) for local social housing needs, with the increased provision of social housing to those in need (a net increase of four properties). There have also other positive unintended outcomes from this project:

- The process of consultation over housing need and design issues for migrant families have lead to relationships being developed with other potential partners for other developments, such as IHC and Refugee and Migrant Services.
- The Wellington Housing Trust undertook its own research into housing needs in Wellington, which has helped reinforce the importance of good information and development of relationships, such as those above.
- As a result of this project, the Wellington Housing Trust will get a showcase property, and be able to leverage off this in the media, to build its profile and support for the Wellington Housing Trust. This property may also become a blue-print for other developments (for both the Wellington Housing Trust and other organisations), and it has helped engender a greater sense of pride and positive attitude among the trustees.

From Housing New Zealand's point of view this project with the Wellington Housing Trust was the "right fit" for the Fund – the Wellington Housing Trust was committed to and involved in community social housing for the long haul, it had "*the right people with the right philosophy*" involved. The Trust was seen as a leader in the field of community-based social housing. That the project was in the political backyard of Housing New Zealand and the Government meant that there was some extra scrutiny and pressure to ensure it was a success.

From the Wellington Housing Trust's view, while it could have continued in a "muddling" way, there was a recognition that it needed to "sharpen up" its own processes, procedures and approach. This project provided both the incentive and the resource to do this. Although the process is felt to have taken too long, overall it was considered reasonable and necessary, and the Trust understands that the Fund is a new initiative, and that if it were starting the process today it wouldn't take so long.

Otherwise it is considered that the Housing Innovation Fund is a good scheme, and the Trust would like to access it again for further projects in the future: "*we [and other community organisations] would be mad not to take advantage of it*", especially with the assistance it gives cashflows through interest free and suspensory loans and grants. There is, however, some level of frustration also about the lack of surety of funding, and for how long the Fund funding will last. Also, in order to raise the 15 percent contribution for future developments, Wellington Housing Trust is likely to have to sell property in order to develop more – for example, sell one family's home to develop housing for 5-6 others – and there will be a limit to how much it can do this.

Acknowledgements:
We wish to acknowledge and thank the following people for their time and contribution to this case study:

- Alison Cadman (Coordinator) and Jon Holmes (Treasurer), Wellington Housing Trust
- Joanne Thomson, Partnerships Project Manager, Housing New Zealand Corporation

Case 5: ComCare Charitable Trust

Introduction

The ComCare Charitable Trust (ComCare) received approval for funding to design and build 12 one-bedroom housing units on three Christchurch properties owned by the Trust, to provide housing for people with a mental illness.

ComCare first presented a proposal for funding from the Housing Innovation Fund ("the Fund") in November 2003. It received a grant for a feasibility study in June 2004, and a full proposal was developed and completed in July 2004. Housing New Zealand made its initial offer of a conditional grant and term loan in January 2005. There followed a period during which an error in the financial model was discovered and the terms of the loan offer were debated and re-negotiated. This led to a revised offer being made by Housing New Zealand and accepted by ComCare in June 2005.

Since then, tenders for the project have come in significantly over initial cost estimates and ComCare and Housing New Zealand have had to re-think the approach to the initially approved option.

This project commenced early in the life of the Fund, and experienced a number of the difficulties that other projects faced in terms of a lack of clarity of policies, procedures and process. Since then there has been a review of the processes and procedures, and a number of changes to policies have been made as Housing New Zealand's experience with different situations and issues expanded.

This case study report will highlight the key factors that contributed to this project reaching a successful outcome, which was the approval and acceptance of loan funding for the project.

Summary of outcomes achieved

Access to funding under the Fund has meant that ComCare is able to construct 12 one-bedroom units on three sites owned by the Trust in Christchurch, to house people with mental health issues.

The total estimated cost of the project is $2,134,500 (including land value plus construction cost). In this case, Housing New Zealand contributed 44 percent of the total estimated costs by way of a 25-year loan, with the first 10 years being interest-free; 15 percent through a conditional grant that is only re-payable if the Trust ceases to use the properties for social housing purposes; and 12 percent through a suspensory loan to be written off over 10 years, and only repayable if ComCare sells the properties or ceases to use them for social housing during the period of the suspensory loan. ComCare contributed a further 29 percent of the project cost, consisting of cash and land.

In terms of the intended initial outcomes for the Fund[10], this project has achieved the following.

- *Sustainable community housing providers:*

  ComCare is already a sustainable community-based provider of housing services. However, this project represents a first experience for ComCare in the design and build of its own social housing (it otherwise purchases properties, leases these from private sector landlords and Housing New Zealand, or facilitates its clients into rental housing). This project complements ComCare's other roles in providing housing services and will support its growth as a social housing provider.

- *Range of social housing models and creative approaches to completed projects:*

  This project involves the construction of twelve one-bedroom units in three blocks of units on three sites owned by ComCare.

- *Non-government investment is attracted:*

  Non-government investment has been attracted in terms of the 29 percent contribution of the Trust, including cash and land.

- *Project meets social housing needs of intended target groups:*

  The project helps meet the social housing needs of low-income households whose specialised needs are not being fully met, for instance people with disabilities. This project targets people with a mental illness. According to this research this group is exposed to discrimination, a lack of choice in and accessibility to housing options.

- *Project sustainable without ongoing Housing New Zealand support:*

  Whether this project is now sustainable without further Housing New Zealand support is questionable. The building quotes came in higher than the estimated construction costs on which the loan facilities were based, and the approach to building is currently being reviewed by ComCare and Housing New Zealand.

  However, under the initial terms of the loan, the mix of conditional grant, suspensory loan and term loan has been modelled to show that rental income from the Trust's properties is adequate to service repayments of the term loan over the course of its term. The organisational assessment and development shows that the Trust has the capability to manage their assets.

- *Effective relationships with community housing partners:*

  The relationships between Housing New Zealand and ComCare are considered to be good and strong at an individual level, despite what appeared to be a number of frustrations experienced by both parties throughout what was a lengthy process.

  An issue of trust at the ComCare Board level stems from a negative experience to do with Housing New Zealand loans being withdrawn some 12 years ago and the Trust being required to refinance these on the open market. Some Board members see a huge risk in this type of development and in working with Housing New Zealand, because the Corporation is subject to changes in government policy. It is likely that this issue of trust will need to be addressed and improved over time, if the relationship between Housing New Zealand and ComCare as a social housing provider is to grow and develop further.

[10] See *Housing Innovation Fund – Hierarchy of Outcomes* at Appendix One.

- *A range of effective mechanisms for delivering assistance, with flexibility to meet community housing needs:*

  The range of mechanisms for delivering assistance that were applied to this project included the use of a suspensory loan when it became apparent that the rental income from the units would be insufficient to meet the operating costs of the project plus the assumed loan repayments. This demonstrates that there has been some flexibility applied to meet ComCare's needs. However, ComCare did feel that access to the suspensory loan was somewhat grudgingly given, despite its availability being identified in supporting documentation on the scheme. This may be due to a lack of clarity and understanding about the conditions under which a suspensory loan may be granted.

- *Mechanisms satisfy Housing New Zealand and government's requirements for accountability:*

  The mechanisms for organisational, financial and risk management, asset management, and tenant and client services have been reviewed thoroughly by Housing New Zealand. This together with the terms of the loan agreement that was negotiated, have satisfied Housing New Zealand that they meet its requirements for accountability.

- *Criteria and forms of assistance encourage community housing providers to engage in social housing projects:*

  The availability of the Fund and the assistance provided has encouraged ComCare to have engaged in this social housing project to build new housing. If not for the Fund, ComCare may have purchased existing properties to add to its portfolio, but not on the scale of this project.

- *Partnership Priority Framework functioning effectively:*

  As with other early projects under the Fund, the Partnership Priority Framework was a new and untried process. It did not function particularly effectively in this project, with the lack of clarity and guidance about the process available, the length of time it took, and the lack of understanding or acceptance of the partnership relationship Housing New Zealand was trying to foster with ComCare. However, the process itself has since been changed to be more streamlined and holistic, and along with Housing New Zealand's greater experience in applying these processes and training for staff involved, this should mean future applications of the process are more effective and efficient.

- *Housing New Zealand support roles functioning effectively:*

  Except for the Housing New Zealand Project Manager's role, other support roles did not appear to function effectively in this project. In particular, there was no early advice about building options and processes for ComCare, when design advice was offered it was not accepted or welcomed, and errors were made in the financial modelling.

  The non-acceptance of advice is due in part to ComCare's desire to retain their autonomy and discretion to make their decisions, and the lack of understanding/acceptance of the partnership role Housing New Zealand wanted. However, there may also be an element of the way in which advice was offered or requests for information were made by Housing New Zealand. The Corporation failed to appreciate early enough in the process that ComCare's experience as a developer/builder of properties was based on a different model and understanding to that which was used by Housing New Zealand. The financial model was also found to be based on incorrect assumptions of what funding was available from ComCare and its contracts for this project by Housing New Zealand.

When difficulties were experienced towards the end of the process, however, face-to-face meetings between the key decision-makers (who weren't the respective project managers) were considered helpful.

- *Capacity building grants to providers are effective:*

  ComCare received a feasibility grant to scope the feasibility and preliminary design for the project. Among other things, this asked for the consideration of construction systems. ComCare had some concerns about being told how they could use this grant, including having to get three tenders and accept the cheapest, when they had already identified a provider they wanted to use within the allowable value of the grant. Nor could the grant be considered effective, because of the need to re-visit building options and costs of the project that came in over the quantity surveyed estimates. Otherwise, no capacity development grants were made to ComCare, as they were/are an established and financially sound organisation.

- *Peak Body (CHAI) functioning effectively:*

  Not applicable for this project.

Background

Description of the organisation

ComCare was established in 1987 by a group of clinicians and community members to ensure people with mental health issues who were being returned to the community from Sunnyside Hospital would enjoy a good quality of life with an emphasis on housing, leisure and recreation activities. As other unmet needs were recognised, ComCare's range of support services expanded, with a focus on independence and community integration.

Housing services are a core area of activity for the Trust, with a focus on independence and community integration. ComCare provides housing services that are distinct from its role as a service provider in the mental health sector. Its Housing service provides support for up to 200 people at any one time, and includes:

- Facilitating housing solutions for clients by helping people to find, obtain and rent housing. Assistance is given with flat hunting, obtaining furniture, shifting households, liaison with landlords, advocacy in tenancy law and benefits, and basic household budgeting advice. Solutions include providing tenancies in properties either owned by ComCare or leased to the Trust by Housing New Zealand's Community Group Housing or the private sector and sub-letting these to clients, and managing the intake into eight Housing New Zealand flats. In these properties ComCare acts as a benevolent landlord to people requiring a safe, affordable housing option where the landlord is in close contact with mental health workers.
- Property management for residential care services, by providing housing, chattels and furnishings for facilities managed and staffed by the Canterbury District Health Board's Psychiatric Service for adults with an intellectual disability, and ComCare's own Group Home Housing. In addition it provides straight landlord services to Te Karakura Trust.

Rationale for project and identification of needs

The Trust's philosophical trend has been towards community integration, and the appropriate use of generally available resources to ensure that clients are neither overly protected nor overly exposed to the stresses of practical living experiences. In the recent past, ComCare have argued that the private and public sector could provide for the housing needs of nearly all their clients. However, changes in the housing market have created a situation where this is no longer the case.

ComCare undertook a review of the housing needs of people with mental illness in Christchurch, and concluded that there was need for the provision of more one bedroom units, with rentals set at an affordable level, for people with mental illness in Christchurch. In particular, they found lengthy waiting lists for Housing New Zealand and Christchurch City Council properties; previous reductions in the supply of rental housing and subsequent increases in demand for lower cost, inner city rentals from foreign students and people returning or opting to live in Christchurch to enjoy the relatively lower cost advantages of the region.

Also, their experience has shown that a proportion of people who experience serious mental illness cannot live happily with others, due to either personal choice or because their behaviours within households are problematic for other people sharing the housing. For many, there is an absolute need to live alone.

Due to the reasons outlined above, it has become increasingly difficult for ComCare to appropriately house many of the clients referred to them. The need for good quality, low cost one-bedroom dwellings for people who experience mental illness is well documented, with common issues and barriers being the affordability of housing relative to income and medical costs; a lack of choice in housing options; and discrimination while finding and retaining housing.

ComCare has a long history in the provision of low cost, appropriate housing for people with mental illnesses. Its objectives include:

> *"a) To promote, establish and maintain programmes and facilities to assist persons who because of mental ill health and other medical physical or psychological disabilities have restricted opportunities for employment, education and social development necessitating their rehabilitation.*
>
> *b) To assist such persons to develop the skills necessary to them, to enable their integration into the community.*
>
> *c) To provide for such persons the creation, development or maintenance of … (among other things) supportive accommodation."*

Returns expected from rentals

ComCare presented a proposal to charge less than market rent for the units to be built, assessing the proposed rental at $125 per week. They believed that, with the assistance of the Accommodation Supplement, this is an affordable rent for a single person on an Invalids Benefit.

This compares with the market rentals for one-bedroom units in central Christchurch being an average $202 per week (with lower quartile of $135, median of $187 and upper quartile of $250).

Long term vision

ComCare has recently reviewed its Strategic Plan, which confirmed the Trust's long-standing commitment to the provision of social housing through a variety of mechanisms which include: renting Community Group Housing property, taking head tenancies in the private sector, providing tenancy support to Housing New Zealand Corporation clients in several blocks of flats, and facilitating clients to secure public and private rentals and owning properties themselves.

Funding package negotiated with Housing New Zealand

The Housing New Zealand Board approved funding in May 2005, based on an assessed construction cost of $1,614,500 plus land value. Housing New Zealand made the loan offer to ComCare, and it was accepted, in June 2005. ComCare's contribution included the land and cash, for 29 percent of the total of construction cost. The loan package consisted of:

- A 25-year loan, with the first 10 years being interest free, and converting to a table mortgage from year 11
- A conditional grant (15 percent of the total cost including land value), only repayable if ComCare sells the properties or ceases to use them for social housing purposes within the term of the loan
- A suspensory loan (12 percent of the total cost) to be written off over 10 years, and only repayable if ComCare sells the properties or ceases to use them for social housing during the period of the suspensory loan.

The suspensory loan was made available because the rental income from the properties was going to be insufficient to meet the development's operating costs plus assumed repayment schedule. Also, Housing New Zealand made incorrect assumptions about what funding was available from ComCare and its contracts for this project in the initial financial modelling.

General

Overall, the project took longer to complete than either of the parties expected. In part this was due to the evolving nature of the Housing New Zealand's policies and processes, and to a lengthy absence of the Housing New Zealand Project Manager impacting on progress and communications. It was also affected by changes in key personnel at ComCare and misunderstandings between ComCare and Housing New Zealand. Another factor was a past experience between ComCare and Housing New Zealand, in which ComCare felt it had been let down when Housing New Zealand required ComCare to refinance its Housing New Zealand loans. This caused key members of ComCare's Board to take extra precautions in protecting ComCare's interests and extensive questioning and re-negotiation of the terms of the loan facilities.

Due perhaps in part to the delays, when the project was eventually tendered, costs came in substantially higher than those anticipated when the project was originally surveyed, and ComCare and Housing New Zealand have had to re-think their approach to the design and building of the development. At the time this case study was being prepared, these issues had yet to be resolved, with ComCare investigating the use of Group Housing contractors

The following section identifies and discusses the key issues that arose during the project.

Key issues

Housing New Zealand processes

As one of the early projects under the Fund, ComCare and Housing New Zealand were both affected by the newness of the processes, and the development of these as the scheme rolled out. Both recognised they lacked experience with the processes (and in the projects of this type), and that it was a learning process for them all (although this may be a benefit of hindsight on ComCare's part).

ComCare, however, expected the process to be a lot shorter. They had a general feeling that they could make it happen, and felt that the Fund was a good way for them to develop one-bedroom accommodation for their clients, but were surprised by the level of detail required:

> *"We spent nearly a year establishing that we were an experienced, financially solid property provider – this could/should have been done much more quickly."*

ComCare wrote to Housing New Zealand in June 2004 to express concern about the slow rate of progress and the impact that was having on their clients, inflationary costs of the project, and a loss of potential income from their properties in the meantime.

