TE AHO TĀHUHU
the Progressive Home Ownership Webinar Series

Recording and Q&A Transcript

Episode 2
PHO Products Explained

There are two parts to this transcript:

1. **The recorded transcript that was captured at the live webinar**
2. **The question and answer transcript where the panel have provided typed answers which means these are not captured in the recorded transcript.**

Panel for Episode 2 – PHO Products Explained		
Kaiwhakahaere	Mark Ormsby	Te Tūāpapa Kura Kāinga, the Ministry for Housing and Development (HUD)
Kaikorero	Malo Ah-You	Te Tūāpapa Kura Kāinga, the Ministry for Housing and Development (HUD)
Kaikorero	Julie Scott	Queenstown Lakes Community Housing Trust
Kaikorero	Dominic Foote	Housing Foundation
Kaikorero	Conrad LaPointe	Habitat for Humanity

Recorded Transcript

This is the transcript for the recording of Te Aho Tāhuhu, Episode 2 PHO Products Explained.

Mark Ormsby (Te Tūāpapa Kura Kāinga):

Traditional incantation

Tēnā koutou katoa, e taringa whakarongo mai anō ki a mātou I tēnei wā.
Nau mai, hara mai, piki mai ki te whakaaturanga tuarua o Te Aho Tāhuhu.
Koutou mā, anei te paika, te pai mataurango mō tēnei haora, nō reira e koutou e whakarongo mai ana, tēnei te mihi atu ki a koutou mai tēnei taha o Te Matapihi raua ko Te Tūāpapa Kura Kāinga.
E mihi atu nei ki a koutou, mai tēnei taha o Te Matapihi raua ko Tūāpapa Kāinga mo tēnei wā. No reira, tēnā koutou, Tēnā koutou, tēnā tātou katoa.

Welcome back to the second in the series of webinars that are being presented by the partnership of Te Tūāpapa Kura Kāinga, the Ministry of Housing and Urban Development, and Te Matapihi, the Māori Housing Network. It's my honour and privilege to present to you today. My name is Mark Ormsby and today we are going to present the PHO products. As part of the first webinar, we explained the six criteria that were needed to become a provider in the PHO space and one of those criteria was to have an understanding of the PHO products. So, today we've got the gurus of each of those products here to talk to you a little bit about what they do. So, no reira koutou ma, we're going to go straight away to our first speaker, my Manager Malo Ah-You, tēnā koe Malo, ānei te wā ki a koe.

Malo Ah-You (Te Tūāpapa Kura Kāinga):

Kia ora, Mark.
He mihi mahana ki a koutou katoa ka puta mai mō tenei webinar.
Ko wai au?
Ko Malo Ah-You toku ingoa. He whakapapa ahau ki Tokelau rāua ko Hāmoa.
Ko au te kaiwhakahaere mō te tima o PHO i roto i te Tūāpapa Kura Kāinga.

Thank you and welcome this morning. Thank you, Mark.

I'm just going to briefly cover at a high level around Progressive Home Ownership before I hand over to the other panellists to talk about their products in general or in-depth. So just to recap, the Progressive Home Ownership enables individuals and whanau to partner with an approved Progressive Home Ownership provider, to help them become homeowners by addressing the deposit barrier ensuring the cost of home ownership.

The PHO fund aims to support individuals and whanau who are unlikely to buy a home without a reasonable amount of support, both financial and non-financial, and can afford mortgage payments but are constantly chasing the market in terms of saving a deposit, or families who can get a small deposit together but are not able to afford the ongoing cost of a mortgage at current house prices.

Malo Ah-You (Te Tūāpapa Kura Kāinga):

The PHO fund is a $400 million investment that enables approved PHO providers to take a 15-year loan from the Government then partner with individuals and whanau to help them access home ownership opportunities for arrangements such as shared ownership, rent-to-buy or leasehold. The PHO fund also has a specific aim to address housing affordability for three priority groups, Māori, Pasifika peoples and families with children.

As discussed at the first webinar there are three pathways that individuals and whanau can come through to access Progressive Home Ownership: Provider Pathway is the first one; the second one is Te Au Taketake which is for Iwi and Māori providers and the Government pathway through Kāinga Ora which is called First Home
Partner. And just to reiterate the point that each pathway has an amount set aside for that. For the Provider Pathway there was $87 million available and for the Te Au Taketake pathway there was $87 million available also in that pathway. For the Government pathway there is a facility of up to $187 million available in that pathway.

If the Provider Pathway or Te Au Taketake Pathway is oversubscribed, then we can look at getting some money from the Government pathway to shore that up.

As discussed at the first webinar, again there were those three pathways for the whanau to come through. I understand the First Home Partner pathway will be covered in a webinar by itself.

All pathways enable approved PHO providers to take a 15-year loan from the Government and then partner with households to help them with their deposit or share the cost of home ownership, by again accessing the three products that the providers could offer such as shared ownership, rent-to-buy or leasehold arrangements. The key point is the relationship that Te Tūāpapa Kura Kāinga or the Ministry of Housing and Urban Development has in the progressive home ownership space is not with the individuals or whanau themselves, it is with the approved providers. And that is the right approach as the providers in the provider pathway or Te Au Taketake pathway in all cases have worked with individuals or whanau over a number of months or years getting them ready for home ownership.

Our role is to provide a loan to approved providers so that they can create more opportunities for whanau and individuals to purchase their own homes. For individuals or whanau that are coming through the Government pathway First Home Partner, the relationship they have with Kāinga Ora is different as those clients do not normally require the non-financial support or active case management to get their clients over the line. Those clients can service a standard mortgage but only need the extra help with getting a deposit.

For the providers there is funding maxima that we will provide for each application and that is as follows: the fund can lend up to 45% on shared equity schemes and up to 50% on rent-to-buy or leasehold. The amount of a loan for a shared equity product is based on the purchase price of the house in which the household buys a majority share. So the key thing for shared equity is that the household should own the majority share there, so at least 55%. The amount of loan for rent-to-buy or leasehold scheme is based on the cost to the provider of building the home or contracting a builder or developer to deliver the home.

Because most requests for funding are based around planned development or buildings under construction, it is only possible to estimate the market value on completion. So therefore, we generally rely on the total estimated build costs including land or contracted prices with builders or developers to set the maximum loan amount. So that’s just the bit for the providers themselves to understand when they’re putting in their applications.

I would now like to acknowledge my co-contributors this morning and recognise the work them and their organisations have been doing in this space for a number of years. In order for the Progressive Home Ownership programme to be a success we need to partner with our providers to create more opportunities for individuals and whanau to purchase their own home. Thank you, Mark.

Mark Ormsby (Te Tūāpapa Kura Kāinga):

Tēnā koe Malo, thank you for that.

Heoi ano whanau we are going to move over to our next speaker, the first of our three amazing gurus today. We are going to have Julie Scott who's from the Queenstown Lakes Community Housing Trust who will be talking about the PHO product, the leasehold model. Tēnā koe, Julie.

Julie Scott (Queenstown Community Lakes Housing Trust):

Kia ora, Mark. As you said, Julie Scott from the Queenstown Lakes Community Housing Trust. So we call our leasehold product the Secure Home Programme.

