

Social housing – a long and winding path to the first sales

The first sales under the social housing programme are unlikely to be concluded until late this year, according to the timeline the Government is using in its public consultations.

We catch you up with the latest information.

Finance Minister Bill English and Social Housing Minister Paula Bennett have begun a series of public consultation meetings to activate the planned sale this year of between 1,000 and 2,000 Housing New Zealand properties to registered Community Housing Providers (CHPs).

Timeline

February/March	Public engagement
Late March/early April	Select first properties for sale
April	The Ministry of Social Development announces where the first tranche of new Income Related Rent Subsidies (IRRS) will be expended
April/May	Regional consultation on “specific transactions”
July	Market soundings to test regional interest
September	Expressions of Interest
Late 2015/early 2016	Request for Proposals
November 2015	Cabinet to review progress and decide whether to extend sales programme

Process

The sales are open to CHPs and consortia including CHPs. Finance Minister Bill English was clear at the public meeting which Chapman Tripp attended that the Government will honour its obligations to iwi under any rights of first refusal.

Transaction sizes will range from as few as five properties to as many as 600. They will be conducted through competitive tender.

Successful buyers will be able to redevelop the properties, but must not reduce the social housing supply.

Any social or affordable rental housing provider can apply for registration as a CHP. An evaluation panel will assess applicants for eligibility, suitability and risk. Registered CHPs (currently there are 37) will be eligible for the Income Related Rent Subsidy (*IRRS*).

Current position

Housing New Zealand owns 65,000 houses and leases another 3,000. Of these:

- 3,000 have tenants paying market rent (these tenants are likely to be moved off Housing New Zealand's books through the tenancy review programme, making the houses available for re-letting)
- 2,300 are vacant (of which 70% are unfit for use)
- the main configuration problems are an under-supply of one bedroom houses and an over-supply of three bedroom houses, and

- the main location problems are an under-supply in Auckland and an oversupply in the provinces.

CHPs own 5,000 houses (tenants in 131 of which receive *IRRS*). The Government will increase *IRRS* numbers by 3,000 (to 65,000) by 2018.

Chapman Tripp comments

The Government's commitment to full information disclosure should assist in showing how the different moving parts in the social housing policy will mesh together. But, at least at this stage, significant questions remain regarding how quickly the fledgling CHP sector will develop and whether it will have the financial capability to deliver on the Government's policy objectives.

So far the message from potential CHPs has been blunt – the Government is going to have to chip in significant support in addition to the *IRRS* (either through capital grants or through discounted prices or through gifting¹ the properties), if the plan is to be feasible.

Footnotes

1. http://www.nzherald.co.nz/nz/news/article.cfm?c_id=1&objectid=11402515



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