At the beginning of the process ComCare felt they provided a lot of information, but that Housing New Zealand seemed reluctant to clarify the process. ComCare did not understand why a lot of the information was being requested by Housing New Zealand, thinking it had nothing to do with Housing New Zealand. This reflects a lack of clarity about the nature of the relationship Housing New Zealand was trying to establish with the social housing providers it was supporting, which is discussed further below.

Housing New Zealand accepts that the process took a long time and was frustrating for both parties, with some of the reasons for this stemming from the fact that Housing New Zealand did not have clear guidelines and policies developed, often because a new issue came up that hadn't been previously thought of or a position developed.

ComCare was asked to submit architecturally produced plans, which it interpreted as tendering and selecting architects to draw these up, and which it believes put them on a path that was financially unsustainable, and not the easiest way of developing the project. ComCare became committed to the plans and found it difficult to compromise on suggested changes to them, given the length of time the buildings had to be used for social housing under the terms of the loan. When the designs subsequently came in way over budget, however, ComCare understood they were inappropriate at the end of the day. While ComCare is now exploring the use of a "group home building company" that designs and builds homes to a standardised plan, it felt that more advice about different building options to help ComCare understand the implications and consequences of different approaches could have been provided by Housing New Zealand earlier in the process.

It also had difficulties accepting Housing New Zealand's requirements to follow a tender process and seek three quotes for various services provided to them, preferring on occasion to deal with one potential provider with whom they had developed a relationship. ComCare saw Housing New Zealand's insistence on getting alternative quotes as being an interference with ComCare's autonomy to make decisions on its own behalf. This reflects also a lack of clarity about the respective roles of Housing New Zealand and ComCare and the nature of the "partnership" that was expected (discussed further below).

ComCare had the impression there were stages it had to go through to get acceptance, but never had a feeling of getting a "tick" to say they had successfully achieved a stage, or that Housing New Zealand was saying "yes", until the offer was made at the end of the process. It was only then that it was realised there had been a misunderstanding over the funding ComCare could commit to the project:

> *"We had to go back to square one. It was as if two years was spent with Housing New Zealand learning about us, but we were not learning about what Housing New Zealand actually wanted."*

ComCare also felt there were a lot of demands to produce information, but there was then very little feedback on what was produced. One example is that ComCare was asked to provide a copy of the architectural plans to Housing New Zealand, but then heard nothing for two to three months, to the point where they wondered if the plans had been lost. This reinforced ComCare's perception that the requirements were being put on them so Housing New Zealand could "tick the box", whereas their view was that they should have been submitting information or plans so it/they could be reviewed and advice provided about whether it/they were acceptable/suitable or not.

ComCare has also learned that there are inconsistencies in the terms of loans (particularly between community based organisations and local authorities) and the levels of detail required from other organisations, and does not understand why there should be inconsistencies. In terms of loans, ComCare understands local authorities have access to 25-year interest-free loans, whereas ComCare was offered a 25-year loan with the first 10 years being interest free, and a significant risk to ComCare in the interest rate that would be applied from year 11 onwards. In ComCare's view, local authorities have far more resources available to them and are getting a much better deal. It found the two levels of support from the Fund difficult to understand considering the aims of the Fund.

ComCare felt that it had to negotiate all the way through the process for access to facilities that supporting information indicated were available. For example:

> *"When we suggested we'd need a suspensory loan to make [the project] work, the response was "no-one else has one of these", but why does the supporting information say one is/may be available? "*

A similar situation occurred in relation to a feasibility grant that was provided to investigate the titles to ComCare's sites, establish design constraints, consider construction systems, outline a conceptual design and specifications, and develop a preliminary estimate of construction costs. ComCare was told that up to $15,000 was available, and it identified a provider they wanted to use within the allowable value of the grant (for $11,000), but were told they had to obtain three quotes and choose the cheapest.

Managing relationships

The relationship between Housing New Zealand and ComCare over this project was coloured by two key issues: the previous experience ComCare had with Housing New Zealand loans about 12 years before that resulted in a poor outcome for ComCare; and a lack of understanding or appreciation of the partnership role Housing New Zealand wanted to adopt with regard to the project.

Because of the previous experience ComCare had with its Housing New Zealand loans, some of the ComCare's Board members (especially those who were trustees when it occurred) found it difficult to accept reassurances of current Housing New Zealand staff that the Trust wouldn't find itself in the same situation again, for example if the political climate changed, or that Housing New Zealand could be trusted to act reasonably over the 25 year period of the loan. This particularly affected the willingness of the Trust to accept the standard terms of the loan agreement that appeared to give Housing New Zealand a high degree of discretion, and lead to negotiations over the proposed loan agreement becoming quite protracted.

The lack of understanding that the relationship Housing New Zealand wanted was a partnership, and the involvement Housing New Zealand wanted with respect to decision-making about the project, also affected ComCare's views about the advice provided and the information required by Housing New Zealand. ComCare was of the view that the application and the Fund was about getting a loan, and that the Fund was there to assist ComCare to develop as a housing provider. ComCare felt that Housing New Zealand took a paternalistic role, and wanted it to develop in a direction or way that suited/fitted with Housing New Zealand requirements. They felt that everything had to be developed to Housing New Zealand's standards. ComCare was concerned that Housing New Zealand wanted to be involved in issues and decisions that ComCare felt it was theirs to make.

One example is in relation to the feasibility grant referred to above. Another example is in terms of the relationship between ComCare and its builder and project manager. ComCare accepts now that Housing New Zealand was acting with good intentions and wanted to protect the organisation, ComCare feels that Housing New Zealand needs to accept where an organisation is at, and that it is able and responsible for its own decisions:

> *"The checks and balances Housing New Zealand put in trying to protect us made it feel as if we were building something Housing New Zealand wanted rather than Housing New Zealand assisting us to build our property. … Although they may have been trying to be helpful and offer advice, it felt like we had to accept what they said, and sometimes the advice did not seem constructive."*

Housing New Zealand also recognised this tension in the relationship:

> *"There was a perception that this was their project and did not understand why Housing New Zealand was interfering with their decision-making processes – they saw us more as a lending organisation rather than understanding that this relationship was a partnership … [which] added to the tensions/ frustrations."*

To Housing New Zealand's way of thinking, this was demonstrated by ComCare making decisions, and not approaching Housing New Zealand to talk about different options they may want to follow such as for the design or building of the units. It was also demonstrated by ComCare not accepting the Community Design team's advice on how to cut costs, etc, and not involving Housing New Zealand in their decision-making, for example, who they chose for their architect and project manager. ComCare also did not communicate early enough with Housing New Zealand when the tenders to build came in higher than the earlier quantity surveyed estimates.

ComCare also felt that there were times when Housing New Zealand was presumptuous, for example when it assumed that all of ComCare's funding reserves were available for this project, when ComCare had these ear-marked for other projects. This came out in a meeting when ComCare couldn't understand the basis for the financial modelling or see "*how the numbers could work*" that Housing New Zealand had identified the reserves as being included in ComCare's contribution to the project. ComCare was providing well over the 15 percent contribution required already: "*We felt it was a little arrogant to assume this without even asking, and it caused a lot of misunderstanding*."

Organisation's capability

Although ComCare had good experience in managing properties and a well-developed set of policies and procedures for organisational, financial, tenant services and asset management, it had little experience with the building process and property development, and accepts it made some errors along the way. It would have welcomed practical information at the beginning of the process about the options available, and the implications and consequences of different building options. "*Not to say 'do this' or 'do that'*", but tapping into Housing New Zealand's experience with developing/building to its own housing requirements.

Later in the process, Housing New Zealand's community design team offered advice on how to cut costs and with the design of the properties. ComCare advised Housing New Zealand aspects of the design were not Housing New Zealand's decision to make and they did not make the suggested changes. It is unclear whether this is because the relationship was too strained at this point, or it was the manner in which advice was offered that lead to this reaction.

There were also language barriers between Housing New Zealand and ComCare. There were some key terms/issues used in financial documents that ComCare thought it understood, when it later turned out that Housing New Zealand meant something else (a confusion between business and Government sector terminologies). This held up progress and was a source of frustration, until it was realised this was the issue. This reinforces a need for Housing New Zealand to take care in using jargon. Both parties need to actively listen and clarify their respective understandings of what is being said.

From Housing New Zealand's view, there were some key management changes in ComCare that resulted in different styles of management and different understanding/perspectives of the project. Relationships needed to be re-formed. It meant that where information about the roles and process may have been verbally communicated, understandings may be lost when key personnel change.

Terms of Loan Agreement

As noted earlier, Housing New Zealand and ComCare's previous difficult experience affected the Trust's response to Housing New Zealand's proposed loan agreement. The Trust wanted to protect itself (in light of previous its experience), and sought to negotiate changes to a number of clauses in the agreement. This caused some frustration for Housing New Zealand, which was recognised by ComCare managers:

> *"There seemed to be an attitude in Housing New Zealand that, in the face of its good intentions, it couldn't comprehend why this Trust was looking at everything so suspiciously."*

Housing New Zealand also recognised the Trust board members wanted to protect ComCare, however:

> *"They also had to realise that what they were being offered was a really good deal; a bit of goodwill and trust would have made a difference."*

Among the issues ComCare raised was that the loan agreement appeared too one-sided and did not reflect the principles of a partnership that were being espoused by Housing New Zealand. ComCare considered:

- the documents were prepared on the basis that ComCare might not comply with the purpose and intent of the project
- that Housing New Zealand was saying "trust us to act reasonably" but not giving the same courtesy to ComCare
- that Housing New Zealand should not have any right to be involved in ComCare's internal matters
- that there were subjective elements in the agreement that could be better dealt with by careful drafting of terms that would protect Housing New Zealand where this as required.

Housing New Zealand, however, sees a difference between the partnership role it plays when working with a community organisation to scope and develop a project proposal and develop an organisation's capacity and capabilities, and the more commercial role it has as a lender. As a lender to community organisations for projects under the Fund, Housing New Zealand's responsibilities are to protect Government's investment of public funding.

Despite this, Housing New Zealand was willing to negotiate some compromises to the agreement to provide ComCare with a better sense of security, although was unwilling to compromise on the core principles of the loan terms and the scheme.

Other

The project now has to deal with the issue of the quotes from the builders being somewhat higher than the quantity surveyed costs and the architect's quotes for the project (and therefore the loan facilities available from the Fund). This may have been affected by an over-specification of designs and the length of time it has taken, which has meant that the building costs have generally risen. This issue is being worked through by ComCare and the Housing New Zealand project managers, including investigating an alternative option for the design and build by a group home builder.

Success factors

There have been a number of key factors that have contributed to the approval of funding under the scheme.

Relationships between Housing New Zealand and ComCare

Despite a number of frustrations experienced throughout the process, both parties consider the individual relationships between them are still strong and good:

> *"We worked with them through all the challenges and amazingly we have a very good relationship, despite everything we have been through"*

Commitment of key personnel

Both Housing New Zealand's and ComCare's project managers were (and remain) strongly committed to the project and determined to "make it work". ComCare's manager felt strongly that it was strategically important for ComCare to continue to work with Housing New Zealand. The manager encouraged the ComCare Board to stay with the project, and managed communications between Housing New Zealand and the Board.

Experience in housing

ComCare is a well-established community housing service provider, who provides housing solutions for its clients and property management for residential care services, and with a good reputation. Although it did not have direct experience in developing and building its own properties, it had all the necessary policies and procedures for its organisational, financial and asset management, and its tenant and client services in place. It has strong networks with other community and groups involved in the housing and mental health sectors. It also has a relationship with Housing New Zealand in terms of leasing and managing flats, liaising with Housing New Zealand's case management service, and providing support services to Housing New Zealand tenants.

This demonstrated to Housing New Zealand that they were committed to being involved in the community housing sector for the long haul, and to grow their role as a social housing provider.

Financial resources available

ComCare had the financial resources to initiate the project, and was able to purchase properties for the development, pay off existing mortgage commitments on these, and commit an additional portion of cash to the project.

Face-to-face meetings of key decision-makers

When the project and development of the proposal ran into difficulties with the financial modelling and loan agreement, face-to-face meetings between the key decision-makers were helpful in resolving the issues. Housing New Zealand "experts" were able to respond authoritatively and directly to questions being raised, with no "go-betweens" to slow the messages down, potentially misinterpret them or be unable to respond to follow-up questions.

Constant and effective communication

Once it was recognised there had been misunderstandings about some of the terminology used between the parties, the use of “active listening” skills was successful in ensuring there was a clear understandings of what was required or being communicated. A preparedness to work through issues with constant communication was also a key part of the process.

Lessons learned

The following lessons may be drawn from this experience and the issues that arose.

Assessing capabilities

An early assessment by Housing New Zealand of a community organisation’s confidence and experience is required more quickly. The Corporation needs to find out if the provider has built houses before – if yes, how did they go about that; if not, then discuss options on how to go about it. The Corporation can organise people to talk to (which may include the local Housing New Zealand manager or staff who are involved in building units for Housing New Zealand in the same/similar area, and suggestions about preferred suppliers or service providers the organisation can approach), or involve Housing New Zealand’s design team earlier in the process for this purpose.

Clarification of the process

There’s a need for the parties to get together at the beginning of the process, and “*put all the cards on the table*”. What are the respective expectations of the relationship? What is the nature of the relationship (see following comments also)? What is the process to be followed and the reasons for this? Why does Housing New Zealand need the information it asks for? What are the terms of the loan agreement that would eventuate? It should also be acknowledged that that the process will be a long and sometimes “frustrating” one. Reassurance needs to be given that this is a normal part of any project and that with goodwill from both parties it will help build the foundation for a long term relationship between the two organisations

Greater clarity, simplification, and specification of the process to be followed and the information required (and why it’s required) would help community organisations understand what is required of them. Clear indications from Housing New Zealand need to be given about what terms it will or will not accept if the community organisation was to take up the loan, and what assistance or support an organisation is eligible for and any constraints on that.

Ensuring total organisational commitment

Relationships between the respective project managers of ComCare and Housing New Zealand have been generally good. However, the commitment of the ComCare Board to the project and the relationship has been affected by its previous experience with Housing New Zealand loans. This has resulted in a low level of trust in Housing New Zealand’s ability to assure ComCare that future political changes would not leave ComCare in a similarly difficult position with respect to its loans. Not surprisingly, ComCare Board members sought to protect the Trust by trying to put bounds on the exercise of discretion by Housing New Zealand in the future.

Housing New Zealand needs to ensure that there is whole-hearted support for entering into the project from an organisation’s governing body, not just its officers. If there are historical issues that might get in the way of the relationship and project, these need to be identified and addressed. It would also be useful for Housing New Zealand to present directly to the governing body (if they're not already closely involved in the day-to-day establishment of the project). This presentation should include an overview of the process, the nature of the relationship anticipated, the respective roles of Housing New Zealand Project Managers and support staff, and the terms of any loan agreement that would eventuate.

Clarifying the relationship expected

In terms of the nature of the relationship, Housing New Zealand needs to ensure the community organisation understands the relationship with Housing New Zealand is not just as a lending institution; it is also a "partnership". Housing New Zealand needs to clearly communicate what it means by "partnership" (for example, how Housing New Zealand envisages the parties working together, communicating and consulting, and what Housing New Zealand excepts to contribute to the project). It should also clarify and distinguish where the notion of "partnership" ends – for example, Housing New Zealand's role as a lender and the status of the loan agreement.

Housing New Zealand also needs to be sensitive to the status and experience of the organisation with which it is dealing. ComCare was a long-standing well-established business, with good systems, policies and procedures. Its trustees appear to operate like a Board of directors (as opposed to many community organisations' trustees fulfilling both governance and operational roles). The organisation was very protective of its autonomy and discretion to make its own decisions – it had the background and experience to do so (particularly among its Board members). However, it lacked experience in building/development projects. Greater awareness of this is required, and Housing New Zealand needs to tailor its approach to offering advice and its expectations of being involved in decision-making accordingly.

Housing New Zealand Project Managers need to be alert for and recognise any warning signals that the project or relationships maybe going "off-track", and take steps to address any such issues proactively. This might include a sit-down with the other party to "clear the air" or put any issues on the table and work out how to address them together, or involving other key people to discuss/clarify issues.

Effective communications

There should be a "no surprises" policy in communications from both parties. This should extend to ensuring key terms of the loan agreement are communicated early (especially those that confer rights and/or obligations on either of the parties). A plain-English, short form version of the loan agreement that describes what the full legal contract includes could be developed and provided early in the process.