Now, we launched this two years ago after doing another Progressive Home Ownership model, the Shared Ownership Programme, for about 10 years. There are a couple of reasons why we moved from Shared Ownership to Secure Home, and I'll talk about that a little bit later but the basic premise of this leasehold model, Secure Home, is that the Trust owns the land in perpetuity and essentially what we do is we sell the improvements or the home to the household. So, they buy a lease to the property with their own mortgage and deposit and the purchase price of that lease is the cost of the construction. So therefore, that's why I say they essential buy the improvements, they buy the building. So, we are separating out the land from the improvements. Now, the household pays a ground rent to the land which is currently set at 1.5% of land value. So, if you are talking about a $350,000 section, they are paying about $100 a week. There is the ability to be flexible with that percentage and that is up to each organisation what they set it at.

If land values got really high, we might look to reduce that percentage down even further. So now because we own the land in perpetuity, we retain the freehold title of the land for the community in perpetuity. The bank has security because the bank obviously who is lending to the household needs some form of security, so they have security against the leasehold title for the purchaser's mortgage.

So, the really key components to this leasehold programme are that it is a 100-year lease, and the ground rent only ever goes up with inflation so as it says there, CPI, that is Consumer Price Index. So, it is only ever going to go up with inflation for the period that that household is in there. So, in theory the household could stay in there for 100 years and each year the ground rent only. r moves with inflation. If the household wants to sell for whatever reason, they may be in a better situation, they may be moving out of the district, whatever it is, they have to sell back to us and we have to buy it off them. That's the agreement there. So, whenever they want to sell, we have to buy it back off them and the purchase price that we buy it back from them is determined by the original purchase price plus inflation for the period they have been in there. So again, we are tracking things to inflation rather than the wild fluctuations of the property market which, as everyone knows, typically goes up but can also go down. We want to take those fluctuations and uncertainty away from the household and give them some certainty and we can do that more with inflation than we can with the property market.

Julie Scott (Queenstown Community Lakes Housing Trust):

Now improvements to the property can be made by the household, and as long as they are approved by the Trust then we will incorporate those improvements into the resale value so when we buy back, say if they have spent $10,000 putting on a deck, we say okay that's a great outcome, we are happy with that and when you sell back to us we will include that in the price. So, it encourages people to treat it like their own home, make improvements, look after it really well. It is their own home so of course they are going to treat it like that.

At the moment the banks do require a household to have 20% deposit, however we have got around that with use of the First Home Loan. So, that is the Government's First Home Loan scheme where people can get in with a minimum of 5%. People can also use their Kiwisaver, and the Home Start Grant can be applied. So, we are seeing that being used in most of the circumstances now by households and it is of huge value.

Here is a little example of how it could work. So, this is a house that we are actually building down in the Lake Hayes Estate in Queenstown. It is costing $380,000 to build. Now that is a total turnkey product, so we are talking about carpets, drapes, full landscaping, fencing, the works. Now a household, let's say they have got 10% deposit, so they come to us with their $38,000 deposit, they get a mortgage of $342,000, the cost of construction they're buying in at $380,000. There's no margin on that, that's what it costs us to build and that's what we're selling it to the household for. Now if we look at that, this is based on interest rates at 2.5% so they've probably gone up a little bit by then but let's just think that they are 2.5% at the moment.

So, the mortgage repayments would be $355 a week, their rates insurance and maintenance let's say $100 a week, and their ground rent again let's say $100, so in total their weekly outgoings are around $555 a week. Now when you look at that and you compare that to renting the same property on the open market, it is at least $650 a week, probably now rents are starting to creep up we are probably looking at around $700, $750 a week for a three bedroom. So, to us and to households it's an absolute no-brainer to be paying off your own mortgage, paying down principal, have that security of tenure of a 100-year lease knowing that you are never going to be kicked out and have all the other rights and benefits of home ownership. So, to us it's a no-brainer.

So, we have this little catch-cry we like to say. It's a nest, not a nest egg, because the household has all the benefits and responsibilities of home ownership except the ability to make large capital gains. That's the key difference. Because everything is tracking to inflation rather than the property market, they don't have the ability to make large capital gains. If there is any capital growth it stays with the Trust and of course the house remains in the community in perpetuity because when they sell, they sell back to us, and we sell to the next household.

This is where we launched back in about two and a half years ago now, six little houses here, Cherwell Lane, these were the first six to go through into our Secure Home programme.

Earlier this year we completed this one over in Wanaka. Again, we put four into our Secure Home programme and two into rentals. So, when we do developments we do like a mixed tier model, we like some rentals, some assisted-ownership, sometimes it's public housing, sometimes it's rent-to-buy, it can be a mixture with the rentals.

And this is the Toru apartments in Frankton in Queenstown. We purchased 50 from the developer, we ended up selling eight of them on the open market to fund the rest and we have put 26 into our Secure Home programme. So, 26 of these went into leasehold. There were some questions about whether we could do apartments under a leasehold model, but we certainly got around that. We got

Julie Scott (Queenstown Community Lakes Housing Trust):

excellent Government support, PHO funding to enable us to do this and we have got 26 very happy households in the Secure Home programme, in their own homes who would previously have never been able to afford to get into home ownership of any kind. The purchase price on these unit, because they are apartments, was a little bit lower and so they ended up some of them were getting in at a sale price of around $200,000. So, it is significantly lower.

So the key takeaways for this programme, and I am happy to take Q & A later of course, but is that the land is separated out from the buildings and then it is held in perpetuity by the Trust. So, that's really important for a lot of organisations like Māori, Iwi, Councils perhaps and others who want to provide an assisted ownership model but don't want to sell the land and can't quite figure out how to do it. This is a really great model for these people or organisations. And obviously the household buys in at the cost of construction, there is no margin on there, what it cost to build is what they pay and then they pay the low market ground rent on the land which only ever increases with inflation. So, they get that security of tenure through a 100-year lease, and they get security of permanent affordability by knowing that their ground rent is only ever going to go up with CPI. That's my contact details, that's it, thank you.

Mark Ormsby (Te Tūāpapa Kura Kāinga):

Tēnā koe Julie. Mo te ra korero ki a matou e tēnei wā. Whanau, there is a question for you Julie. I have got a few for you. If the bank uses the land as security does that mean the Trust is taking on the liability for the mortgage?

Julie Scott (Queenstown Community Lakes Housing Trust):

No, so what we do is we create a leasehold title from the freehold title. So, the Trust retains ownership of that freehold title, and the bank takes security on the leasehold title. So, the bank doesn't have security over the land itself.

Mark Ormsby (Te Tūāpapa Kura Kāinga):

Another question Julie, what has the uptake of this leasehold model been like from your waiting list?

Julie Scott (Queenstown Community Lakes Housing Trust):

So initially there was a little bit of resistance to it because people previously understood we had offered the Shared Ownership model for the last 10 years, very successfully, and people understood that a lot better than leasehold, it was more familiar to them and they could also understand the shared ownership that they could make capital gains whereas they realised that with the leasehold model they don't have the ability to make capital gains.