Attention must be given to the way in which information is required or requested, or the manner in which advice is given. Housing New Zealand needs to respect that a community organisation is an autonomous body, responsible for its own purpose and decisions. If the relationship is to be a "partnership" in the plain meaning of the term, then there needs to be elements of trust and respect, rather than demands and assumptions made.

Both parties, and especially community organisations who are not familiar with building and developing processes, need to ensure that they each understand what the other is saying and clarifying their understandings continuously through such techniques as active listening.

Community organisations in particular should not be put off by feeling they do not understand – and it is important to say so if they don't and confirm what it is they do understand.

Community organisations should, in ComCare's view, have the confidence to ask questions and challenge the process. ComCare assumed the process was well-thought through and worked out and that Housing New Zealand knew what it was doing. However, Housing New Zealand was also learning about and evolving the process itself. If this had been acknowledged more explicitly up-front, there may have been greater acceptance of, and less frustration with delays or "hiccups" in the process.

Summary conclusions

In terms of the longer term outcomes of the Fund, this project has largely been successful. Local social housing solutions have been developed (or enhanced) for local social housing needs, with the increased provision of social housing to those in need. There have also other positive unintended outcomes from this project:

- Due to the delays and length of the process, ComCare was able to use its three properties for emergency housing, and to develop experience in this area. Up to the end of June 2006, ComCare had housed 43 adults and 23 children in this emergency housing.
- ComCare has also developed experience in property development/building issues and will be better able to consider the advantages and disadvantages of this as an option if it continues to grow its role as a provider of social housing.

On the negative side, however, ComCare has lost the opportunity of income through not having its properties developed, the delay has probably also contributed to increased building costs, and the condition of the properties continues to deteriorate.

From Housing New Zealand's point of view, ComCare is an ideal partner under the Housing Innovation Fund – it is a long-established, well-respected service provider of housing solutions to support people with a mental health illness. A good relationship already existed with Housing New Zealand in the delivery of its housing solutions. ComCare had good systems in place, a strong financial resource base, and wanted to expand its role as a provider of affordable social housing to its target client group as distinct from its service provision.

Housing New Zealand's relationship with ComCare is sound with respect to is housing services role. When this moved to a relationship where Housing New Zealand was becoming a lender to ComCare, a lack of trust surfaced based on a previous experience with Housing New Zealand. This may also have affected the somewhat protective approach taken by ComCare when Housing New Zealand wanted some "rights" to be consulted or to exercise control over decisions in respect of the project that ComCare thought should be theirs to make. Together, these issues resulted in higher levels of frustration for both parties and a lengthier process, which may in turn affect the ComCare Board's willingness to engage in further projects to develop social housing.

Ongoing participation in social housing

While it is likely that ComCare will continue to provide social housing and housing services, it is more questionable whether it will go through a similar process again. If anything, ComCare may consider buying options rather than building housing in the future, as it would be a more straightforward way of achieving its aims.

Acknowledgements:

We wish to acknowledge and thank the following people for their time and contribution to this case study:

- Kay Fletcher (Executive Director) and Annette Sutherland (Housing Services Manager), ComCare Charitable Trust
- Christine McQuillan, Partnerships Project Manager, Housing New Zealand Corporation

Case 6: Community of Refuge Trust

Introduction

The Community of Refuge Trust (CORT) first presented an initial proposal for funding from the Housing Innovation Fund ("the Fund") in November 2003. CORT proposed a partnership with Housing New Zealand to provide 25-30 properties for people with mental health disabilities in inner city Auckland, with each making equal capital contributions, and Housing New Zealand providing interest rate relief.

In June 2004, Housing New Zealand approved in principle the purchase thirty one and two-bedroom properties over three years, with a proposal for a loan to be assessed separately in each year. The loan facilities were a combination of conditional grants for 15 percent of the purchases and term loans for 70 percent of the purchases. Housing New Zealand made its offer in relation to the first proposal in June 2004, followed by offers in response to follow-up proposals in October 2004 and May 2005.

This case study report will highlight the key outcomes achieved, the issues and the key factors that contributed to these outcomes, and the approval and acceptance of loan funding for the project.

Summary of outcomes achieved

Access to funding under the Fund has meant that CORT has been able to purchase 28 one-bedroom units in the central Auckland area, to house people with mental health issues, with sufficient funding for almost two more units.

The total funding available for this project is $6 million. In this case, Housing New Zealand is contributing 70 percent of the total estimated costs in a series of 25-year term loans spread over three years, with the first 10 years of each loan being interest-free. It is providing 15 percent of the costs through a series of conditional grants that are only re-payable if the Trust ceases to use the properties for social housing purposes within the term of the loans. CORT is contributing 15 percent of the purchase price of each of the properties it acquires.

In terms of the intended initial outcomes for the Fund[11], this project has achieved the following.

- *Sustainable community housing providers:*

  CORT was already a sustainable community-based provider of social housing, with a portfolio of 35 units.

- *Range of social housing models and creative approaches to completed projects:*

  This project involved the on-market purchase of housing units for use as social housing, with loan facilities for CORT to draw against on a flexible basis. This was possible because of CORT's standing as an established provider of social housing, its clarity of purpose, its experience in purchasing properties, and its understanding of what made properties suitable for its purposes and financial sustainability.

[11] See *Housing Innovation Fund – Hierarchy of Outcomes* at Appendix One.

- *Non-government investment is attracted:*

  Non-government investment has been attracted in terms of the 15 percent contribution of the Trust, as well as the donated community working hours in support for property maintenance and renovations.

- *Project meets social housing needs of intended target groups:*

  The project helps meet the social housing needs of low-income households whose specialised needs are not being met, in this instance people experiencing mental health issues.

- *Project sustainable without ongoing Housing New Zealand support:*

  The project is sustainable without further Housing New Zealand support.

- *Effective relationships with community housing partners:*

  The relationships between Housing New Zealand and CORT are considered to be good and quite collaborative, despite some initial concerns about a lack of consultation by Housing New Zealand over developing the funding package during the set-up phase of the project.

- *A range of effective mechanisms for delivering assistance, with flexibility to meet community housing needs:*

  The mechanisms for delivering assistance to this project included conditional grants and 25-year term loans. While the total project was approved in principle at the outset, approvals for funding were assessed against separate proposals over three years.

- *Mechanisms satisfy Housing New Zealand and government's requirements for accountability:*

  The mechanisms for organisational, financial and risk management, asset management, and tenant and client services have been reviewed thoroughly by Housing New Zealand, which together with the terms of the loan agreement that was negotiated, have satisfied Housing New Zealand that they meet its requirements for accountability.

- *Criteria and forms of assistance encourage third sector providers to engage in social housing projects:*

  The availability of the Fund and the assistance provided has encouraged CORT to expand its portfolio of social housing faster than it otherwise would have. Without support from the Fund, the scale of purchases would have been much lower, and slower.

- *Partnership Priority Framework functioning effectively:*

  As with other early projects under the Fund, the Partnership Priority Framework was a new and untried process, and there were some delays and gaps in the process, it did not appear well-thought out, and Housing New Zealand appeared extremely risk averse. However, CORT was aware it was a learning process and understood the reasons for the delays, and at the end of the day was satisfied that CORT was happy that it achieved what it wanted to achieve.

  One concern is that CORT felt there was no real sense of partnership during the initial set-up phases of the project – there was little apparent discussion or consultation between the parties on how or the reasons why the financial package was arrived at, compared with the initial proposal put forward by CORT. Despite this, CORT was happy enough to get the loan facilities approved, and they have achieved their initial goal of purchasing around 25-30 properties.

- *Housing New Zealand support roles functioning effectively:*

  The Housing New Zealand Project Managers provided good support for the project, but other support roles were not required as CORT had the necessary capabilities and experience.

- *Capacity building grants to providers are effective:*

  No capacity development grants were required for this project, although CORT has recently received one to assist it to provide advice and mentoring to other community groups looking to get into social housing.

- *Peak Body (CHAI) functioning effectively:*

  No support required for this project.

Background

Description of the organisation

The Community of Refuge Trust was founded in 1987 by members of the Ponsonby Baptist Church as a community response to the growing need for affordable housing in the inner city of Auckland. Its mission and objectives are to:

> *"Purchase and maintain low cost accommodation for needy persons.*
>
> *Assist in providing services which enable needy low-income households to remain in the inner city area.*
>
> *Provide communities of rehabilitation through the establishment of sheltered accommodation*
>
> *Pursue and encourage new initiatives in providing low cost housing*
>
> *Lobby Government, government departments, local bodies etc., in response to housing issues."*

At around the time of its establishment, CORT responded to a new government housing initiative that involved the then Housing Corporation providing 100 percent finance at a subsidised, below-market rate of interest. Over the next two-and-a-half years CORT purchased six properties under the scheme, with borrowings of over $1,600,000. In 1991, a year after a change in Government, the Housing Corporation ended the government/community partnership scheme, interest rates were moved to market rates and the mortgages were sold to private institutions.

Early on in its existence CORT found a high proportion of its tenants came from the mental health community. The early 1990s were a period characterised by the closure of a number of mental health institutions and the movement of their residents into the community. To support these tenants CORT entered into contracts with the Ministry of Health to provide mental health support services. For 8 years, ending in 2001, CORT employed 2-3 mental health support workers to support mental health consumers in their homes.

In 2000 CORT purchased a further 16 flats from the Auckland City Council, which was selling off its public housing. In addition, CORT continued to grow its portfolio of properties to a point where, at the time of their initial proposal, CORT owned and operated around forty one and two-bedroom flats and one 5-bedroom house, with an asset value in excess of $8.5 million. All of the properties were located within 2-3 kilometres of Ponsonby and the inner city.

Sixty percent (60 percent) of CORT's tenants have some form of mental health disability. CORT no longer provides direct support services for these people but works with other organisations to ensure these services are provided. CORT also provides housing for a wide range of other beneficiary groups including people on sickness and invalid benefits and low income sole parent families.

Rationale for project and identification of needs

CORT's initial proposal was for a partnership with Housing New Zealand to provide alternative housing primarily targeted for people with mental health disabilities in inner city Auckland. The proposal suggested a partnership based on both parties making equal capital contributions, with CORT undertaking to purchase, fit out, tenant, maintain and service the properties, and Housing New Zealand providing interest rate relief to ensure the rents are set at affordable levels for the targeted sector.

CORT identified that the lack of adequate, suitable, affordable and sustainable housing for mental health consumers in Auckland was well-documented, citing findings by the Mental Health Commission in 1999 and 2001, and Ministry of Social Development research in 2002. It also noted that the largest single sector group looking for housing support represented at a Housing Innovation Fund workshop in Auckland was that of mental health support groups, and that the Auckland City Council had recently divested its community housing stock.

Demand for the type of housing proposed was evident also from CORT's experience in managing its waiting lists of around 30 households and an additional 5-7 enquiries per week. Other factors indicating a shortage of suitable housing included:

- Housing New Zealand struggling to manage excessive demand and insufficient supply for generic housing, with priorities being given to families
- The cost of rental housing in the central Auckland area (e.g., one and two-bedroom unit rentals averaging $280 per week) pricing low-income households out of the market
- Insufficient supply of affordable housing generally in the central Auckland area not preventing low-income households from wanting to remain in the area, placing a significant strain on inner city resources for homeless people and/or households living in sub-standard accommodation situations.

CORT received considerable support from representatives of their local community for their proposal, with letters of support from other government and community based organisations, which represented active consultation and established networks with support agencies. CORT has also involved members of the public through fund-rasing schemes, and donations of both money and working hours in the form of working bees to provide ongoing support for property maintenance and renovations.

Returns expected from rentals

The majority of CORT's flats are charged out at below market rent, with CORT's social rent policy having sufficient flexibility to ensure affordable social rents are achieved without compromising their overall financial position. The "affordable" level is generally set at around two-thirds of the market rent.

Around 10 percent of CORT's properties are rented on the open market at market rates. The high inner city rents charged for these properties help subsidise the below market rents charged for other properties, although CORT's expectation is that the number of these properties will reduce over time, and increase its ability to respond to low-income households.

Long term vision

Over its 16 year history CORT has proven its long-term commitment to providing access to affordable, suitable accommodation primarily for people with mental health disabilities within the central Auckland area, and has gradually increased their property portfolio to respond to the demand.

Its direct goal is to acquire up to 75 properties in total, which it considers is an appropriate maximum number for CORT to run as a church-based Trust and retain its social objectives and focus. Thereafter, CORT will try to mentor and work with other Trusts in the Auckland area, to help them develop as social housing providers. (CORT is already undertaking this role with a number of groups, with some support from Housing New Zealand.)

Funding package negotiated with Housing New Zealand

The CORT proposal was approved in principle in June 2004 by the Housing New Zealand Board, although the structure of facilities Housing New Zealand has provided under the Fund has varied from the initial proposal developed by CORT. This provided for CORT to purchase thirty 1-2 bedroom properties over three years in the central Auckland area for an average price of $200,000 per unit. The total financial commitment to the project was $6.0 million, with Housing New Zealand providing a total of $5.1 million (including $900,000 in conditional grants and $4.2 million in term loans), and CORT contributing $900,000 (15 percent of the total project cost).

Although funding over three years was approved in principle, the Housing New Zealand Project Manager submits proposals for funding each year, which are assessed separately. The loan facilities were offered in three blocks of funding:

- In June 2004, Housing New Zealand offered CORT a conditional grant of $150,000 and a loan advance of $700,000
- In October 2004 Housing New Zealand offered CORT a further conditional grant of $150,000 and loan advance of $700,000
- In May 2005, Housing New Zealand offered a further conditional grant of $600,000 and loan advance of $2.8 million.

The conditional grants are only repayable if CORT sells the properties or ceases to use them for social housing purposes within the term of the loan. The loans are each for 25-year periods, with the first 10 years being interest free, and converting to table mortgages from year 11. CORT contributes 15 percent of the purchase price for each property it acquires.

Particular conditions of the loan facilities offered include:

- The facilities will be advanced solely for the purpose of purchasing existing residential dwellings, within the central Auckland region, designed for use by persons with a mental health disability or such other social housing purpose as approved by Housing New Zealand.
- A signed Sale and Purchase Agreement and a registered valuation must be obtained for each property and provided to Housing New Zealand.
- The facilities will be advanced subject to Housing New Zealand being satisfied in each case, that the property intended to be purchased by CORT satisfies Housing New Zealand's security standards and requirements, and that all title documents are satisfactory to Housing New Zealand in all respects.

Property purchase brief

CORT's basic purchase brief includes the following criteria:

- Purchase prices averaged as one-bedroom for $200,000
- Properties purchased will require minimal maintenance
- Properties need to be in the central Auckland, in particular the Ponsonby location
- Properties can be single or multi-level
- Disability modifications are not required
- Properties will need to meet minimum health and safety standards (aligned to generic Housing New Zealand standards).

In addition, CORT has continued to learn more about the right types of properties to purchase:

- It will ideally aim to own entire blocks of 3-6 units, and try to avoid buying into body corporates, which adds a level of fees and a need to manage issues with other tenants.
- Around $200,000 properties is about the maximum workability for a purchase price.
- It is aware of a need to look in areas zoned for the highest accommodation supplements for their tenants.
- It will prefer brick/tile /concrete constructions, and non-wooden floors (except ground floor) due to potential noise issues between tenants.

The loan facilities and process is structured so that CORT has flexibility to draw-down the loans as and when suitable properties are identified. Housing New Zealand monitors the average price of properties purchased. When CORT identifies a potential property for acquisition it will enter into a conditional sale and purchase agreement, provide copies of the relevant papers (valuation, title) to the Housing New Zealand Project Manager, who will get approval from Housing New Zealand's Business Development Manager to draw down the required funds form the loan facility that has been pre-approved.

At the time of this case study, CORT had purchased 28 properties under the terms of this proposal, and had funds available for almost two others, due to the average purchase price creeping a little above $200,000. When the 30th property is identified, CORT will consider whether it tops up any shortfall between the loan funding and purchase price itself, or if it will apply to the Fund for further lending.

Key issues

Although the initial set-up of the project took longer than expected, once the process had been established it has worked very smoothly and efficiently, and there have been few, if any, problems experienced. This section identifies and discusses the few key issues that arose during the project.

Housing New Zealand processes

Despite the initial set-up of the project taking longer than it initially anticipated, CORT was aware that the operation of the Fund was a new process and Housing New Zealand was learning about it – it appeared to CORT that Housing New Zealand did not have the process well-thought out, and was nervous because of recent high profile situations involving the fraudulent use of government funding, and wanted to be very careful not to be accused of mis-spending public money.