So at the start there was a little bit of resistance but we did a lot of work, I spent a lot of time talking to community groups, helping people understand and then eventually when people realised that it's better than renting, that's the key, that you're in a far better position financially than if you stayed renting in the market, that's when the switch started happening and people started saying okay I can now see that this is a good stepping stone and it may take me a little bit longer to get to independent ownership, and look some people will never get to independent ownership, this will be their house for life, but that's fine they have got 100 years, it can be their house for life.

Mark Ormsby (Te Tūāpapa Kura Kāinga):

We have got a couple of more questions that are coming through right now Julie. After the 100-year lease does it go back to the Trust?

Julie Scott (Queenstown Community Lakes Housing Trust):

Yes, so that's the question, so what happens is when the household sells back to us and let's say it's 15 years, but it could be 100, but it's probably not going to be 100 let's be honest, let's say it is 15 years. What we do is we then create a new 100-year lease for the next household, so every single household gets a new 100-year lease. So, the lease never goes down like those old leases of years ago that had the bad rap in New Zealand, that doesn't happen.

Mark Ormsby (Te Tūāpapa Kura Kāinga):

How does the Trust mitigate the risk of buying back these properties?

Julie Scott (Queenstown Community Lakes Housing Trust):

I am not sure exactly what you mean by that. So, perhaps you are asking about maintenance? So, there is a maintenance schedule that sits alongside the Secure Home agreement. In the household with the rights and responsibilities of home ownership comes maintenance and so the households are expected to maintain the properties, we send around a property inspector annually, they will come back with a few suggestions like they do, what needs to be fixed up, what maintenance needs to be done and the household is required to do that. So, there is provisions within the agreement to ensure that that happens.

Mark Ormsby (Te Tūāpapa Kura Kāinga):

We have got a couple of other questions here and while we have got you talking, what happens in the event of a mortgagee sale?

Julie Scott (Queenstown Community Lakes Housing Trust):

Well first of all, you have got to remember that the Trust always has to buy the property back, that's the agreement that we have with the bank and with the household. So, it would only ever go to a mortgagee sale if the Trust wasn't in a position to buy the property back and the likelihood of that is very, very low, the risk of that is low because currently we have 760 households on our waiting list so we have got huge demand for these products and we have also got enough finances ourselves that we would be able to. But let's say, for example, that we actually were in a position where we didn't have anyone wanting to buy this particular property, we didn't have the cash at the time to buy it, in that situation the bank has the right to sell the leasehold on the open market, so they can only sell the lease, not the freehold title, and they sell that without the restrictions of the Secure Home programme. So, we did a bit of work with the valuer around what that would look like, and the actual value of the lease goes up significantly if it is sold off to the open market.

Mark Ormsby (Te Tūāpapa Kura Kāinga):

Does that impact your charitable status?

Julie Scott (Queenstown Community Lakes Housing Trust):

No, it doesn't.

Mark Ormsby

And who pays for the legal fees of creating the leasehold title?

Julie Scott (Queenstown Community Lakes Housing Trust):

We pay for that. So, the upfront cost to the household would be of course they have to have independent legal representation but in terms of creating the leasehold title that is something that is covered by us.

Mark Ormsby (Te Tūāpapa Kura Kāinga):

One more question now, I won't keep the others waiting, but if the leaseholder passes away is the whanau entitled to take on the lease until the 100-year expiry?

Julie Scott (Queenstown Community Lakes Housing Trust):

Well, that would probably be a conversation that they would have to have with the bank because remember that the leaseholder has the mortgage with the bank. So it would be up to the bank to say. We would be open to that if they were able to take on the mortgage and the bank was happy with that but really that would be a question for the bank and it would depend, because obviously you can have, I can't imagine children being in a position to take on a mortgage, but if they are older and they have income coming in then yes perhaps that could quite well happen.

Mark Ormsby (Te Tūāpapa Kura Kāinga):

Tēnā koe Julie, thank you for your time. I am going to shoot straight over to Dominic Foote who is from the Housing Foundation. Tēnā koe Dominic, ānei tō wā. Kia ora Julie.

Dominic Foote (Housing Foundation):

Thank you very much, tēnā koutou ko Dominic Foote tōku ingoa. I am the CE of the Housing Foundation, a fairly well-established now in New Zealand, community housing provider that focuses

Dominic Foote (Housing Foundation):

on helping whanau transition from renting into ownership and we do that through two means: one is through a rent-to-own model and the other one is through shared ownership. And what I am going to do today is take you through the shared ownership model that the Foundation has had now in place since about 2007 and we have assisted over 250 whanau get into home ownership.

So, there are some principles around shared ownership, and these aren't just unique to the Housing Foundation, these are fairly applied across the world, we are showing that shared ownership functions.

Principally, affordability here is defined by household income, not by the price of the property. So, when we do shared ownership, and I'll go through the mechanics of that in a later slide, what the whanau buys is a share in the home based on what they can afford using 30% of their gross income to pay the mortgage payments. That's very important, that means we're working on a basis of affordability.

The other aspect to this is that the household income must come from employment, and they must be able to obtain a mortgage. So those are sort of the key principles around why and how shared ownership works. The deposit, this is where we tend not to, and this is the good thing about shared ownership, the banks have accepted the fact that a whanau can come through with a deposit as low as 5% into shared ownership because their mortgage on the property is actually over the whole property, so basically the mortgage against the property, so if someone is buying 60% of a property the bank has the mortgage over the whole property. So, the mortgage exposure to the bank, the risk to the bank, is actually very, very minimal. What that does is it drives down the deposit requirement for whanau and that actually makes getting into home ownership significantly easier. Whanau don't need to come up with the 10% or 20% deposit to purchase into shared ownership. We work on the basis of 60% of the value of the property. We do and we have sold equity shares or shares in the home to whanau as low as 55%. You would have heard Malo say at the start about 55% is sort of the threshold. The reason we aim at 55% and higher is because below that it becomes cloudy as to who is the owner of the property and therefore who is liable and who is responsible. So, 55-60% minimum purchase and that's where we set up the shared ownership.

The equity that is in the home, the Foundation's money that is in the home, which makes up the balance of the property that the family don't buy, is left in there by the Housing Foundation at no cost to whanau. So, there is no interest or there is no lease costs, there is no interest payments on the equity that we leave in the property. But what we do charge is an annual management fee and I will come to that later why we do that but that is really there for us to run the program for the 15-year period.

So, shared ownership is based on what legally is known as a tenants-in-common ownership structure. That means basically that whanau and the Housing Foundation are equally on the title. So, the house is jointly owned by both whanau and the Housing Foundation. As I said earlier that is really key for the banks because it means that they have got security over the whole title and, being a joint owner of the property, the Housing Foundation is basically saying to the bank you have the rights to that property in the event of a mortgage closure. However, the Housing Foundation has been running this now for 15 years, we have not had a single mortgage default and the reason behind that is because we also give an underlying commitment to the bank that where there ever is a situation of mortgage default or the potential for a mortgage default, the Foundation will step in and do two things: one is it will work alongside whanau to find out what has gone wrong and how can we help whanau by staying in the home; secondly it means that we can actually step in and buy the share from whanau and pay back the bank's debt, the mortgage debt, and then work with the whanau in the home. And

Dominic Foote (Housing Foundation):

we have done this on three occasions now where families have lost their jobs, not recent times, previously during the GFC that happened, and what we did there was we converted the shared ownership into affordable rentals and on two of the three occasions whanau, after a period of time, got back into shared ownership in their home. But the principal was they stayed in their home.

As I said it is tried and tested. It has been in New Zealand now for 14 years and longer. It is accepted by almost all the major banks. The ANZ aren't against it, it is just that they have been watching the Government programme to see which shared ownership agreement they would like to prioritise. They have now looked at both shared ownership agreements and realised that the Kāinga Ora pathways and the Housing Foundation one

are very, very similar so we expect the ANZ to be a mortgagee of shared ownership sometime in 2022. It is used by Iwi, it is used by Māori housing associations, it is used by the Māori trustee through Te Tumu Paeroa. Iwi, Waikato Tainui, Ngāi Tahu, Port Nicholson Block Settlement Trust, are all using the shared ownership agreement at the moment. And as I said, the Kāinga Ora shared ownership agreement is heavily based on it and there is a reason they all look the same in the end and it's because of the banks.

The banks influence quite heavily the structure and the requirements for them for lending into a shared ownership agreement. We have also got Reserve Bank approval for it and that is really important because it was originally considered about eight or nine years ago as a way of getting around the loan to value constraints, i.e. could we lend to a family into a home that normally they wouldn't be able to buy but in lending to them and then buying the home, are we actually then breaching the loan to value, i.e. is our equity in the house a loan, and the Reserve Bank clearly said no it's not a loan, it's equity and therefore we are not actually breaching any loan to value requirements of the Reserve Bank.

And this is just a graphic quite simply showing how we operate the shared ownership programme. Whanau purchases with deposit and mortgage. What they can purchase using the mortgage is based on what they can afford. They borrow between 60% to 85% of the value of the property. The reason we cap it at 85% is that the likelihood is that if they can afford more than 85%, they can afford to buy an existing house in the community that they are buying into shared ownership. And the balance is what we own.

So, this is a bit more of a financial breakdown. This is actually a real example of someone who is buying into one of our houses in South Auckland at the moment. The house is valued at $700,000. It is a three-bedroom house, it has a garage, it's in a terrace, three levels, house is valued at $700,000. Whanau can buy for $455,000. They have a deposit of $25,000. So, it is about 5% deposit. They can raise a mortgage of $430,000. They have got a gross income of $85,00. We own the balance. And as you can see there the liability and the responsibility of the householder is the same as any homeowner. They pay Council rates, they pay the house insurance, they have to maintain and repair the home and they do pay us a yearly management fee.

Now, the reason they pay us a yearly management fee is because during the 15-year shared ownership period we are working with the family to enable them to buy our equity out. That is really the primary focus of shared ownership is how can we help them purchase our equity. So, at the end of the 15th year they are the full owner of the home. That requires us to spend quite a bit of time with whanau during those 15 years and part of that time is actually helping them with the financial plans.

Dominic Foote (Housing Foundation):

They will put in place at the day they move in and, prior to that, the financial plan that they have worked on with our support and that helps them to predict and project into the future how and where they anticipate buying more equity. It is also used as a savings programme, and it is also used to plan for when the unexpected occurs. Because we all know that stuff happens to us so over a 15-year period who knows, you may see a reduction income, separation, death, injury, anything that impacts and compounds someone's ability to earn money, the financial plan helps them navigate their way through it and to reset where they are going in terms of becoming a full owner.

To date all of our families that purchased have been 12 years moving into shared ownership and our average turnaround time for the family to buy us out is now sitting at just under seven years. So that's seven years from the day they purchased the shared ownership to the day they have become a full owner. The household, the whanau, can buy our shares at any time. They can buy them any time. We don't inhibit them, and we encourage incremental purchases or the full purchase. But the principal here is that they are always buying at value, the market value, and we get the shares valued when the family want to buy more equity, want to buy us out.

A bit of a basic comparison. If we were to sell that house in our Manukau development to the open market, it is priced at $700,000. That is its value. The family now need roughly 20% deposit and they would have to raise a $560,000 mortgage. They will be paying a mortgage of about $624 a week or that's 38% of their gross income if they were earning $85,000. But they actually need a deposit of $140,000 to do this. That's nigh impossible. Kiwisaver has been a brilliant instrument for people to be able to access deposits but no-one after nine years, 10 years of using Kiwisaver is anywhere close to $140,000. So, through shared ownership the same whanau are

able to buy 65% of their home, move in, own a home, pay the mortgage based at 30% of their income, deposit is $25,000, that is one person's Kiwisaver and a Home Start grant coming through and we own the balance and
we believe through the financial plan that the family have got that they are more than capable over 15 years of buying us out.

So, the main thing here is this is establishing affordability based on the income. It is really important for our Foundation not to move away from that principle. It gives renters the chance to own their home and as Julie said in Queenstown, it's the same thing in Auckland, mortgage payments are below the rent that whanau are currently paying in South Auckland. And the living costs are substantially lower as well, these are new homes, Homestar 6, so they are warm, they are insulated, they are healthy.

And the other principle, whilst this is a programme that has come late to New Zealand, because it has only really been in the last 20 years that New Zealand has struggled with the housing crisis and poor housing affordability, globally shared ownership has been in place since really before the mid-eighties. In the mid-eighties it became very large in Europe. I think in the UK last time I checked there was something like 160,000 households owned shared ownership homes. Here we have got less than 1,000. So, it has been very late into the market, but it is there now, and it is starting to be understood, it is accepted by the banks, the legal fraternity understand it and it certainly has a role to play now in helping families get into home ownership. Kia ora.

Mark Ormsby (Te Tūāpapa Kura Kāinga):

Tēnā koe Dominic, thank you for your presentation. I have just got a couple of quick questions before we move on to Conrad. With increasingly high house prices is shared ownership, in your opinion, still relevant in New Zealand?

Dominic Foote (Housing Foundation):

Yes, it is. The question is asking though is actually who it is relevant for more than anything else. So, when we started, we were working with whanau whose gross incomes were $65,000, $70,00 a year. Now we are working with whanau whose incomes are at a minimum have to be $85,000. But what is happening is we are seeing obviously affordability becoming a problem and we are talking more about Auckland, and I'll just move into the other part of the country in a second. But in Auckland it is still very relevant for households with high levels of income because it is a means for them to them to get into ownership, but what it's doing it's not helping whanau on lower levels of income. So, it has a major relevancy, it helps whanau get through, it takes the pressure off the rental market, which is really important, so it has a role.

Outside of the Auckland area, outside of areas like Tauranga, Queenstown, it still has quite a major role. We see areas like the Hawkes Bay, Waikato, parts of the Wellington region, Marlborough, elsewhere, Canterbury, shared ownership really has a role to play there because the house prices whilst they're significantly higher than they were five years ago, they are still affordable for families that were working from Christchurch who are on $70,000, $65,000 to get into their first home.

Mark Ormsby (Te Tūāpapa Kura Kāinga):

Thank you, Dominic, I think you answered my second question about where shared home ownership works best but I mean if there is anything you want to add to that?