The then local Project Manager worked with CORT a lot to set up the proposal, but there were gaps and delays in the process – timeframes were set but not met, and results or responses did not sometimes come through in a timely enough fashion. The reasons for this are not clear to CORT, although it was perhaps compounded by the local Project Manager not having much power or discretion and having to consult with/refer issues to Wellington; this slowed the process down, and added some uncertainty about whether approvals would be given.

Once the process was put in place CORT has had no problems with it, finding the administrative efficiency good, responsive and receiving approvals for property purchases and loan draw-downs in a timely fashion. This is due also in part to CORT following the rules laid down by Housing New Zealand as terms and conditions of the loan, and exercising good judgement with regard to the properties it purchases.

The Housing New Zealand Project Manager confirms there were few issues:

> *"The process is straightforward now that it's set up – tried and true, and the rules are clear; CORT knows and provides the information required when seeking loan draw-downs; has the confidence of/credibility with Housing New Zealand; and operates a "no surprises" approach."*

CORT also considers that the bureaucratic nature of the process at the beginning is not so much of an issue as Housing New Zealand will have worked out the process better by now. It understood the reasons for the delays, and at the end of the day CORT achieved what it wanted.

Managing relationships

CORT feels that there was no real partnership in the early phases of the project, despite this being promoted. CORT didn't have much input or discussion on the structuring of the financial package they ended up with, which was different to what they applied for. "*It was essentially a take it or* *leave it situation*". Although CORT made submissions to Housing New Zealand over the proposed loan structure to say it wouldn't work very well (applying the conditional "grants" at the beginning of each block of loan funding – discussed further below), Housing New Zealand did not move on its offer that CORT was aware of.

Since the process has been established, however, the relationship has been more like a partnership – Housing New Zealand doesn't interfere at all with what CORT does. No properties have been declined.

Project Managers changed three times during the project, which made the continuity of the relationship between Housing New Zealand and CORT difficult. Housing New Zealand reports that "*the ball almost got dropped*" when one staff member left and no-one was looking after the project or knew about the procedures for approving loans, etc., and suddenly CORT wanted to purchase a property and secure a loan. There was a scramble to find out about the process and ensure everything was actioned. Despite this "hiccup", however, the process is flowing smoothly and CORT has a good relationship with its current Project Manager.

Organisation's capability

CORT was recognised as being a sound, well-established and experienced social housing provider, with a strong financial base, good policies and procedures, strong skills and experience among its key personnel (administrator and trustees). One risk that Housing New Zealand has identified relates to succession planning, and what happens if the sole-charge Manager was suddenly unable to fulfil that role.

Terms of Loan Agreement

The main area of concern that CORT had about the proposal and project related to how the funding package and re-payments are structured, especially over the first 10 years of the loan. CORT has a deficit of an average of $3000 per property (after rents, operational expenses and re-payments are accounted), although it is fortunate in having a good asset base to be able to accommodate this – losses on some properties are offset by its policy of charging market rents on a small proportion of its total portfolio.

CORT would have preferred to have slowed down the rates of re-payment over the first 5-10 years, or base them on a longer loan period. Because it is charging below-market rents to people on relatively fixed, low incomes, CORT has little opportunity to increase its rents to cover operating costs.

Another area of concern is that the conditional grants it receives are on the basis that the properties must be retained by CORT for social housing purposes for 25 years (the term of its loans), which CORT considers is an unrealistically long term. CORT's view is that a lot can happen in 25 years – the blocks in which properties are held may be sold for development, or the properties may become obsolete or unsuitable for the tenant clients – and that Housing New Zealand will know its own properties become "slums" long before 25 years are up, which suggests double standards are being applied.

When asked, Housing New Zealand was not prepared to commit in writing to the ability to transfer of the conditional grants to other properties if those properties on which they are secured are/cannot be retained by CORT, or do anything other than pay the grants back – CORT was advised by Housing New Zealand to “trust us”.

From Housing New Zealand’s perspective the sale of a property purchased using funding from the Fund is something it would look at on a case by case basis. If a property was no longer suitable and a replacement was required, the Corporation would expect that CORT to negotiate this with it and, provided a suitable arrangement could be made, would look at transferring lending/ conditional grant monies.

However, without a definite commitment, CORT feels it has little option but to treat and account for the grants as conditional loans, as if there is an expectation that they will need to be re-paid. This sets some constraints on CORT’s future financial position.
.
Also, these conditional loans are not spread evenly across properties – they are applied up-front in each block of funding approved and drawn down. This means they are applied to the first properties purchased in each block of funding, while latter properties purchased are covered by a more of the loan, with the consequent repayments being higher. CORT therefore has to be quite disciplined in the management of cashflows across its properties. On the other hand, it also means the conditional loans only apply to 7-8 properties out of the 28 or so CORT has purchased, with the remaining properties being unencumbered, and it can therefore do what it likes with these.

CORT is fortunate in being able to take a 25 year perspective on issues, as it has been around for 17 years itself, and it has a clear sense of purpose and is realistic in its expectations. If Housing New Zealand requires the conditional loan to be re-paid, CORT will deal with that when it happens, and has confidence in its ability and financial strength to be able to do so.

CORT's approach, therefore, is to manage its re-payments prudently, paying off as much of the principal as soon as it can, which requires careful financial management. This is one of CORT’s strengths.

Other

Other issues arising in the course of the project is an ongoing one of finding suitable properties in the configuration CORT wants to purchase. Also, CORT needed to amend its constitution to allow it to buy properties in the areas it was looking to buy houses in, which was subsequently done.

Success factors

There have been a number of key factors that have contributed to the success of this project (the approval of funding under the scheme).

Relationships between Housing New Zealand and CORT

After some initial issues during the set-up phase due to delays and a lack of responsiveness, and the turnover in project managers, CORT and the current Housing New Zealand Project Manager consider they have a good relationship. The administrative process for loan approvals and draw-downs is working efficiently and effectively. This is helped by CORT understanding and following the process laid down for approving/drawing down loans when it identifies properties it wishes to acquire, and demonstrating over time that it is exercising good judgement with regard to the properties it purchases.

Skills and experience of key personnel

The skills and experience of key personnel involved in the Trust, including CORT's Manager and Trustees is a key factor. The Manager is experienced and has good business skills (an accountant by background); he is also realistic about what can be achieved and expected (including from Housing New Zealand), has good credibility, and CORT operates like a business, which a lot of community organisations do not.

CORT also has a solid, stable group of Trustees, who understand the business well. They include people with good management experience, social workers and medical professionals. Together they provide a balance of knowledge, understanding and expertise in relation to their target group, Trust administration/management, and continuity of involvement. Strength also comes from the fact that the group has grown from the Baptist Church infrastructure, where the individuals have a common basic philosophy to collaborate and volunteer their skills to assist those in their community who are in need.

Experience in housing

CORT's long experience in providing social housing, including its familiarity with the concept (having entered in to similar schemes in the past) has been a key strength. This experience is reflected also in the strong asset and financial base it has. This in turn gives CORT the confidence in its ability and financial strength to deal with adverse events such as Housing New Zealand requiring conditional loans to be re-paid if that it happens, and to accommodate the deficit of an average of $3000 per property (after rents, operational expenses and re-payments are accounted). It also gives CORT credibility with Housing New Zealand.

CORT knew what it wanted, and how to go about it. It can take a 25-year perspective on issues, as it has been around for 17 years itself, and it has a clear sense of purpose and is realistic in its expectations. It has developed a good idea of "*what works for us*" in terms of properties to purchase/add to its portfolio. It is flexible in its approach to property/asset management and is prepared to turn over obsolete or no longer suitable stock to fund new investment/stocks of social housing.

Related to this experience and financial strength is CORT's prudent approach to financial management, which is a core strength. It has demonstrated it is able to manage cashflows across its properties (using those at market rent to subsidise those at below-market rents) in a well-disciplined manner.

Commitment of Housing New Zealand

Within Housing New Zealand there were key people championing the project to "*make it work*". CORT was recognised as a large established provider, with an existing portfolio of social housing, financially strong, and looking to expand. Housing New Zealand was also aware of the need to develop social housing providers in the central Auckland area, as these were "*a rare commodity*". CORT was a potential role model for other community groups considering becoming social housing providers. Therefore, CORT was an ideal candidate for the Fund, and Housing New Zealand was looking for quick wins/successes.

Perceptions of the Fund

CORT does not appear to have unrealistic expectations of the Fund: "*it appears to expect only what it gets, and anything is something of a bonus*". This may be coloured by its experience in the 1990s, but despite this CORT's expectations were pretty much where they ended up – it has received funds to help it buy 28 properties and has sufficient scope to buy almost two more. It will eventually end up with property assets that are unencumbered.

Lessons learned

The following lessons may be drawn from this experience and the issues that arose.

Long-term commitment required

Social housing providers need to be in the business for the long haul – they need to take a realistic view of what they're getting into, and realise that if they lose interest or pull out they could hurt the people they're trying to help – this is especially so in the fields of social work.

This means they need to be clear about what they're doing, and understand the terms and conditions of the conditional grants, repayment issues and the consequences/implications and affordability of these.

Realistic expectations

Community organisations need to have a clear vision of what they want to do, how they want to do it, and be realistic about what can be delivered. They also should not be totally reliant on Housing New Zealand to provide all the funding they need under the Housing Innovation Fund – seek other sources of finance, as they might not get any/all they want from the Fund.

Access to skills and experience

Community organisations need to ensure they have ready access to a good mix of skills and experience, spanning the social housing sector, the target groups they are working with, and business and financial skills. They need to operate the project like a business, with sound policies and processes in place, including for decision-making and problem resolution. They will be required to enter in to a formal contract with specific obligations and responsibilities that will be enforced/enforceable.

To this end also, trustees need to be well aware of their legal obligations and responsibilities as trustees.

Succession planning

For Housing New Zealand, there needs to be adequate systems and process in place to ensure that staff transitions are managed appropriately, and there is sufficient back-up knowledge of a project within Housing New Zealand to ensure that any staff transition is as seamless as possible.

This will also be an issue for community organisations that have a single person who is central to the project, being the key contact and champion for it.

Summary conclusions

Overall, this project has successfully contributed to the intended outcomes of the Housing Innovation Fund: local social housing solutions have been developed (or enhanced) for local social housing needs, with the increased provision of social housing to those in need. CORT has demonstrated that it is a sustainable organisation over the long term (now around 19 years), and that its approach is sustainable.

Little in the way of assistance was required to develop CORT's capacity and capabilities because of its history and experience. Access to funding under the Fund has meant that it has been able to purchase 28 additional one-bedroom units in the central Auckland area, to house people with mental health issues, with sufficient funding for almost two more units. Through the process, CORT has also learned more about the right types of properties to purchase to suit their target group's needs and the financial constraints of the loan facilities.

From Housing New Zealand's point of view, CORT was an ideal partner under the Housing Innovation Fund – it is a long-established, well-respected social housing provider targeting people with a mental health disability. It had a sizeable portfolio already, and was looking to expand further. It had a strong financial position, good systems and procedures in place, and skilled and experienced people in the role of the manager and the trustees.

Despite the fact that there was little discussion on the structuring of the financial package offered to CORT, and that this was substantially different from the structure CORT initially proposed, CORT is satisfied. It has been able to achieve its goal of purchasing 25-30 properties even though the financial shortfall each year is larger than anticipated. While it also has some concerns over the terms of the conditional grants, and any ability to transfer these to other properties if circumstances change, CORT feels confident in its ability to deal with this and manage any financial consequences if required in the future.

Also, while the set-up phases went a little slower than expected, CORT understood the reasons for these delays due to the scheme being new and the locus of decision-making being in Wellington. CORT considers that overall the process went relatively smoothly. It has also found that once the loan packages were approved in principle, and the process for drawing against these was put in place, the process had worked efficiently.

Ongoing participation in social housing

CORT's goal is to purchase another 10 properties to take its total portfolio up to 75 in total, and then it will stop. CORT has requested further support from the Fund to be able to do this. CORT considers that this number of properties is an appropriate maximum. More than this and the portfolio becomes too unworkable to be run as a church Trust, and becomes more like a business, which increases the risk of the Trust losing control (e.g., like other organisations getting out of rest homes, etc.) and the social aims of the Trust being lost.

Once it reaches the maximum number of properties in its portfolio, CORT's intention is to mentor/work with other Trusts in other areas of Auckland to provide support and assistance for them to develop as social housing providers. This is already starting to happen, with CORT being given a capacity development grant from the Fund to help it undertake this work. CORT should have huge credibility with these groups in view of its history and practical experience.

Acknowledgements:
We wish to acknowledge and thank the following people for their time and contribution to this case study:

- Robin Guy, Manager, Community of Refuge Trust
- Julie Sutherland, Partnerships Project Manager, Housing New Zealand Corporation

Case 7: Timaru District Council

Introduction

Timaru District Council (TDC or "the Council") submitted a proposal for funding from the Housing Innovation Fund ("the Fund") in September 2005 to build 24 new pensioner units on six sites that it owned, with the Council committing $500,000 to the project in each financial year, plus the value of the land. It also submitted a proposal to access funding for the refurbishment of existing housing stock following a condition assessment survey, with a programme of work over 2-3 financial years.

The first phase focuses on the proposal to build new units. This allows existing tenants to be housed temporarily while significant refurbishments of their own units are being undertaken. Phase one is the focus of this case study.

Housing New Zealand made its offer of funding for the construction of new units in May 2006. TDC received approval for funding to construct 23 new one-bedroom housing units (one less than the original proposal) on six sites in the Timaru district over two financial years. This housing provides for older people.

This case study report will highlight the key outcomes achieved, the issues and the key factors that contributed to these outcomes, and the approval and acceptance of loan funding for the project.

Summary of outcomes achieved

In terms of the intended initial/intermediate outcomes for the Local Government Housing Fund[12], this project has achieved the following.

- *Loans and grants are provided for acquisitions, modernisations and reconfigurations:*

  Housing New Zealand has/will contribute up to $1 million over two years, with TDC also committing $1 million to the project and providing the sites for development. TDC will construct 23 new one-bedroom units in the Timaru district.

- *Criteria and forms of assistance provided are effective in encouraging local government to enhance/retain social housing:*

  The availability of the Fund and the assistance provided has encouraged TDC to expand its portfolio of social housing faster than it otherwise would have. Without support from the Fund, the scale of the project would have been much smaller, if it had proceeded at all. With its policy goals of the housing portfolio being self-funding, and setting below-market rents for its low-income elderly tenants, TDC had little financial ability, and perhaps not the political will, to commit to a significant capital expenditure in additional housing without the support of the Fund.

[12] See *Housing Innovation Fund – Hierarchy of Outcomes* at Appendix One.

- *A range of creative and innovative approaches to the delivery of social housing solutions is implemented:*

  This project involves a relatively straight-forward approach to building 23 new one-bedroom housing units on sites owned by the TDC. One site involves the replacement of four obsolete units, for a net increase of 19 units in the Council's housing stock.

- *Collaborations between local authorities, community based organisations, private and central government sectors to provide social housing:*

  This collaboration is between TDC and Housing New Zealand only, with Housing New Zealand providing loan finance for the project. Although Housing New Zealand's Southern Region office thinks it possible that it and TDC may be able to work in partnership to encourage some of Housing New Zealand's elderly tenants in larger accommodation to move to smaller units, there is no current commitment to do so. Such a proposal may in any event be contrary to TDC's purpose in providing more housing for elderly people (rather than just re-housing Housing New Zealand tenants so larger households can be accommodated).

- *Local social housing needs are identified and met:*

  This project helps meet the social housing needs of low-income households whose specialised needs are not being met, in this instance elderly people. TDC has identified this as a target group based on population demographics and projections for its district, and from its experience with its own waiting lists.

- *Partnership Priority Framework is functioning effectively:*

  The Partnership Priority Framework initially did not function particularly effectively. There was a lack of clarity about the process to be followed and information required. This was rectified later in the process and a good relationship has developed between the Housing New Zealand Project Manager and TDC. Comments suggest that support "offered" by the Housing New Zealand Design Team was not so well received. TDC did not accept suggestions made to raise the designs to Housing New Zealand's own design standards. This may be a function of the way in which suggestions or advice was offered and TDC had existing plans that it was largely unwilling to change.