Dominic Foote (Housing Foundation):

I think what we are seeing in New Zealand is the fact that shared ownership really has been constrained to two areas and that is Auckland and Queenstown with very small areas operating elsewhere and the issue that we are facing, it can work anywhere, but it hasn't got enough of a public profile so every time you go into a new

Dominic Foote (Housing Foundation):

place it's actually got to be raised, it has to be discussed, talked about, and it has got to be made accessible. So, I think shared ownership can work anywhere but it is also the publicity that is needed for it to be known and to be recognised.

Mark Ormsby (Te Tūāpapa Kura Kāinga):

Tēnā koe Dominic, thank you for your presentation, that was Dominic, the CE of Housing Foundation. We going to move quickly on to Conrad LaPointe, the CE for the Northern Region Tāmaki Makaurau tai atu ki te Tai Tokerau, Tēnā koe Conrad, ānei tō wā.

Conrad LaPointe (Habitat for Humanity):

Tēnā koe Mark. Kia ora koutou. As Mark said my name is Conrad and it's my pleasure to introduce Habitat for Humanity's rent-to-own programme for you. So, Habitat has been delivering this product for over 25 years across Aotearoa and what I am going to do with my slides, I am going to first of all just introduce really what the whanau journey is with us through that rent-to-own process.

So, at the start of the process Habitat essentially secures a property. We either purchase the land and develop or we will purchase turnkey and we own the property. We got through a selection process with whanau who have applied, and successful families will sign what we term a 10-year umbrella agreement that takes them all the way through to the process. So, essentially, it's a 10-year relationship with whanau to get them into home ownership at the 10-year point or before if they can make it. At pre-housing stage, I will talk a little bit more in-depth in the following slides, but that onboarding process is extremely important. In the first five years you have the umbrella agreement that is overarching but essentially the relationship is largely governed by a tenancy agreement. The first five years it is considered a tenancy. At that point when the whanau moves in the price is agreed. I think as Dominic alluded to earlier because of the price points that we are seeing, it used to be what the market's value was at that time, now we are fortunately able to secure homes at lower than market value or we give away the margin that we make on those properties if we develop ourselves to ensure that they are affordable for whanau. As it is a rental arrangement essentially Habitat is the landlord, the family is the tenant, and that relationship holds for the first five years. Habitat assumes the responsibilities that really any landlord would as it pertains to the property. Obviously, it is a little bit more technical than that, but I don't want to get into too much detail, essentially that is the tenant/landlord relationship.

At the end of five years if a whanau essentially has met what we would consider all the partnership obligations, then that is when the whanau can design what we term a long-term sales and purchase agreement. They are then considered the purchaser in possession of that home and then there is therefore another five years to keep paying down and hopefully secure that property.

So, at that five-year point as well, if we assume from day one a family is essentially paying rent, what comes out of that rent, which is generally a market rent, so a family has to afford a market rent, what comes out of that rent is all the outgoings. It is things like rates, insurance, but also obviously the loan repayments that we have been able to secure against the property. The difference between the rental payments and the outgoings is what we term the net qualifying rent. And over the period of five years obviously there will be a difference between what the whanau is paying in rent and the outgoings. That difference which let's assume is roughly $30,000 to $40,000 essentially becomes the deposit at year five. So, they've already built up at least $30,000 to $40,000 of paying down the value of the home at the year five period.

From year five onwards, it's really paying down as much as possible on the property under the conditions of the long-term sales and purchase agreement where Habitat is really the vendor, and the family is what we term the purchaser in possession of the household. This is slightly different from obviously the previous landlord, well very different from the landlord/tenant relationship, there are more responsibilities that fall on the whanau, it's almost as if they are owning their own home at the time in terms of responsibility for maintenance and some other repayments. And then at a certain point in that relationship a whanau will be able to afford the home and purchase the home from Habitat.

So, I just want to talk about the responsibilities through the process. So, it is our responsibility as the community housing provider to develop or secure a home that obviously meets all standards and set that affordable price point. This is becoming obviously a little bit more difficult in the context within

Conrad LaPointe (Habitat for Humanity):

Tāmaki Makaurau, but we are still able to do that, we feel. We are securing the favourable lending conditions and how this remains affordable is largely thanks to the current Government fund that exists. As you will probably be aware that fund provides 50% of either the purchase price or development costs to the community housing provider. This 50% is provided at zero interest. So, the 50% that we have to secure from a bank or financial institution, we do our very best obviously to secure the lowest rates, and so the interest that is being charged on that full price of the home is usually kept currently at below 2%. Because obviously we are only having to secure a loan on 50% of the price of the house. So, in terms of the increase in value of the home, arguably it is kind of around CPI rather than an increase in the interest rate.

As Dominic has alluded to in his presentation, we do a huge amount of financial engagement and planning, even from day one, it is really important obviously that the whanau is worked alongside to get to a point where they can own that home. It is very much in both parties' interests to secure home ownership at the earliest opportunity because the more quickly we can turn around whanau, the more quickly for Habitat we can get on to do the next home and recycle those funds. And obviously for the whanau as well, it is certainly what we find in most cases, they want that independence, they want that home ownership, they want to be able to step away from the support of Habitat and only rightfully so. So, it is really important as we go through that process together that everyone is very transparent in finances, in communication, into where people are in their financial journey onwards to secure ownership.

In terms of whanau responsibilities, obviously the application process is really important. It is a contested process. Julie alluded to the level of a waiting list in Queenstown alone of over 700 people. Obviously, we experience waiting lists like that as well and because this is a contested process each time for our homes, we have many more people that apply than we can actually obviously house. So, it is a contested process. The quality of that application is therefore really important. And then obviously developing that relationship from day one, you know, this is a 10-year relationship that we are going to have with each other so the whakawhanaungatanga is really important that we build that relationship, get to know each other, so specifically in times of trouble, which there will be, there will be bumps along the road, that both parties are really open and willing just to come up with solutions to keep on track. Because I think we have to recognise this and I am sure it is the same for the other providers, there are bumps in the road and because of our values and our mahi and what we represent it is really important actually that we are not acting like a landlord or like a bank. We are acting like a partner in this journey, and we want to come up with solutions if someone loses their job, someone passes away, there are additional costs. We understand that and we want to just keep everybody on track through that process.

So, just in terms of why rent-to-own works as an affordable mechanism for home ownership, from day one all the equity sits with the whanau. Habitat does not gain any equity on these properties at all. When the price is set at day one, whether that is a market price which is rare these days, or the price that we fix that we consider affordable, so for example there is a three-bedroom house that we will be putting people into in Pukekohe in about two months. That price has been fixed at $650,000 and that will remain at that price. Now that house will be probably valued at about $750,000 but that's not the price for whanau. So, from day one you are already as a partner family receiving around about $100,000 in equity gain and then obviously you are starting to pay down the value of that home, of what you owe Habitat essentially, through your net qualifying rent.

As you go through the process obviously like we say it is a 10-year process, as you gain and gain equity as we assume that you will over 10 years, and show that strong repayment history, it makes the whanau very attractive for a bank. What we are generally finding now, and I appreciate that times

Conrad LaPointe (Habitat for Humanity):

change from year to year, but a whanau that was with us six or seven years ago, most of those whanau are now able to settle because of the considerably equity gain that they have achieved in the last six to seven years and also being able to pay down through their net qualifying rent payments. Also, what is very important is that we encourage Kiwisaver, it is actually a prerequisite of the programme that whanau has to have Kiwisaver, and so this will also help when you come to purchase that home.

As PHO subsidy passes through the partner family, I've already really discussed that, that's the subsidy that we receive in terms of the zero-interest rate, so all of that is passed through to whanau, we don't clip the ticket on that. And again, like I say there is an affordability point, and this is where it is quite important, we feel this conversation gets to with whanau. Over time your rent is going to increase. If we assume a market rent from day one and that rent is reviewed each year, that rent is just going to increase. However, there will come a point in time where the mortgage required to purchase the home from Habitat, the repayment on that mortgage is going to be less than your rent. Now generally we are finding that around about seven to eight years these days, particularly with low interest rates that is particularly favourable at the moment and certainly even more so last year, but that is essentially where the affordability point is reached and that is where we encourage and do our best to get whanau to settle at that point because we feel at that time, we have done our job. We exist to get whanau into home ownership. At that point they can afford home ownership and so that is where settlement is highly encouraged before year 10. But sometimes it doesn't work like that and sometimes it takes a bit longer. We are flexible. Sometimes these relationships go beyond 10 years and that again is appreciative of that there can be bumps along the road, but we still want to hold. So, while there is a 10-year umbrella agreement, of course in any relationship and in any document, there is flexibility.

So, in terms of the key takeaways, for the community housing provider or whoever is providing this product, we need to be very careful that we are modelling what Habitat can afford, but more importantly what the whanau can afford as it relates to household income and Dominic alluded to this as well. This is the key point. The affordability is determined by family's household income. And generally, the first starting point regardless of house price is actually what is that weekly market rent. The family needs to be working, they need to afford a weekly rent, this is generally market rent.

Secondly, obviously building that relationship, we all know that the key to any relationship is good communication, and it is extremely important to hear. And that first five years, while there is an umbrella agreement, largely you are under rental agreement conditions, and this is where obviously if there are problems the community housing provider does have the ability to end the relationship quite easily if things just aren't working out. Now we hardly ever have to do this, I think in my time with Habitat I know of one whanau that essentially, we have had to kind of remove, exit from the programme and that was a very extreme circumstance because the selection process is really important. There is a number of interviews, there is a long application process, and the length of time that is required is again very important. This is not just a one- or two-month build-up to signing agreement to Habitat. It is longer than that and that's why getting it right is so important because it is in no-one's interests, the CHP or the whanau, to fail through this process. Because once you are at that first five years and you have signed a long-term sales and purchase agreement, while I wouldn't say it is downhill from there, it is pretty much everyone is committed, and the home ownership is not too far away from that point. Okay that's all from me.

Mark Ormsby (Te Tūāpapa Kura Kāinga):

Tēnā koe Conrad. Thank you for that presentation. Before we move to the panellists, I have got a few questions for you Conrad. What household income are you targeting?

Conrad LaPointe (Habitat for Humanity):

So generally, in Auckland now we are looking at household income of probably a minimum of about $75,000 and there is a maximum we like to hold to which is around about $100,000 to $110,000, but as a minimum it is about $75,000. It does change from case to case because a lot of this is really dependent on how whanau is managing their debts, what their housing habits are, how many children there are, so all of these come into the equation as well.

Mark Ormsby (Te Tūāpapa Kura Kāinga):

What is the attrition rate like Conrad, how many families fall through the process?

Conrad LaPointe (Habitat for Humanity):

So, we recently did this across the whole of Habitat, across Aotearoa, and of the 550 houses that we built over that time we have had 1.1% of whanau haven't made it. So, a very small amount. And some of those will be for a myriad of reasons. A lot of those are not because of affordability issues. Some is because of death in the family etcetera and so it is outside of one's control, force majeure incidents.

Mark Ormsby (Te Tūāpapa Kura Kāinga):

With Habitat for Humanity as a current PHO provider, are there many homes available for whanau with six or more tamariki and what is the average cost?

Conrad LaPointe (Habitat for Humanity):

To be honest and embarrassingly so the short answer is no, not at this current time. It is certainly a challenge that we have to overcome. The reality is it becomes a massive cost issue with the higher density, particularly in the last couple of years that we can now have in Auckland, the cost of building a four or five bedroom home which would be needed is insane actually, for want of a better phrase, and so you would be looking at a cost to whanau of well over $1.3 million, something like that probably and so at the moment it is a real challenge for the sector to provide homes that are above three bedrooms. I would say that is probably true for the other providers in the room as well. But I don't think it is something that we can necessarily give up on and I think that is a big challenge for actually future providers who potentially own the land and to be more responsive to the exact needs of their members and in order to work around that when there is land available.

Mark Ormsby (Te Tūāpapa Kura Kāinga):

Finally, Conrad, does Habitat for Humanity partner with whenua Māori aspiring PHO providers?

Conrad LaPointe (Habitat for Humanity):

Yes, at the moment we are working quite closely with Te Roroa iwi in the Hokianga, I think I saw Thalea online just earlier. So yes, and they have aspirations to become a PHO provider. I think largely at the moment I think I saw Donna Robinson from Kirikiriroa in the Waikato; I know that we are working quite extensively with them but that's largely actually putting our product over their housing and housing their members. Generally that is what has been happening so I know with Ngāi Tai ki Tāmaki, Waikato Tainui, they have produced the housing, they own the land and we have purchased the homes from them, overlaid our PHO product and are housing their tribal members into those homes and there is very robust agreements that ensure that that happens, that iwi members are taking advantage of that relationship and what is most important in all that, the affordable prices that those iwi are providing on to their members. So, to be fair as well I know they are not iwi but Penina Health who are a Pasifika CHP, they are just starting their journey into the PHO space, and we are working directly alongside them sharing our IP and I think as well I know that the other providers who are on this discussion today share everything with open hands and we see that as very clearly part of our role as well.

Mark Ormsby (Te Tūāpapa Kura Kāinga):

Tēnā koe Conrad, thank you for your presentation.

Another question raised from Kahurangi Johnson for Julie was if the person passes away who's name the house is under and the children live in the house can they live out the 100-year lease or do they have to buy it. If they can live in it under the 100-year lease what happens after that.

And Julie has answered, as the lease will have a mortgage with the bank this will become the main consideration if that lessee passes away. The bank would still require the home loan to be paid off so if this was possible, e.g., a whanau moved into the home to look after the children and were able to take on the loan, then this could certainly be a way for the children to remain in the home. Alternatively, if the children were older and had the ability to take on a home loan themselves then this could also enable them to stay in the property. Lots of questions there for Julie but I am going to try and flick one of the ones to a panellist, if you can all unmute, we have got a few questions here.

We will start with a question for Malo: When will Māori organisations be given the opportunity to receive the financial support to set up their organisations so that they are able to progress with their Māori housing programmes?

Malo Ah-You (Te Tūāpapa Kura Kāinga):

That's available at the moment in the Whai Kāinga Whai Oranga so there is capability support under He Taupua fund which is available on the HUD website for Whai Kāinga Whai Oranga so that opportunity is available now.