- *Financial assistance provided for new projects on terms that protect the Crown's investment:*

  The financial assistance approved for this project is a 20-year, interest-free loan. The terms of the loan provide that it is only re-payable (together with interest) if TDC either abandons or does not complete the project, or decides to withdraw or significantly alter its investment in joint-funded social housing during the term of the loan. If the Council intends at any time to sell the land or units constructed with this funding or any replacement project approved by Housing New Zealand, then it will first offer to sell such land or units to Housing New Zealand or to a social housing provider approved by Housing New Zealand, at market value. This protects the Crown's investment in this social housing project for the term of the loan, and if TDC does decide to sell the units there is an opportunity to ensure they are retained as social housing (although Housing New Zealand may have to pay the market value, in addition to the investment it has made in financing half the construction cost of the project).

- *Collaborative models for management and ownership of social housing protect the Crown's historical investment in social housing stocks*

  (Not applicable to this project.)

Background

Description of the organisation

Timaru District Council has been providing social housing for over 50 years and, at the commencement of this project, had a housing portfolio of 213 properties located in Timaru, Temuka, Geraldine and Pleasant Point.

TDC is a medium sized council and employs approximately 120 staff members. The responsibility for the operational management of the housing portfolio rests with the Property/Administration Manager, who reports within the Corporate Services Group. The Council would be project managing the construction phase in house.

In conjunction with the development of its initial proposal, the Council conducted a comprehensive condition assessment survey of its portfolio of housing stock. This informed the development of an Asset Management Plan, which identified a modernisation programme of catch-up repairs and improvements that were required in order to meet the Council's strategic objectives for its housing stock. These include upgrading heating and insulation, improving accessibility and addressing design issues that impinge on the health and safety of its tenants. Council intends to progressively implement this modernisation programme over the next few years. It may look at applying for future funding from the Housing Innovation Fund to assist with this.

This project increases the provision of affordable housing to low income pensioners. The project proposed building up to 24 new units, based on a design of recently built units owned by Council. The sites are owned by the Council and are in a variety of locations around the District (Timaru, Temuka, Geraldine and Washdyke). The units in Washdyke would be the first Council housing in this location, and are designed to meet what is seen as an increasing demand for social housing in this area.

The Council opted for 24 units as this was the number of suitable sites. The sites are in residentially-zoned areas, have a level contour, are fully serviced for water and power, and are within easy distance of public transport and shops. The sites can also be developed with north-facing units for the best sun aspect, and are large enough for at least three units with drive-on access, and scope for tenant privacy, while having social contact and support available if required. Other available sites would have cost more money to develop or weren’t in the areas with the right sorts of support services. The number of units was ultimately approved in the offer of funding was 23.

The development in Geraldine involves demolishing a block of four obsolete bed-sits and constructing four one bedroom units. The completed project will result in a net increase to the Council housing stock of 19 units.

The proposed project to develop new build pensioner units is included in the 2006-2016 Long-Term Council Community Plan, and is included in the 2005/06 Annual Plan. The Council approved the approach to Housing New Zealand and the Fund, and the acceptance of a loan, and signing authority was delegated to the Corporate Services Manager. The Council also designated a $1 million contribution ($500,000 in 2005/06 and $500,000 in 2006/07) to the project, to match Housing New Zealand's 50 percent contribution to the capital cost of the project.

Rationale for project and identification of needs

TDC's social housing units are fully tenanted on virtually a permanent basis, and the Council had a waiting list that was consistently around 25-40 applicants. An increasing demand for affordable older person's housing in the Timaru District was also supported by a number of statistical sources. Timaru has a higher than average proportion of its population over the age of 65 (17.6 percent compared with 12.1 percent for New Zealand as a whole in the 2001 Census), and the proportions are projected to grow. Also, the median income in the Timaru District ($15,700 per annum) is lower than the New Zealand average ($18,500).

Housing New Zealand's Southern Region confirmed its support for the project and advised that there was a steady demand for housing for the elderly in this district. It was thought possible that the Housing New Zealand Region and TDC may be able to work in partnership to encourage some of Housing New Zealand's elderly tenants in larger accommodation to move to smaller units. Housing New Zealand has a shortage of one-bedroom properties in the district.

As noted above, TDC has also identified a need to modernise a number of its existing housing stock, and its initial proposal to the Fund identified this as a second project. However, it elected to pursue the "new build" project first, so Housing New Zealand could see TDC get the project underway, and have confidence in what TDC is doing/can do (a reasonable expectation). Also, the funding requested for the new build project was less than for the modernisation project, so TDC considered it had a greater chance of success in getting the project approved. The modernisation project is therefore "on the back-burner" at present, although if Government continues with the Fund, TDC will keep applying to it.

Returns expected from rentals

Rents are set at below market levels for tenants, and vary depending on the age and amenity of the unit. The rents charged are intended to ensure the Council's housing portfolio activity is fully self-funding. The condition assessment survey, however, revealed the units were in various states of repair, and that maintenance had been reactive and remedial in nature. Older units in particular also required capital expenditure to upgrade amenities and some structural issues, such as roof replacements.

Rents for Timaru's housing units had not been increased since the 1997/98 financial year. However, with operating expenditure projected to increase in the 2004/05 year due to greater maintenance and fixed costs (insurance, rates, etc.), and the increasing need for capital expenditure, rents were increased by $10 per week. This brought the income received closer to the goal of being self-funding. The Council also reiterated a policy of reviewing rentals annually in the future, based on the CPI movement and two-yearly condition assessment surveys. Despite this increase in rent, there would still be limited ability for the Council to address all the deferred maintenance and capital items identified in its condition assessment survey.

After this increase was applied, rents for a single person were around $49 per week for an older style unit (built pre-1980) and around $61 for a newer unit; rents for a couple ranged from $68 to $90. This compared with a median market rental of $97 and $135 for one and two bedroom flats respectively.

Rents for the new housing units were (at the time of the proposal) likely to be set at $70 per week for a single tenant, and $90 per week for a couple. Housing New Zealand’s financial assessment using these levels indicated the units would generate a positive cashflow for the Council.

Long term vision

TDC’s commitment to social housing is outlined in its Long Term Council Community Plan, and its housing assets are considered to be Strategic Assets in that plan. The Council has adopted a set of community outcomes for the Timaru District that include social objectives to provide and develop a quality infrastructure that meets community needs, and vibrant, safe and caring communities. TDC recognises that social housing activity contributes to these community outcomes in the following ways:

- Quality infrastructure that meets community needs – Social housing fills a need for affordable, adequate quality housing units in the Timaru district.
- Vibrant, safe and caring communities – Provision of social housing reflects a society that cares for those in need.

Funding package negotiated with Housing New Zealand

The TDC proposal was approved by Housing New Zealand, and an original letter of offer was sent in April 2006. Following some clarification of the terms of the loan offer, a revised offer was sent in May 2006. This provided a term loan facility of $1 million for TDC to construct 23 new one-bedroom pensioner housing units (the “entire project”) on six sites (each treated as a separate “development”) in and around Timaru over a period of two years. Particular conditions of the loan facilities offered include:

- Housing New Zealand's contribution was not to exceed 50 percent of the fixed price construction contract for each development up to the total approved limit of $1,000,000 for the entire project.
- The Council is liable to meet any shortfall of costs if the funding from Housing New Zealand has been expended prior to the completion of the entire project.
- The term of the loan is 20 years, and is interest-free for all of that period subject to certain repayment conditions (below).
- The loan will be repayable, together with interest calculated at an interest rate reasonably determined by Housing New Zealand, if at any time during the term of the loan the Council either abandons the housing project or elects not to complete it and does not re-apply the funds for another social housing project approved by Housing New Zealand; or the Council decides to withdraw from or significantly alter its investment in joint funded social housing.
- If the Council intends at any time to sell the land or units constructed with this funding or any replacement project approved by Housing New Zealand (whether before or after 20 years from the date on which the loan is drawn down), then the Council will first offer to sell such land or units to Housing New Zealand or to a social housing provider approved by Housing New Zealand, at market value.

The following section identifies and discusses the few key issues that arose during the project.

Key issues

Housing New Zealand processes

While TDC felt that initial discussions about its project were promising, these seemed to be at a high level and lacked detail. TDC couldn't get a clear steer from Housing New Zealand about what information was required to support its application, or the process that was/would be followed. TDC had expected that the process and specifics of information required would be more settled, and that as long as they provided the information required to Housing New Zealand, they would be able to access funding from the Fund as they believed they had a good robust case.

A change in Housing New Zealand personnel led to a change in approach – there was greater clarity about what information was required. TDC and Housing New Zealand got down to the "nuts and bolts" of the proposal, and things began to move more quickly. The Housing New Zealand project manager was asking the right sorts of questions for Housing New Zealand to approve the loan. Once TDC knew what was required, it was just a matter of putting the package of information together – there was some going back and forwards over the detail and in fine-tuning the information, but nothing untoward.

The Housing New Zealand Project Manager felt that TDC wasn't perhaps ready for the bureaucracy that was going to come, and acknowledged it probably wasn't talked through the process of what would happen at the start to help them understand what was required. This gave the impression it was all straightforward and wouldn't take too long:

> *"They probably thought it was just 'give us the money', and didn't fully realise the process to be gone through and the information that was required to be provided."*

On the other hand, Housing New Zealand considered the process went quite quickly compared with other projects, and there was nothing significant about the delays – these were part of the process. The Project Manager also noted that it is difficult to give guidance about likely timeframes as projects are all so different, with different levels of resources committed by councils, and different capacities and capabilities; and that different project managers work through the process in different ways, with there being no set guidelines on how to apply the process.

Other factors that may have contributed to any delays that were experienced included:

- A number of loose ends having to be tied up when the project was handed over between Housing New Zealand project managers, such as preliminary design review work by the Housing New Zealand Design Team, and legal work on the eligibility of TDC to borrow/build on the land identified.
- Information required from TDC that was missing, including valuations and quantity survey costs.
- Unavoidable factors such as the weather preventing scheduled meetings going ahead.
- The Housing New Zealand Board only meeting once a month, and having to fit around this scheduling.
- Concerns over some of the terms of the loan agreement raised by the TDC legal adviser relatively late in the process, which took some time to work through (see further discussion below).

Managing relationships

The Housing New Zealand Project Manager and TDC Property Manager have built up a good relationship. Soon after the Housing New Zealand Project Manager took over the project, the parties had a frank discussion about how the Housing New Zealand Project Manager was going to run the project. Clear guidance was provided about what was required. Both were relatively recent appointments to their respective organisations and were keen to make the project a success.

The two parties kept in fairly frequent phone and email contact, and kept each other informed of the progress of the project to plan. From TDC's view, it felt this helped demonstrate TDC is "on the ball", which will enhance Housing New Zealand's confidence in TDC as a social housing provider. This should stand TDC in good stead for any future applications/projects under the Fund, with Housing New Zealand. The Housing New Zealand Project Manager also considered it important to be as free and frank as possible, with "no surprises".

The relationship was enhanced through the Housing New Zealand Project Manager and a Community Design Team member visiting Timaru to see the sites and the units that had been built to the plans/design proposed, and to "kick the dirt". TDC considered this was very helpful and a pivotal part of the process, as Housing New Zealand could see TDC already had a reasonably modern housing design as a model (which TDC believed took a lot of time associated with the design review out of the process). It allowed the Housing New Zealand staff to have an informed opinion/view about the proposal when making recommendations and if they have to respond to questions at Housing New Zealand.

Organisation's capability and readiness

The TDC Property Manager became aware of the Fund in a previous role, and had only joined TDC in November 2004. Shortly after this, the Property Manager became aware that there were sites available that TDC could develop, there was a waiting list for existing TDC housing, and that new housing would reduce the waiting list, cut waiting times and provide options for tenants to live in more modern housing/facilities.

The Property Manager's own manager had also acted proactively, identifying that as a new person was joining TDC in this role, it would be good to ask the Council whether it was interested in pursuing a loan/project with Housing New Zealand. Council reaffirmed its policy/commitment to retaining its interest in social housing and that it was interested in accessing the Fund. In February 2005, a paper setting out indicative project costs and scope was prepared for the Council, seeking to create a budget approval and financial commitment for $1 million spread over two years; this approval was given.

The Property Manager then began analysing the possibilities for a project with Housing New Zealand and the Fund, initiating the condition assessment survey, and developing a proposal for accessing the Fund.

Very little assistance or support was required from Housing New Zealand by TDC. The Council had good experience in managing its social housing portfolio, and good internal capacity to support and manage the project. The Property Manager had a solid background in property management and development projects, and had developed good networks to get costing information, etc.

Terms of Loan Agreement

At the point Housing New Zealand made its initial offer of loan facilities to TDC, a number of issues were raised about the terms of the loan agreement by the Council's lawyer, although in TDC's view these were some minor legal issues requiring clarification.

However, it seemed to Housing New Zealand that the TDC lawyer appeared to come into the agreement "cold", without any background or knowledge of what the project (and the Fund) was about Housing New Zealand had sent a copy of the loan agreement to TDC earlier in the process. The lawyer seemed overly aggressive and obstructive. Also, despite a letter from TDC outlining two areas of concern with the agreement, other issues were also raised, which also helped to drag the process out.

The main concern was about how the loan was to be distributed over the properties being developed. Housing New Zealand wanted to ensure it paid 50 percent of each unit, while TDC's lawyer wanted TDC to decide how to allocate the funding. This created some tension, as the risk for Housing New Zealand was that TDC might have used all the loan up on just a few developments, when from Housing New Zealand's perspective the money was being given to support the development of the whole project. Ultimately, each site being developed was treated as a mini-project, which in Housing New Zealand's view was not markedly different from the original proposal. However, this required a number of conversations with the lawyer until she was happy.

The issue this raises is the need to try to ensure all of the relevant key parties are engaged in the process at appropriately early stages to iron out any misunderstandings or concerns in a timely enough fashion. This will ensure parties have a full understanding of the purpose of the project and the intent of the Fund, so as not to unduly delay the finalisation of the process.

Design review

TDC had submitted its proposal for the project based on a design of recently built units owned by Council, and felt that the acceptance of the design by Housing New Zealand subject to "one small change" was a vote of confidence in it. Behind the scenes there was more debate about the design not really meeting Housing New Zealand's design standards.

Housing New Zealand's Design Team proposed a number of changes that weren't accepted by TDC, who was keen to use the design again. There was some to-and-fro between Housing New Zealand and TDC to "try and get them right", but the Housing New Zealand Project Manager eventually had to over-rule Design Team on a couple of issues. Resolution of these issues was also assisted by a representative from the Design Team visiting Timaru and inspecting the site, the environmental context and the units that had been previously built with the plans.

The Project Manager's view was that, at the end of the day, it is TDC's project/units, and Housing New Zealand's role is to give advice/input regarding best practice, but can't insist on them being adopted (if there is no fundamental flaw in the designs). There are many things to consider in terms of the project, and design is just one of those things. This also reflects a difference in views about the role of Housing New Zealand in the relationship – whether it is "advisory only" or there is the ability to "compel" partners to adopt advice given, particularly with loans for local authorities in which it is a 50/50 funding partnership. Housing New Zealand's ability to insist on a particular standard may be greater for, say, a refurbishment project in which it is putting up the majority of the funding. It was also noted by the Housing New Zealand Project Manager that:

> *"Housing New Zealand has got lots of experience in design and build projects, but the way it shares that as advice sometimes rubs people up the wrong way – it's all about how you communicate."*

Success factors

There have been a number of key factors that have contributed to the success of this project (the approval of funding under the scheme).

Face-to-face meetings and site visits

TDC viewed the visits made by the Project Managers and the Housing New Zealand Design Team member to Timaru to see the sites and the units that had been built to the proposed plans/design as very helpful and a pivotal part of the process. This allowed them to have an informed opinion/view about the proposal in their recommendations, and if they had to respond to questions at Housing New Zealand.

Supportive council

Having a supportive Council was a key factor. Prior to the initial proposal, Council had re-affirmed its commitment to social housing, and pre-approved its level of financial contribution, which indicated its commitment to Housing New Zealand from the outset.

Effective communications

Good communications were maintained between the TDC's Property Manager and the Housing New Zealand Project Manager – they kept in touch frequently, provided regular progress reports/updates to each other, and adopted a "no surprises" approach to their communications.

Skills and experience of key personnel

The TDC Property Manager's background and experience allowed him to have a pretty clear idea and anticipate what information was likely to be required to support an application for funding. This enabled the information package to be developed and key processes (such as the condition assessment survey, and development of the asset management plan, etc) to be completed in time to support the application. TDC aimed to make the Housing New Zealand decision (and decision process) as easy as it could. It was also beneficial that TDC had a dedicated resource for the project, and had the time to put into it.