Mark Ormsby (Te Tūāpapa Kura Kāinga):

Here's a question I believe it's for Dominic: Does the Housing Foundation shared equity model work well in regional areas that don't see capital uplifts like Auckland?

Dominic Foote (Housing Foundation):

Yes, it does. In fact, arguably it probably works better in regions where the value uplift isn't as extreme. Because what's happening is as prices rapidly rise as we've seen through Auckland, household incomes don't. So, the ability for whanau to buy out as house prices increase but their incomes don't increase becomes actually harder. So, in regions where value uplift is lower, prices rise slower, it is actually a far better product, it works well.

Mark Ormsby (Te Tūāpapa Kura Kāinga):

Question for Conrad: How has Habitat for Humanity accounted for the new RTA rules around tenancies?

Conrad LaPointe (Habitat for Humanity):

That's a tough one. I assume that the question is directly related to the right to transfer your tenancy now. If that is the case, we are working through at the moment. What we believe is that our umbrella agreement is the agreement, is the overarching agreement, and because that umbrella agreement essentially governs the process if this does get tested, if this ever gets tested, obviously we will contest it and we will test the efficacy of our umbrella agreement. I think that's all we can say for now, it's a bit of an unknown until this actually gets tested and we have a real example in front of us. We haven't addressed it because it is law and we haven't addressed it in the umbrella agreement, I think we have to wait until that is tested.

Mark Ormsby (Te Tūāpapa Kura Kāinga):

Here's a question for Julie: What infrastructure does the Trust have to operationalise a programme such as your leasehold model?

Julie Scott (Queenstown Lakes Community Housing Trust):

Well, that's a good question. We have a really small team; we currently have 2.75 fulltime equivalent staff. When we first started back in 2007, I was the sole employee for five years. So, I would suggest that it actually doesn't, in terms of staffing, human resourcing, it might not take that much to get going. The one other thing I think is really important to remember as Conrad pointed out before is that established CHPs like ourselves are really happy to share our IP. So, we've got all the secure home agreements, we've got a whole heap of learnings from the last two and a half years, we want to share that with everyone freely, so you don't have to pay for the legal fees to get all that documentation set up. Come and use our IP, come and use our documents, look at our learnings, see what's worked, what hasn't, dig into us and dig out information that you want, we are happy to share. So, we want to grow the CHP sector in New Zealand and a way to do that is help smaller organisations to get established and up and running.

Mark Ormsby (Te Tūāpapa Kura Kāinga):

The next question I think this might be for you Malo: Do you have to be a CHP to do PHO?

Malo Ah-You (Te Tūāpapa Kura Kāinga):

No.

Mark Ormsby (Te Tūāpapa Kura Kāinga):

Question here from Roly Fitzgerald: Are you all able to share numbers of whanau Māori and/or Pasifika that have entered into your PHO product homes?

Conrad LaPointe (Habitat for Humanity):

I would say I wouldn't know the exact number but generally for Habitat in my region in Tāmaki Makaurau and Te Tai Tokerau we are looking at about 78%, give or take, obviously that would change region to region quite significantly.

Julie Scott (Queenstown Lakes Community Housing Trust):

Ours is a bit lower so we have in the Queenstown Lakes we have a much lower Māori and Pacific population compared to particularly the North Island and Auckland so ours is a lot lower. I don't have the stats to hand, but I can tell you it's a lot lower than that and particularly with the first development, the major one where we did the PHO, the Toru Apartments, they were one and two-bed apartments, so they are not particularly conducive for larger families. So, in that situation it is not going to be reflected a higher level of Māori iwi but certainly the next PHO funding that we've got is more three/ two bedder homes, standalone homes, so the numbers there will be quite a bit higher.

Dominic Foote (Housing Foundation):

For the Housing Foundation, the early days I think probably our Māori and Pasifika representations are low. Over the last five years I would hazard a guess, and it is a guess, it would be about 70% to 75% Māori and Pasifika and that's really reflecting now where the Housing Foundation is focusing its provision of affordable housing and we're going into the communities where we know housing and home ownership is actually poorly represented by Māori and Pasifika households.

Malo Ah-You (Te Tūāpapa Kura Kāinga):

And Mark from our current funding point of view, of the 166 houses that we have contracted with the current providers, 53 households have been housed at the moment and the makeup of those 53 households are 28% Māori, 22% Pasifika and 62% families with children. So that's just from a programme level at the moment. And those stats are as of the 30th of September.

Conrad LaPointe (Habitat for Humanity):

Mark, yes, sorry just wanted to add I think what we have been able to show between Julie, Dominic and myself is that while there is a wide body of work there is some considerable constraints that we have in delivering homes at an affordable level in some aspects, but also in the house size. And I think what is really encouraging now is that there is definitely a huge opportunity for Māori providers to actually do arguably a better job than we have been able to and to house your people better. I don't think it should be a case of because we have done so many hundreds of houses that that should ever be seen as, because you are starting from zero, I think the opportunities that do exist now particularly under the current funding, do offer that gap that we in some ways have not been able to adequately fill because of the constraints that we historically had, particularly around access to land. So, I'd really encourage people to, you know, get on it because you are going to be able to do a better job than we are.

Mark Ormsby (Te Tūāpapa Kura Kāinga):

Another question for the panel: Does financial capability feature in the screening process for whanau, i.e., whanau learning the basic knowledge of home ownership?

Dominic Foote (Housing Foundation):

I will kick the answer off. For us it is an absolute necessity. We are working with families who are living on a sort of hand to mouth environment and so the ability to be able to see through and actually what they get as income, what they have to pay out as debt, is really hard so we step back and actually look at that so that's part of the skill set that we bring in and the other CHPs bring to this is actually taking on that role in the early days and sitting down with whanau and saying let's look at your situation, let's talk about it and that's actually the hardest bit is actually getting that conversation going. Once you've got the conversation going then you can sort of dig into how effective it is, and that's why we all run different programmes because some whanau will be better off in the early days maybe being in a Habitat home or being in a rent-to-home own home or in shared ownership, that's how you start to define the pathways for whanau to get into home ownership. It's so important, it is so important getting that understanding clear for whanau to own the understanding as well and then to work collaboratively to help them transition into ownership through whatever model works best for them.

Conrad LaPointe (Habitat for Humanity):

A lot of it is that shift from kind of understandably short-term thinking week to week and whether that's due to affordability issues but also just because one is renting and hasn't thought about home ownership. A lot of the families that we actually house have never even thought they would be able to own a home. They hadn't even come across and they almost threw in an application just for the hell of it because they saw an opportunity. That's great but then once if they have been approved then that's where that journey of thinking long term, how do we save, what's maintenance issues, rates, all these other expenses that come out and it is not easy for anybody to change their thinking overnight. That's why with particularly shared equity and rent-to-own there is that long process of reaching that. And that's not just about affordability, that's also about changing habits, mindsets and planning.

Mark Ormsby (Te Tūāpapa Kura Kāinga):

Got another question here and this might be for you Malo, but I believe the others will know this: How many PHO and/or CHPs are there for Pasifika whanau in New Zealand?