The skill and experience of the Housing New Zealand Project Manager, in terms of being clear about the process (when that happened) and in asking the "right questions", also gave TDC confidence in Housing New Zealand's process and understanding of the project.

Communication of process to be followed

The project's success was more assured once Housing New Zealand was able to communicate to TDC what the process was, what information was required, and set out some fairly clear timeframes (there were none before).

Other

From TDC's view, having a reasonably modern design (that works) available, and being able to demonstrate housing that had been built with that design also helped shorten the process. Housing New Zealand is less likely to see this as a success factor as it became apparent that TDC was keen to retain the design and it did not fully meet Housing New Zealand's own design standards.

Lessons learned

The following lessons may be drawn from this experience and the issues that arose.

Early clarification of Fund processes and expectations

Housing New Zealand needs to make it clear to any applicant early in the process what the process is for developing the proposal, what information it requires (and on which decisions are going to be based) and the likely timeframes. Providing a checklist of the information required early in the process will help the other parties identify and rectify any information gaps themselves, and get all the necessary information ready. Clarification of likely timeframes and that the process of information gathering and confirmation will be an iterative one will also help manage customer expectations.

More guidance from Housing New Zealand on how it expects Project Managers to work with and apply the process of developing proposals may be useful, especially in terms what information is communicated about the process, and the sharing of essential documents (such as the terms of the loan agreement), as different Project Managers have tended to work in different ways. The process is currently (August 2006) being reviewed, but *how* the process is applied is as important as the process itself.

Ensure elected Council is committed and supportive

It's up to councils to decide for themselves whether they are in the game of providing social housing or not, but elected members need robust information about the demographic trends and needs of their local district. Seeking an early commitment to or reaffirmation of the Council's role in social housing, and that the Council agrees (at least in principle) to working in partnership with Housing New Zealand, will give both parties the confidence to proceed with the development of the proposal.

Preparation for the project

Applicants need to have done adequate preparation for the project, to allow it to proceed as smoothly as possible. They need to think about the process from both sides – Housing New Zealand's and the council's, and get all the relevant plans, policies and procedures together. They need to be clear about what they want to do and why, and the proposed project needs to be realistic and achievable.

Applicants need to demonstrate to Housing New Zealand that they have done the thinking behind their proposal, especially as there are more applicants than money available. They also have to show that they have assessed the demand and need for social housing using hard statistics and good information, and the approach is not just a play for "free money" from the Government.

All of this needs to be robust enough for Housing New Zealand to have confidence an applicant knows what it is doing. From the applicant's viewpoint, it needs to provide all the (up-to-date) information required in order to make the decision-making process as easy as possible.

Identify and engage key personnel in the project

The key people that need to be involved in the decision-making processes relating to the project need to be identified and engaged in the project at an early point so there is a common or shared understanding of the purpose of the project and the intent of the Fund. This will include such roles as a Council's legal advisers and key managers and councillors.

Different councils will have different levels of involvement, and different agendas – for example, there may be councillors involved, officers only, or both. The Housing New Zealand Project Manager (and the Council representative/s) needs to find out up-front how a particular Council operates, and get the delegations/understanding of these sorted out early in the process. The Project Manager/ Council representative also need to understand the local politics. Key influencers among councillors need to be identified. Appropriate information about the project needs to be provided to avoid surprises when a completed proposal is presented.

The Housing New Zealand Design Team should also be involved at an early point in the process, visiting proposed sites, and viewing examples of the proposed types of housing (if available). Potential "show-stoppers" from a design perspective – those features that must be in a design – need to be identified early. Advice needs to be presented in a way that is most effective and likely to be adopted, maintaining the spirit of partnership Housing New Zealand is aiming to achieve.

Summary conclusions

Access to funding under the Fund has meant that TDC has been able to construct 23 new one-bedroom units in the Timaru district, to provide additional affordable, quality housing for elderly people.

In terms of the long term outcomes intended for the Fund, TDC has/will acquire 19 additional social housing units (four of the units are replacing obsolete stock), the project is financially sustainable and the Crown's investment in this TDC-owned social housing is protected. Another positive outcome is that the Council will provide social housing for elderly people in a township that did not previously have housing available, allowing these people to continue living in their community with friends and family.

If TDC had not received the level of funding that it did from Housing New Zealand, it could not have built as many units as it did. It may not have committed as much funding as it did ($1 million). There was also the risk it would not have invested in any more units – there are many other projects for which TDC wants to use funds.

The Council (officers, elected members and the Mayor) is very pleased with the outcome. TDC is "rapt" that it is doing this project, although recognising the hard work of putting the units on the ground is yet to come.

From Housing New Zealand's point of view, TDC had put in a good proposal with a lot of thought behind it and the reasons for what it wanted to do. It had a fairly robust case with the demand and need for additional social housing in the district.

Apart from some relatively minor hiccups, the development of the project proposal and its approval proceeded reasonably smoothly from both parties' perspectives. This was due in part to the good preparatory work by the Council, and a good understanding of what the process of getting to approval might involve (even if this wasn't particularly clear at the outset). Overall the project has successfully achieved the intended outcomes of the Housing Innovation Fund for local government.

Acknowledgements:
We wish to acknowledge and thank the following people for their time and contribution to this case study:

- Matt Ambler, Property/Administration Manager, Timaru District Council
- Marija Bakulich, Local Government Partnerships Project Manager, Housing New Zealand Corporation

Case 8: Nelson-Tasman Housing Trust

Introduction

The Nelson-Tasman Housing Trust (NTHT) was incorporated in July 2004. It received development grants to develop its business plan (August 2004) and policies and procedures (January 2005), and a feasibility grant to develop its project in April 2005.

The project proposal was prepared in two stages. The first stage was for funding from the Housing Innovation Fund ("the Fund") to purchase four two-bedroom units designed and built by a developer/builder specifically for the Trust. The second stage was for funding for the purchase of a further two houses. Housing New Zealand approved the initial proposal in August 2005, and the second proposal in December 2005.

This case study report will highlight the key outcomes achieved, the issues and the key factors that contributed to these outcomes, and the approval and acceptance of loan funding for the project.

Summary of outcomes achieved

Access to funding under the Fund has meant that NTHT has been able to purchase four two-bedroom units that were designed and specifically built for the Trust, and two three-bedroom houses on the open market. This fulfils the Trust's intention to provide affordable housing for low to moderate income households in need in the Nelson area.

The total funding available for this project was just over $1.24 million, with NTHT contributing a further $220,000 (approximate). The project was split into two stages. Housing New Zealand has contributed around 68 percent of the total cost by way of two 25-year loans, with the first 10 years of each being interest-free. Another 15 percent was provided through two conditional grants that are only re-payable if the Trust ceases to use the properties for social housing purposes within the term of the loans. A suspensory loan was also provided for the second stage, equating to around 2.4 percent of the total cost of the project. The suspensory loan is written off over 10 years and is only re-payable if the Trust ceases to use the properties for social housing purposes within the term of the loan. NTHT has contributed 15 percent of the purchase price of properties it acquired.

In terms of the intended initial outcomes for the Fund[13], this project has achieved the following.

- *Sustainable community housing providers:*

  NTHT is a new Trust established for the purpose of accessing money from the Fund to develop as a social housing provider in the Nelson Tasman area. The Trust has developed its plans, policies and procedures, and has acquired a portfolio of properties that enables it to become a sustainable community-based provider of social housing.

- *Range of social housing models and creative approaches to completed projects:*

  This project involved the purchase of four purpose-built units for the Trust, plus the on-market purchase of two further houses for use as social housing. The project was split into

[13] See *Housing Innovation Fund – Hierarchy of Outcomes* at Appendix One.

two phases when timeframes for getting Housing New Zealand Board approval for the complete project were at risk of not being met due to the sale and purchase agreement between the developer/builder and NTHT going unconditional. Board approval was sought for the second phase of the project, noting that it took the total financial exposure of Housing New Zealand above the delegation threshold ($1 million) for requiring the Board's approval.

- *Non-government investment is attracted:*

  Non-government investment has been attracted in terms of the 15 percent contribution of the Trust. The source of this was a grant by the Canterbury Community Trust.

- *Project meets social housing needs of intended target groups:*

  The project helps meet the social housing needs of low to moderate income households in the Nelson area. These needs have been identified through a number of sources, and the Nelson region is recognised within the New Zealand Housing Strategy as being an area that has suffered a rapid deterioration in housing affordability.

- *Project sustainable without ongoing Housing New Zealand support:*

  The NTHT has received a further one-off Capacity Building Grant from the Fund to enable it to establish an office and cover resources and overhead costs including staffing, to assist it to remain a social housing provider and extend its role in the future. This grant recognises that the Trust's current income stream would not sustain the establishment and operational costs for the next year, but does not guarantee any further funding from the Fund or Housing New Zealand. Otherwise, financial modelling by Housing New Zealand shows the project is self-funding without an ongoing operating subsidy provided by Housing New Zealand.

- *Effective relationships with community housing partners:*

  The relationships between Housing New Zealand and NTHT are considered to be good at a personal level and quite collaborative, despite some concerns about the remoteness of key project staff. An over-emphasis on the compliance process also led to feelings there was a lack of trust from Housing New Zealand in the competence/experience of the Trust members. (Despite this, and because the Trust had no assets beyond the grant it received or financial history, key factors in Housing New Zealand approving the loan facilities included it considering NTHT's high management capability and that it had an experienced and skilled Board of trustees.) There were also concerns over the way in which the Housing New Zealand Community Design Team attempted to modify the Trust's project design. The NTHT considers greater involvement of, and closer relationships with, Housing New Zealand neighbourhood unit staff would have been beneficial.

- *A range of effective mechanisms for delivering assistance, with flexibility to meet community housing needs:*

  The mechanisms for delivering assistance to this project included conditional grants, 25-year term loans and a suspensory loan. The project was approved in two stages, in order to meet timeframes for settling a sale and purchase agreement for the design and build units. Funding for the second-stage on-market purchase of two houses was extended as a flexible line of credit to enable the Trust to respond to opportunities in the fast-moving Nelson property market.

- *Mechanisms satisfy Housing New Zealand and government's requirements for accountability:*

The mechanisms for organisational, financial and risk management, asset management, and tenant and client services have been reviewed thoroughly by Housing New Zealand, which together with the terms of the loan agreement, have satisfied Housing New Zealand that they meet its requirements for accountability.

- *Criteria and forms of assistance encourage community housing providers to engage in social housing projects:*

  The availability of the Fund and the assistance provided encouraged a network of concerned community groups and government agencies (the Housing Solutions Group) to establish the NTHT to provide affordable social housing to those households in need. Without support from the Fund, this project is unlikely to have proceeded at all.

- *Partnership Priority Framework functioning effectively:*

  As with other early projects under the Fund, the Partnership Priority Framework was a new and relatively untried process. From NTHT's perspective:

  - there were delays in the process
  - it did not appear well-thought out
  - the Project Manager was over-loaded with two full roles (which was compounded by this role being based in Christchurch)
  - Housing New Zealand appeared extremely risk averse.

  Although NTHT expected some teething problems, it had also expected Housing New Zealand's processes to be more settled and established than they were. NTHT was unprepared for the extent of bureaucracy and compliance it experienced, which seemed excessive for the relatively small scale of the project. Particular concerns included the appearance of a lack of trust that the compliance process gave. NTHT may also not have appreciated that Housing New Zealand anticipated NTHT fulfilling a long-term role and undergoing substantial growth as a social housing provider. A further concern was the way in which advice by the Community Design Team was provided (see comment above).

- *Housing New Zealand support roles functioning effectively:*

  Although personal relationships were good despite the remoteness and (initially) workload issues, the NTHT did not feel well supported by the process it had to work through. See also concerns regarding the "support" provided by Community Design Team.

- *Capacity building grants to providers are effective:*

  The NTHT received two capacity development grants to develop a business plan and then the policies and procedures identified in that plan. It also received a feasibility grant to investigate project options. The capacity development grants were effective in that the Trust now has a sound three-year business plan, and a comprehensive set of policies and procedures. It was less satisfied about the process of having to get three quotes and select the cheapest of these, when selecting contractors for these tasks. The feasibility grant enabled the NTHT to identify project development costs, issues and options for its project.

- *Peak Body (CHAI) functioning effectively:*

  The Trust joined CHAI in the hope that it would get support to build its capacity/expertise. However, CHAI was not able to provide this support, and NTHT is no longer a member.

Background

Description of the organisation

The formation of the Nelson-Tasman Housing Trust was the result of a community-led response to problems associated with a rapid deterioration in the affordability of housing in the Nelson and Tasman areas. These issues were identified through research conducted by the Community and Whanau Network (comprising 140 voluntary and community organisations), and reported in the *Social Wellbeing Priorities Report for Nelson City* (November 2002).

Arising from the recommendations in this report, the Housing Solutions Group (HSG) was formed in 2003. The HSG was facilitated by Nelson City Council (NCC) and consisted of representatives from NCC, Work & Income NZ, Volunteer Nelson, Salvation Army, Community & Whanau Network, Health Action and the District Health Board. The NCC also established the Community Housing Forum which consisted of over 20 community and government agencies and the private housing sector, to monitor home affordability and explore strategic solutions to housing issues.

The HSG's brief was to identify housing needs and explore community based housing options. On learning of the Housing Innovation Fund that had been announced in the May 2003 budget, the HSG got in touch with Housing New Zealand to discuss the possibilities of accessing the Fund. The HSG recognised it would need to form an institution to access funding, and decided a charitable trust would be the best option. This was endorsed by the Community Housing Forum, the HSG developed a Trust Deed and the NTHT was incorporated in July 2004, with the purpose of the Trust defined in its Deed as being:

> "*To provide a third sector housing organisation for the Nelson Tasman region which will benefit the community by meeting the accommodation needs of households unable to find suitable rented housing in the private sector*".

An initial board of four trustees was confirmed in September 2004, with this expanding to its full complement of seven trustees currently. The Board is supported by members of the HSG acting as an advisory and reference team.

The NTHT was successful in obtaining a substantial capital funding grant of $220,000 from the Canterbury Community Trust for the provision of social housing. This grant was not required to be re-paid as long as it was utilised for the purpose for which it was granted.

In addition to its role in developing this project, the NTHT has also been a key driver in the Healthier Homes programme, which aims to make homes warmer, drier, and healthier by retro-fitting of ceiling and underfloor insulation, draught-proofing, cylinder and pipe wrapping and providing information/education about energy use. This programme is an inter-sectoral agency project, funded by the Nelson Marlborough District Health Board, Energy Efficiency Conservation Authority, Methodist Social Action, Contact Energy and Network Tasman.

The work of the Trust also dovetails nicely with the Victory Urban Village Project, of which the Chair of the NTHT is also the project leader. This project is a community development initiative funded by the Ministry of Social Development and supported by Nelson City Council as its sponsor. It works to improve the quality of life for Victory residents through improving access to health and social services; improving the quality of homes through the provision of an 'insulation package' to low income households; developing a community plan with input from residents about other ideas that will support them; and helping the community develop a voice with local government, to articulate its needs for support and resources.

These projects have helped raise the profile of the NTHT and its goals and objectives, which in turn reinforces the support the Trust has from its community.

Organisation development

The HSG approached Housing New Zealand with an application for a grant to assist in producing a business plan for the new Trust, prior to the Trust being incorporated, and NCC facilitated a process to appoint a contractor to develop this. After the Trust was incorporated it entered into a contract to develop the plan, and received a development grant of $14,850 from the Fund for this purpose in August 2004.

The resulting Business Plan outlined a strategic framework that identified seven key goals in the plan period (2005-2007). The high priority goals were establishing an organisational structure and a housing portfolio for the Trust, and strategies to develop essential governance, management and resource frameworks, and a housing portfolio. Medium priority goals on an ongoing basis are effective engagement with stakeholders, leading a pro-active local network of community-based providers and providing other housing-related services.

Following the completion of the Business Plan, NTHT applied for and in January 2005 received a further development grant from the Fund ($14,850) to enable it to develop the policies and procedures that had been identified as necessary in the Business Plan, and which would enable the Trust to develop as a viable, sustainable community based social housing provider. These included the governance and financial policies, operational and management procedures and housing policies and procedures for the Trust, with the work being completed in March 2005.