Malo Ah-You (Te Tūāpapa Kura Kāinga):

There are currently no approved from HUD's perspective PHO providers for Pasifika at the moment. There is one that we are working with at the moment, and they are partnering with Habitat for Humanity Northern at this stage and that Penina Health Trust. In terms of how many Pasifika CHPs there are, there is only one and that is Penina Trust up in Auckland. There is some work that the Ministry for Pacific Peoples is doing around trying to bring on more Pasifika CHPs and that is a piece of work that is being led by themselves. So, yes unfortunately there is only one in the CHP space and none in the PHO space, but we are working on that.

Mark Ormsby (Te Tūāpapa Kura Kāinga):

Kia ora Malo. Just on that thread too there is another question: If you are looking at Pasifika families will the schemes look at the incomes from multiple people in the house?

Malo Ah-You (Te Tūāpapa Kura Kāinga):

Yes, so the current household eligibility for PHO, there is an income limit and that is $130,000 for the household. That can be extended for multigenerational households and that tends to be in Pasifika and Māori whanau or ainga and there is a formula for that, and it can go up to 140% of the median household income for that region. Now that is a convoluted assessment but that is on our website around the ability to look at multigenerational households.

Mark Ormsby (Te Tūāpapa Kura Kāinga):

Another question from Zola Rose: The collective housing sector is gaining in momentum. There are housing communities like Cohousing, Ecovillage and housing cooperatives that are being driven by groups who want to live there. Would PHO be available to these groups to apply to and more intentional and values-based shared co-created neighbourhood development?

Conrad LaPointe (Habitat for Humanity):

The short answer is yes but I have to admit Mark I am sorry I missed the first part of the question in terms of who we are particularly focused on that?

Mark Ormsby (Te Tūāpapa Kura Kāinga):

The question is probably for anyone that can answer it. The question was the collective housing sector is gaining in momentum. These are housing communities like Cohousing, Ecovillage and housing cooperatives. Would PHO be available to these groups?

Conrad LaPointe (Habitat for Humanity):

Yes absolutely, I mean the product is what it is and if there is people who want to utilise that product and it fits within those, obviously there's a lease arrangement that needs to happen within Queenstown, the shared equity arrangement is really important, for ourselves there is a title that gets transferred, how that transfers into these types of cooperative situations will be complicated without a doubt but that's not to say there's not a solution around it, particularly Housing Foundation and Queenstown Lakes have had to work really hard in getting banks to understand their model. Ours is a little big easier to be honest because Habitat owns the house and then at one point in the future the whanau does. So, these challenges are always surmountable but sometimes can take a lot of time and money to resolve.

Mark Ormsby (Te Tūāpapa Kura Kāinga):

Tēnā koe Conrad.

When you started out Julie did you do everything you know around the screening of families, negotiating contracts etcetera?

Julie Scott (Queenstown Lakes Community Housing Trust):

I'm slightly not sure about that question but I think yes, we do everything, we screen the families, we negotiate contracts, we do everything inhouse, so yes. Mark, I just saw one other question in the Q & A that has been missed and I would like to answer from Simpson Almond. He said: Was the key to this development the 100-year lease? For Māori land we're restricted to a maximum of 51 years. In your experience would this term work? And the answer is that I think yes, we have only been running our leasehold model for two and a half years so I couldn't answer definitively, but certainly our experience from shared ownership is that households stay in the property for around five to seven years. We expect that under a leasehold, households will stay there for longer. It's hard to gauge at this stage because it is still relatively new, but I expect it may be 10 to 15 years. So, I think offering a 50 year or 51-year lease would work. It is really how long a household will want to stay in that property, because remember each time they sell back to you, the Trust sells to a new household with a new 51-year lease. So, there wouldn't be that many households I imagine who would actually stay in the property for 51 years so I would think it would work for 99% of your transactions.

Mark Ormsby (Te Tūāpapa Kura Kāinga):

Tēnā koe Julie. This might be a question for Malo but it's open to everyone: Who are the Māori or non-Māori PHO partnerships in Te Tai Rāwhiti?

Malo Ah-You (Te Tūāpapa Kura Kāinga):

I don't think we have got any approved providers in that region. I do know that we have had a number of discussions with Te Runanga o Ngāti Porou to see how we can work effectively or engage with them. But this is what these webinars are about, it's about getting more providers interested in PHO and happy to have those discussions with interested parties from Te Tai Rāwhiti going forward.

Mark Ormsby (Te Tūāpapa Kura Kāinga):

Kia ora koutou. I want to take this time to thank our panellists today that have come. We have already said farewell to Dominic who was the CE of Housing Foundation. Also want to thank Conrad LaPointe from Habitat for Humanity from the Northern Region and Julie Scott, our queen down in Queenstown who was talking about the leasehold model today, and finally to Malo Ah-You who is part of the HUD, the Manager for the PHO team. Hēoi ano koutou, tēnei to mihi atu koutou. Koutou e taringa whakarongo mai ana, tēnei to mihi atu koutou. Hēoi ano koutou mā, tēnei te mihi atu kia koutou huri noa o te motu, tēnā koutou, tēnā koutou, kia ora mai tātau katoa. Ngā mihi.

Questions & Answers

Episode 2
PHO Products Explained

These are the questions that were answered by the Panel in written format and therefore not included in the recorded transcription above.

Questions	Answers
Great model Julie, if for whatever reason the whānau can't maintain their loan, can the bank sell the lease to someone else, or does this come back to the trust?	Kia Ora - yes, the bank can sell the lease to anyone they choose IF the Trust is not in a position to buy it back AND the whānau is unable to maintain the loan. The new lessee will not have the usual restrictions of the Secure Home programme, so the value of the lease will have increased. However, we think the risk of the Trust not being able to buy it back is minimal, so it's unlikely the bank would ever need to sell the lease to a 3rd party.
Who is the preferred bank your entity uses for each purchase? **Id this also accessible or meet criteria for Kāinga Whenua Lending?**	For the leasehold model, Secure Home, our households currently use SBS Bank for their home loans. However, we are working closely with other banks and hope to have Westpac and ASB partnering with us soon, who will also offer home loan to Secure Home households.
How does inheritance work? **Can you inherit?**	Can you ask for a bit more context on this question? Inherit the house or cash or anther property? I'm not sure what they're asking.
If the person passes away whose name the house is under, and the children live in the house, can they live out the 100yr lease or do they have to buy it? **If they can live in it under the 100yr lease, what happens after that?**	As the lessee will have a mortgage with the bank, this would become the main consideration if that lessee passed away. The bank would still require the home loan to be paid off, so if this were possible (e.g., whānau moved into the home to look after children and were able to take on a loan) then this could certainly be a way for the children to remain in the home. Alternatively, if the children were older and can take on a home loan themselves, then this could also enable them to stay in the property.

Ngā mihi whānau!! Given the long term, intergenerational aspiration, has work been done in the past to get whānau 'ownership ready' through budgeting support etc to then purchase?	Yes, there is, register for Episode 3 where Leisa Nathan will discuss her contribution to this space. Also, TPK fund Sorted Kāinga Ora and Ministry for Pacific Peoples has a programme underway.
Are PHOs allocated to deliver only within specific areas or nationwide?	Nationwide