Development of the project

In April 2005 NTHT undertook a feasibility study with the assistance of a feasibility grant from the Fund ($15,000), to identify project development costs, issues and options for its initial project concept of building four new houses and the on-market purchase of a further four properties.

The Housing New Zealand Project Manager introduced the Trust to a local developer/builder who had previously worked with the Project Manager to build housing for Housing New Zealand for people with disabilities, and who had an interest in social housing. Discussions with the developer/builder about different options helped the Trust focus on what it could do.

As a result of the feasibility study (which considered costs of different options), discussions with the developer/builder and the funding it had available for its 15 percent contribution to the project, the Trust firmed up its project as being to purchase six properties rather than the eight it had initially contemplated. During this time, the developer/builder identified that he had found a property and was going to build on it, and suggested that he draw up plans for NTHT to consider.

The feasibility study considered other options such as seeking architectural designs and developing the project itself, but in the end the Trust opted for the developer/builder's design and build option, as the developer/builder was very helpful, provided a fixed price (which he kept to, and delivered on time), had a "social conscience", and had built good quality homes. The NTHT was able to make decisions around adding features to the homes to make them energy efficient. All homes would have double glazing, heat pumps, and solar hot-water – which also appealed to the developer/builder. The Trust wanted to keep energy costs down for tenants, make them more sustainable, and also provide a model for the future, as these are goals for the NTHT, which is also involved in the Healthier Homes scheme. The Trust wanted to provide a quality benchmark standard of home for the social housing sector – one that the trustees would be prepared to live in themselves.

The Trust entered into a Sale and Purchase Agreement with the developer/builder to purchase the purpose-built units on a site in the Victory area, which was conditional upon approval of both funding and design from Housing New Zealand.

Initially the project was put forward to Housing New Zealand as a proposal for lending for all six properties, which meant it would have had to go to the Board for approval (being over $1 million). However, with the NTHT going unconditional on the building contract it had entered into with the developer, the timeframes for getting the Board's approval became too tight, and in discussion with the Housing New Zealand Project Manager it was decided to split the project into two phases. The first stage involved lending for the first four units being built by the developer/builder and sold to the NTHT. The second stage was the proposal for lending to purchase two further properties. This meant the first stage didn't have to go to the Board for approval, and that the process was a lot faster. Board approval was, however, sought for the second stage of the project, on the basis that it took the total financial exposure of Housing New Zealand with the overall project above the delegation threshold ($1 million) for requiring the Board's approval.

Rationale for project and identification of needs

The project seeks to deliver social housing to low to moderate income households in the Nelson Tasman area, whose housing needs are not being met.

The need for additional social housing in the region was identified in the *Social Well-Being Priorities Report for Nelson City* of 2002. It was also demonstrated through the waiting lists for Housing New Zealand, Nelson City Council and Tasman District Council housing. It was also recognised in the New Zealand Housing Strategy, which noted the deterioration in the affordability of housing in the region:

> *"The Nelson region saw house prices grow rapidly between September 2001 and July 2004, with data from the Real Estate Institute of New Zealand showing increases of 72 percent in Nelson City, 78 percent in Nelson country, 117 percent in Motueka and 164 percent in Takaka. Compounding that growth is a number of other factors like the increasing popularity of the region as a holiday destination, and the willingness of people to pay a premium over local rent in the holiday season. This makes it difficult for local residents to secure appropriate permanent residential housing."*

The NTHT Business Plan also analysed the housing need in Nelson and identified a number of specific groups with housing needs not well catered for by the existing housing market. These included: single women and sole parent families; young families; homeless single men; the elderly on low incomes; key workers; and first time house-buyers.

The addition of affordable social housing in Nelson would complement the approximately 1,000 dwellings provided by Housing New Zealand, the Nelson City Council and Tasman District Council, as well as those smaller providers for specific client groups.

The Trust's policy was not to restrict its long-term secure and affordable tenancies to any particular group defined by age, gender or ethnicity, but to offer assistance based on an assessment of housing need. The following general criteria were to be used:

- the financial ability of the household to access suitable housing
- the adequacy of existing housing to meet the households needs
- the ability of the household to sustain a tenancy without support
- the special needs of the household.

A concern of the NTHT, however, is the scale of the project it was able to deliver. The scale is affected by its ability to raise the 15 percent community contributions, requirements to repay loans and absorb market interest rates after 10 years of the loan, and the amount of funding available under the scheme. For the Trust to have any significant impact on the housing market in terms of providing an alternative to the private sector and to justify the level of compliance required of it, it considers the project needed to be far bigger. The provision of four or six extra properties, while good, has had a negligible impact on demand and under-utilises the skills of the Trust.

Rent-setting policies

The Trust's rent-setting policy is to set rent for its units at a maximum of 75 percent of market rents, to ensure there is no undue financial hardship and to allow a sustainable tenancy to be maintained by the household in the medium to long term.

Financial modelling by Housing New Zealand showed that the project is self-funding and sustainable at the proposed rental levels, without further support or subsidy provided by Housing New Zealand.

Long term vision

The Trust's mission is "*to provide, promote, enable and advocate for sustainable, community-based housing to meet housing need in the Nelson Tasman region*". It has identified that there is potentially a significant role for the Trust to play in meeting local housing needs.

The Trust's strategic vision is to develop a property management portfolio of housing to meet local housing needs of all groups in the Nelson Tasman community, and help overcome problems of access to and affordability of housing. The core business of the Trust will primarily be as a community-based social housing provider. It will contribute to social-wellbeing in the community. I will also contribute to policy development through advocacy on social housing issues, and supports seven organisations that provide emergency housing.

Its vision incorporates partnerships with key stakeholders at central and local government levels, with the business sector, local community and other providers. It will help monitor and evaluate trends in the local housing market as part of the Community Housing Forum. It will also contribute to strategic planning aimed at matching urban and residential development with social and demographic trends.

The Trust also seeks to complement existing social housing providers in the State, local government and voluntary sectors, and to become a model of good practise as a social landlord.

Funding package approved by Housing New Zealand

The NTHT proposal for the first stage of this project was approved in August 2005. This provided for NTHT to purchase four two-bedroom units that were being designed and built for it on a fixed price contract of $931,000 with the Trust required to contribute 15 percent of the cost. The assessed value on completion of the construction was $1 million. The loan package provided by Housing New Zealand consisted of:

- A 25-year loan, with the first 10 years being interest free, and converting to a table mortgage from year 11
- A conditional grant (15 percent of the total cost), only repayable if NTHT sells the properties or ceases to use them for social housing purposes within the term of the loan.

The second stage of the NTHT proposal was approved in December 2005 and an offer of funding was made in January 2006. This provided funding for NTHT to purchase existing houses within the Nelson region on the market, to provide affordable rental accommodation for people on low to moderate incomes. NTHT is required to contribute 15 percent of the purchase price of each home. The loan package provided by Housing New Zealand was based on the assumed purchase price identified from information in the initial feasibility study (around $534,000). This reflected the amount of cash NTHT had available as its 15 percent contribution (essentially the balance remaining from the Canterbury Community Trust grant it received after the Trust's 15 percent contribution to the first stage of the project). The loan facilities consisted of:

- A 25-year loan, with the first 10 years being interest free, and converting to a table mortgage from year 11
- A conditional grant (15 percent of the assumed purchase price), only repayable if NTHT sells the properties or ceases to use them for social housing purposes within the term of the loan.
- A suspensory loan ($35,000) to be written off over 10 years, and only repayable if NTHT sells the properties or ceases to use them for social housing during the term of the loan.

The suspensory loan was made available to ensure that the project is sustainable, affordable and produces a positive cashflow throughout the term of the loan.

Particular conditions of the loan facilities offered include:

- The facilities were advanced solely for the purpose of purchasing existing houses, within the Nelson region, to provide affordable rental accommodation for people on low to moderate incomes.
- An entry by the Trust into any Sale and Purchase Agreement must be conditional on receiving consent from Housing New Zealand to purchase the particular property, and the

Trust must provide any information Housing New Zealand may require for the purpose of considering its consent, such as a property condition report.

- A registered valuation must be obtained for each property and provided to Housing New Zealand.
- The Trust is required to contribute 15 percent of the purchase price for each house.

The second stage loan facilities amounted to a line of credit that NTHT could access as required – the Trust may not have needed all of the available credit offered, depending on the purchase price of the properties sourced. This gave the ability for the Trust to negotiate quickly in a fast-moving market when a suitable property becomes available.

Completion of project stages

The first stage development of four two-bedroom units as two duplexes with garages separating them at the Trust's Kawai St property was completed in May 2006, with the Minister for Housing "snipping the ribbon" on 31st May. The project was delivered on time and to budget.

The second stage of the project has also been completed, with the Trust purchasing two three-bedroom homes, in May 2006 and in July 2006.

The Trust has also received a one-off Capacity Building Grant from the Fund (offered in January 2006) to enable it to establish an office and cover resources and overhead costs including staffing, to assist it to remain a social housing provider and extend its role in the future. This grant recognises that the Trust's current income stream would not sustain the establishment and operational costs for the next year. It does not guarantee any further Housing Innovation Funding or funding from Housing New Zealand.

Key issues

As a relatively early project under the Fund, there were similar teething problems to those experienced on other early projects: Housing New Zealand was still developing its policies and processes, there was a lack of clarity and guidance about these, and the Housing New Zealand Project Manager was learning about the Fund and its processes. The Project Manager was also over-stretched through a lack of resources in her area and in terms of transitioning from previous roles, creating workload issues. On the other hand, the Trust was "champing at the bit" and wanted to move things along quickly, which lead to it having some frustrations and concerns.

This section identifies and discusses the key issues that arose during the project.

Housing New Zealand processes

While the NTHT expected there would be some teething problems with a new initiative being established, it also expected that Housing New Zealand's processes and procedures would be more settled and established than they were. It appeared to the Trust that Housing New Zealand was only one step ahead of the Trust in terms of finding out the next steps in the process. There was little guidance about what information the Trust had to supply. The Trust also recognised the Housing New Zealand Project Manager had to cope with two full roles, which led to delays as advice was sought, and in turning around responses to contacts by the Trust:

> *"There was no checklist of documentation we had to supply at the commencement of the process, or of the process. We were finding out the next step as fast as Housing New Zealand was … Housing New Zealand was inventing things as they went along that hadn't been thought about – an effect of the Fund being in its early stages, and a new process, but the impression we got as providers was that it hadn't been resourced or thought through very thoroughly at the administrative end."*

Apart from these general concerns, the Trust also identified a number of other issues it had with Housing New Zealand's processes. These included frustrations with the level of bureaucracy, level of compliance, and micro-management of the Trust's affairs, which kept re-appearing in variations of these themes.

The Trust considered that process was overly bureaucratic, and that the level of compliance throughout the process has been excessive for the small scale of the project (six houses/units). While a certain level of compliance was to be expected when public money is involved, especially as it was a new Trust and had to provide evidence it was competent and could deliver. The Trust was somewhat frustrated with the "drip-feeding" of the process, having to engage contractors to do work, go through a "three quotes" process and Housing New Zealand deciding who the Trust could use/employ:

> *"Housing New Zealand told us we needed a Business Plan, we have to employ a contractor to do it (couldn't do it ourselves), had to get three quotes, and Housing New Zealand will decide who you can use/employ – that took about three months. Then we were told we need policies and procedures, Housing New Zealand needed three quotes, and then we'd get some money for that. When we provided these Housing New Zealand went through them with a fine-tooth comb, said we 'haven't got this, that's not clear', etc, but hadn't provided us with a list of what we had to cover. Then we were told we needed a feasibility study, etc."*

The Trust knew what it wanted to do, but still had to go through all these "hoops" and alternative options, and comply with the process. Nor did it expect Housing New Zealand to be involved in such a micro-level way – examples include the requirements to get three quotes, approve the contractors used, and issues raised over the design of the first-stage properties (discussed further below). The NTHT felt that Housing New Zealand had already invested in it through the capacity development grants, a significant gesture of funding that could have gone nowhere, and should have trusted the skills and experience of the Trust members more.

The Trust felt Housing New Zealand didn't really offer explanations for the level of bureaucracy and compliance, just that "*that's the way we do it*", although the Trust expects Housing New Zealand was highly risk averse due to embarrassing examples of NGOs who were either incompetent or corrupt hitting the headlines. The Trust expressed a concern that with the level of compliance and bureaucracy required, the prospect of establishing a community based social housing sector on any scale is negligible.

The Trust was also concerned that the financial modelling "*seemed to go on for weeks*", and drew comparisons with the processes of commercial banks, which "*can approve relatively big sums of money in days*."

Other support that the Trust would have liked included:

- more detail about the information that was required and the process from Day 1, with models or templates of policies and procedures that were required
- advice on where to go to get information – for example, to develop policies and procedures. The Trust considers it was lucky to have had the consultants it worked with, and that other community organisations would not be so lucky.
- access to resources to employ someone to be an administrator. The Trust had to rely on trustees' skills, experience, etc., and was lucky to have had people with good skills. NTHT had raised this issue with Housing New Zealand towards the end of 2004. The Capacity Building Grant for the establishment of an office and cover resources and overhead costs including staffing, was finally approved in December 2005, but the Trust did not receive any payment until six months later, in May/June 2006.

Housing New Zealand appreciated that the process was "initially a bit slow" due to the newness of process, and heavy workload of Project Manager. It also considered that once the Trust's capacity and policies had been developed, the actual project part involving the lending and the construction went smoothly. Housing New Zealand also demonstrated some flexibility in its approach when it split the project into two phases. The full proposal did not have to be put to the Housing New Zealand Board for approval, in order to meet what ended up being tight timeframes with the NTHT going unconditional on the building contract they had entered into with the builder/developer.

Housing New Zealand also considered that despite concerns about the process being overly bureaucratic, community organisations need to recognise that Housing New Zealand is putting a lot of tax-payers' money into these projects from the Fund. Housing New Zealand needs to be confident the money will be used properly and that the groups/projects are sustainable – especially considering the extent of interest-fee components and grants.

Managing relationships

Apart from issues of remoteness and workload, both parties have felt the relationship between NTHT and the Housing New Zealand Project Manager has generally been good. They've been receptive and open with each other, and the relationship has grown and developed as they've worked together over the course of the project. They have also achieved the outcomes they set out to achieve. One issue that arose when a Trust member was making public comments about things not moving fast enough was resolved when a senior manager from Housing New Zealand talked it through with NTHT, asked what the issues were, and encouraged NTHT to talk with Housing New Zealand first if it had any particular problems.

However, the NTHT felt somewhat poorly supported because of the remoteness of the Housing New Zealand Project Manager (based in Christchurch), who wasn't well enough resourced or supported to manage the process, and the consequent frustrations and delays. The NTHT felt there should have been more involvement from Housing New Zealand's neighbourhood unit – a local contact, with whom it would be easier to communicate. However, the Trust found the Fund's process was quite separate from the rest of Housing New Zealand – it invited the local manager to meetings, but while willing, he wasn't informed about or able to influence the Fund's processes, or able to support the Trust as a provider, and the Housing New Zealand regional manager had not had any input/contact with NTHT.

The Trust also felt there had not been a culture of trust, even once it had established credibility:

> *"We felt we were constantly battling the political issue of mistrust of rogue NGOs. … There needs to be some element of compliance/approval that we are a bona fide organisation, but the level of [mistrust] needs to be reduced, and [it recognised that] we are an organisation that has got good experienced/skilled people."*

However, Housing New Zealand identifies that it had a positive attitude toward the project from the start as Nelson had been identified as an area of major housing need, especially with property prices and rents rocketing. It was thought NTHT could become a major player, and Housing New Zealand was strongly committed to working with NTHT to make it work.

Also the credibility, management capability, experience and skill of the trustees was a major factor in Housing New Zealand approving the loan facilities, due to the NTHT's lack of assets beyond the Canterbury Community Trust grant it received and lack of financial history.

This level of commitment or support has not perhaps been communicated clearly enough between the parties. It also may be reflected in the Trust's lack of understanding of, and/or Housing New Zealand's failure to clearly communicate or explain, the type of partnership relationship Housing New Zealand was expecting or trying to establish. The Trust compared the process of approving funding with that of a commercial bank, where Housing New Zealand also sees the relationship as a partnership: "*Housing New Zealand is here to help, even if community organisations don't always recognise/appreciate that*."

Organisation's capability

The NTHT was a new trust, created for the purpose of accessing funding from the Fund to provide affordable social hosing in the Nelson Tasman region. As such it needed to satisfy Housing New Zealand it was competent and could deliver on the project, and looking back, it can now see that the requirements to provide business plans, feasibility studies, etc., was to be expected. As noted above, however, the Trust also felt the level of compliance required for the small scale of the project (six houses/units) was excessive.

This does not recognise Housing New Zealand's view and anticipation that the Trust could become a major player in providing social housing, and it was therefore important to get things right, from the start. Housing New Zealand also expects that with this groundwork having been done, any future applications would not be so intensive, long and drawn-out, and can deal with the projects themselves, rather than the process of capacity-building the Trust has gone through.

In recognition of Housing New Zealand's anticipation that the NTHT could expand considerably in the Nelson Tasman region, NTHT has recently received a substantial grant from the Fund to set up a base of operations, and to ensure it is sustainable, even though it only has six properties at this stage (and would have preferred to have received this type and level of support earlier – see above).

The Trust identified that having to come up with the 15 percent contribution is a particular barrier to new organisations such as NTHT. It struggled to raise that contribution, even with a lot of experience, skills and resources available to it. The Trust was fortunate in receiving a substantial grant from the Canterbury Community Trust, which was a major factor in its success. However, in terms of the Fund's policies, this has also limited the scale of the project the Trust has been able to achieve at this point, and the Trust feels they were capable of developing and achieving a larger project.

Housing New Zealand recognises the NTHT is going to have to source its 15 percent capital contributions for future projects from funding applications, (e.g., other grants from the Community Trust) or utilising the equity it has in the housing portfolio it has developed. However, as the Fund is fully committed until the end of the 2007 financial year, Housing New Zealand is helping the Trust to pursue other options with other lenders (such as community lending organisations). This reinforces that, as funding from the Fund is always likely to be limited to some extent, both Housing New Zealand and providers will need to keep open minds and have flexible approaches and other solutions for attracting investment into social housing.

Design review

An area of concern that arose for the Trust was the level of involvement the Housing New Zealand Design Team wanted, at a quite detailed level, with the design of the homes that the Trust had contracted to be built and sold to it. The Trust felt the level of "interference" wanted was both frustrating and unnecessary as it added time to the process and challenged the Trust's ability to decide things for itself. NTHT was very happy with the design, and were involved/consulted about it by the developer/builder. The Trust considered that if the basic design and construction of the building meets Housing New Zealand requirements, the detail should be up to the customer.

Housing New Zealand says it becomes involved in the design process to ensure customers are getting good quality designs/housing, and recognises that while the process of design review is good, how that advice is put across to organisations is also important. It also recognises the need to differentiate more between critical design issues and considerations/ suggestions for better quality.

Other support

The NTHT would like to see Housing New Zealand doing more to promote/encourage councils to support organisations such as NTHT, and provide cohesive leadership to facilitate the provision of social housing. While the Trust has had support from Nelson City Council officers to develop more of a partnership, local politicians consider that social housing is central government's responsibility.

The Trust also thought it would get support from Community Housing Aotearoa Incorporated (CHAI), and so joined up. However, it found that it was too far ahead of the rest of the field, and that CHAI wasn't in a position to provide support to community organisations in practical ways to build their capacity/expertise.

Success factors

There have been a number of key factors that have contributed to the success of this project (the approval of funding under the scheme).

Skills and experience of key personnel

The Nelson Tasman Housing Trust brings together a highly skilled and motivated group of trustees, with a good complementary set of skills and experiences – including finance, legal, and property management – a strong sense of community commitment and understanding of community development. The trustees were very supportive of each other and used to accessing funding. They were/are well-led by a chairperson who provided drive and commitment, and utilised the others skills and experiences effectively.

Other key people the Trust had access to and used included consultants that had extensive experience in the development and provision of social housing. These consultants helped the trustees establish their structure, policies, and plans. Another key contributor was the developer/builder that the Housing New Zealand Project Manager linked the Trust up with. His background, experience with Housing New Zealand in developing community housing, and “social conscience” or interest in projects of this nature was valuable to the Trust.

Strong community support

The Trust has very strong community support in Nelson, and direct links to a number of well-established community organisations. This support stems from the initial social well-being study and report, the Community and Whanau Network that commissioned that study, and the establishment of the Housing Solutions Group. The project has had a high profile with the community because of these linkages.

In addition the links with the Victory Urban Village and Healthier Homes projects, through the Trust’s chairperson in particular, were helpful in establishing the profile pf the Trust.

Funding support

The financial support from the Canterbury Community Trust was crucial – a large donation, with the timing of it being just right. This grant provided the Trust with the 15 percent capital contribution it needed for the project. This may have been helped by the relationships/networks between NTHT trustees and members of the Community Trust.

The capacity development and feasibility grants

This was a new organisation established for the purpose of accessing funding from the Fund. The capacity development grants it received enabled it to engage consultants to develop its business plan, policies and procedures. These were developed to a point that gave Housing New Zealand confidence the Trust could become a sustainable social housing provider. The feasibility grants also allowed the Trust to scope the feasibility of different project options, including options for locations, the approach to building/buying, costs, and assessing demand.

Commitment of Housing New Zealand

This was a high profile project with Housing New Zealand (although the Trust was not treated any differently from other projects). Housing New Zealand was committed to supporting the establishment of the NTHT group in this high need area. (As noted above, this support/commitment may not have been clearly and/or explicitly communicated to the Trust.)

Lessons learned

The following lessons may be drawn from this experience and the issues that arose.

Evidence-base and community support

The project highlights the importance of having good information about needs for social housing in an area, and having broad-based community support for a project. The initial social well-being study, as well as being useful research in its own right, also helped to draw the community groups together to focus on solutions for the issues identified, which has translated also into ongoing support for the project.

Clarity of the process and the nature of "partnership" expected

NTHT advises groups to talk to a community organisation that is further down the track, to understand the process and the need to get good advice about "how to do it". Groups need to determine whether they've got the skills/experience, the support from their community, the time to put into it, and the commitment required. They also need to recognise that the process is not easy, and that their vision and goals for making a difference need to be realistic.

This reinforces that Housing New Zealand also need to be clearer about the process and the reasons for it being as it is, and the commitment required of the community group in undertaking such a project. Housing New Zealand also needs to be very clear from the outset about the nature of the "partnership" it is seeking to establish with a community group in undertaking a project, and what will be required/expected of the group as a result. Housing New Zealand should also be clear about what Housing New Zealand expects/is prepared to offer to the partnership, so that the relationship is not perceived as "one-way traffic".

Housing New Zealand commitment to the project/partnership

Some earlier, more explicit commitment to developing the relationship and project is desirable from Housing New Zealand, including how Housing New Zealand sees the relationship and role of the provider developing over time. In this case study, NTHT perceives the bureaucratic, compliance-focused process as excessive for such a small-scale project. It is not clear how open Housing New Zealand was about wanting to develop NTHT into a significant player, but early communication of this along with clear explanations of the basis for the processes may have helped off-set NTHT's concerns and feelings that there was a lack of trust (not a desirable basis for a "partnership").

Involvement of Housing New Zealand neighbourhood units

Greater involvement of local Housing New Zealand offices/neighbourhood units is desirable, especially if the Housing New Zealand Project Managers are remotely based. This would provide community-based social housing providers better access to support and information about environmental conditions, as well as advice about appropriate contractors/service providers in the area (including for ongoing asset management issues). To be useful, local Housing New Zealand managers need to be informed and knowledgeable about the Fund, its processes and projects within there areas.

How information/advice is communicated

There needs to be greater attention paid and care given to the way in which advice and information is communicated to community organisations. This requires a clear understanding of respective roles, and the nature of the partnership, including taking account of community organisations' rights and responsibilities to make their own decisions. In this case, difficulties during the design review process also suggest that there needs to be greater differentiation between what are critical design issues (or "show-stoppers") and advice or suggestions for alternative/possibly better ways of doing things, and the way in which these are communicated.

Summary conclusions

Overall, this project has successfully contributed to the intended outcomes of the Housing Innovation Fund. Local social housing solutions have been developed (or enhanced) for local social housing needs, with the increased provision of social housing to those in need. NTHT was established from scratch, and has the drive and commitment to become a sustainable organisation over the long term and grow as a provider of social housing in the Nelson Tasman region. There is, however, some dissatisfaction about aspects of Housing New Zealand's approach to assessing the capability of the Trust, and the suitability of the project.

On the positive side, the NTHT considers it has been very successful in bringing a group of people together and is an example of community development and social capital generated, with hours of resource and efforts individuals brought. They have learned how to run a Housing Trust, have got a model and structure in place, and are a little concerned that the Housing Innovation Fund now "falls over" and there's no funding available, which would mean they won't be able to impact on the housing sector. The Trust has six properties providing affordable social housing (although it feels it could have managed a bigger project).

The project itself has been a real focus for the community, and is a practical outcome of the social well-being study and process that began four years ago. It was particularly pleasing for all involved to have the first stage design and build units completed and "opened" by the Minister for Housing, and to feel the sense of community involvement and pride in successfully completing it.

From Housing New Zealand's point of view, the NTHT is an ideal partner under the Housing Innovation Fund, and a good example of where a community identified a need to address local housing issues, formed a group and have developed a project through to completion, and is ready, willing and able to do more projects to increase its portfolio in and contribution to social housing.

Ongoing participation in social housing

The NTHT would like to think it can continue to add stock over the next 20 years or more, and to develop more projects under the Housing Innovation Fund. The Trust has built up a good infrastructure and institutional knowledge, and would like to make more use of it to do more projects. It recognises that Nelson is one of the worst areas for home affordability in New Zealand, and needs support from a fund such as this scheme.

The NTHT is now in process of building up its community contribution again and negotiating with Housing New Zealand about what can count as that (e.g., using the equity from stock it now has). However, there is no funding under the Fund available until 2008, and the 15 percent contribution is a barrier. The Trust believes the Fund needs to be more flexible about the 15 percent contribution, especially for smaller organisations, and make greater use of suspensory loans. In the meantime, the Trust is continuing to work with the Housing New Zealand Project Manager to identify other potential sources of funding, in order to make the most of the momentum it has achieved with the successful completion of this project.

Acknowledgements:
We wish to acknowledge and thank the following people for their time and contribution to this case study:

- Kindra Douglas, Chairperson, Nelson Tasman Housing Trust
- Steve Richards, Consultant/Adviser to NTHT
- Christine McQuillan, Partnerships Project Manager, Housing New Zealand Corporation

Appendix One: Housing Innovation Fund – Outcome hierarchy

Appendix Two: Housing Innovation Fund

Community Housing Sector Innovation Fund

The community housing sector Housing Innovation Fund is intended to encourage the development of an innovative community housing sector able to provide affordable and secure rental housing and home ownership opportunities to low-income New Zealanders. Funding:

- supports a four-year programme of demonstration projects delivered in partnership with non-government organisations
- provides capital funding in the form of loans with an interest-free concession, grants and/or equity, to stimulate the development of social rental accommodation and affordable home ownership opportunities
- is targeted at CBOs assisting low-income households whose needs are not being fully met by Housing New Zealand or the private market, (e.g. people with disabilities, Maori kin-based groups, B,C,D applicants on Housing New Zealand waiting lists in high-demand areas)
- expects a contribution of at least 15 percent of project costs from CBOs
- provides establishment funding to support the development of capacity and capability within the community housing sector, including a community housing sector reference group named Community Housing Aotearoa Incorporated (CHAI).

Local Government Housing Initiative

The Local Government Housing initiative is intended to encourage local authorities to retain, maintain and add to their existing stock of social housing. Funding:

- supports a four-year programme to assist local authorities modernise their existing rental stock and purchase additional units to meet an identified need in the community
- splits the cost of purchasing a property 50:50 between Housing New Zealand and the local authority
- provides a 10-year suspensory loan for acquisitions and a maximum one hundred per cent suspensory loan of $30,000 per unit for modernisations
- is constrained by a legal deed to ensure that the properties continue to be used for social housing purposes and that, in the event of a sale the Crown's financial interests are secured.

Appendix Three: Key findings of the process evaluation

1. The recipient groups and sector stakeholders interviewed for the evaluation are very supportive of the Fund – community housing sector housing and LGH initiatives.

2. Short-term outcomes achieved by the initiatives to-date include:
   - projects providing tailored housing responses to specific client groups
   - non-government resources beginning to be used for social housing
   - growing involvement of groups such as Maori, Pacific peoples and housing trusts
   - innovative responses beginning to be developed by local authorities.

3. The Fund's funding targets for the 2003/04 financial year were achieved. At the beginning of March 2005 when the evaluation was completed, the targets for the 2004/05 financial year were on track.[14] While LGH funding targets for the 2003/2004 financial year were not reached, one local authority received substantial funding in the current financial year from funds carried over from 2003/04.

4. The community housing sector in New Zealand is in the early stages of development and consists of disparate groups with varying levels of organisational expertise and housing knowledge. The evaluation findings confirm that capacity within the community housing sector is less developed than initially anticipated.

5. A number of strategies are suggested by the evaluators for developing the community housing sector beyond the foundation stage. These include a targeted approach to identifying potential providers who could offer larger scale growth potential or cater for specific areas/groups with high housing need. Another suggestion is to complement the current approach of working with individual groups, with providing more general capacity building at the community level to identify and develop potential housing providers.

6. The evaluation has highlighted a number of areas of inherent tension associated with implementing an initiative based on a partnership relationship with community groups. Tensions have arisen between the CBOs' desire to deliver housing, and Housing New Zealand's need to ensure the organisation is capable of delivery in the long term and that public finance is properly used.

7. This difference is reflected in the ways some CBOs and Housing New Zealand view the process for accessing the Fund's funding. Some CBOs describe the Fund's application and assessment process as excessive and risk averse. In contrast, Housing New Zealand uses the application and assessment process to build CBOs' capability as social housing providers. Housing New Zealand also regards such processes as appropriate risk management mechanisms to ensure effective stewardship of government funds.

[14] To end June 2005, Housing New Zealand has made 15 loan offers to 13 community based organisations, and two to local councils, all of which have been accepted. Housing New Zealand is currently working with about 40 community based organisations and local councils to develop workable funding proposals. These include housing for older people and people with physical disabilities, and affordable social housing. It should be noted that $1.9 million was carried over into the new financial year.

8. The evaluation has also highlighted the range of expectations of stakeholder groups about the partnership approach which underpins the Fund. While some stakeholder expectations are limited to access to financial support, other stakeholders expect shared decision making and control. For instance some stakeholders desire more influence in decision making related to the lending process. Consequently, the expectations of this latter group have not been realised. A challenge for Housing New Zealand is to manage effectively the varying partnership expectations of individual community housing sector and LGH partners.

9. Some of the evaluation findings reflect the experience of CBOs in the early days of delivery. Given that the Fund was intended as a ‘demonstration’ initiative, Housing New Zealand has always intended to make incremental changes to its delivery. Consequently, Housing New Zealand has already made (or is currently making) various process and system improvements, for example:

    - new staff appointed on a regional basis
    - staff training to improve knowledge of CBO needs and expectations
    - internal processes streamlined
    - communication and relationship management processes improved
    - quality management procedures and loan agreements reviewed and streamlined
    - capacity building grants reviewed to allow greater flexibility of funding
    - website to improve provider access to information (additional web based resources are under development).

Appendix Four: Internal workshop participants

Name	Position
Robin Kearns	Professor, Department of Geography, University of Auckland, Member of Evaluation Advisory Group (EAG)
Lisa Howard-Smith	Representative of CHAI on EAG
Rex Moller	National Manager Business Development, member of EAG
Tui Tararo	Strategic Development Broker, member of EAG
Stephen Cross	Delivery Manager, member of EAG
Judy Glackin	Policy Manager
Marc Slade	Senior Policy Analyst
Perenise Ropeti	Business Development Manager
Hope Simonsen	Delivery Manager, Auckland
Karen Hocking	Project Manager, Bay of Plenty
Tony Wiki	Project Manager, Northland
Joanne Thomson	Project Manager, Wellington
Christine McQuillan	Project Manager, Christchurch
Jason Elsworth	Research and Evaluation Analyst
Tricia Laing	Research and Evaluation Acting Manager, member of EAG Evaluation Project Manager
Andrew Nicholls	Housing Innovations Team
Jaime Reibel	Strategy and Market Planning Manager, Housing Innovations
Ingrid van Aalst	Evaluator, *PS… Services*
Chris Daly	Evaluator, *PS… Services*

Appendix Five: Surveys of potential Fund applicants