



# Guidance to Organisations Entering Housing

## Introduction

This guidance is intended to assist organisations considering involvement in transitional, social or affordable housing. It highlights issues that you should consider and covers three main areas:

- What organisations should consider when planning to become involved in housing
- Issues and options for existing organisations wishing to develop and manage housing
- The requirements of becoming a registered Community Housing Provider (CHP)

## Thinking of getting into housing?

All organisations considering becoming involved in owning or managing transitional, social or affordable housing should ensure that they have explored the implications and options carefully at a governance and senior management level. The Community Housing Regulatory Authority (CHRA) will want to see this as part of an application for registration as a Class 1 Social Landlord. It is important that your governing body does due diligence to ensure it understands the implications and risks of developing a new business area and that this is clearly aligned to your strategic purpose. The following is a checklist that you should consider prior to committing to the process of developing a housing strategy or business plan:

- Do you want to deliver transitional, social or affordable housing (or any combination)?
- Why do you want to deliver transitional or social housing?
- Do you want to build, buy or lease homes?
- Do you have a clear target group? – What is it?
  - Have you identified a need in that group?
  - What is the main need you are trying to address?
  - Is there any other way you could meet that need other than by becoming a CHP?
  - Why are you best placed to meet the groups' housing need?
  - Is anyone else meeting that groups' needs?
  - Have you considered partnering with an existing Community Housing Provider to meet the need?
  - If not, why not?
- Is becoming a housing provider aligned with your current strategic intent?
  - How is housing aligned with the organisation's strategy?
  - Does your governing instrument allow you to become a housing provider?
  - If not, can you amend your constitution to allow you to deliver housing?
- Is there a clear vision for housing at a governance and management leadership level?
  - Does your Board have relevant skills? (legal, property, financial or housing).
  - Does your management have relevant skills?
- Do you want to register as a CHP?

- Do you understand the requirements of becoming a CHP?
- Have you checked the CHRA website/read the guidance?
- Have you spoken with CHRA?
- Do you have access to funding and finance?
  - Can you access debt - would a lender lend to you?
  - Do you have access to land?
  - Do you have access to equity?
- Do you have a robust business model?
  - Have you developed a financial model for the housing service?
  - Have you forecast a viable cash-flow based on the model?
- Do you have any housing (asset and tenancy) knowledge/experience?
  - If not, have you identified how you can fill that gap?
- Do you understand/have a good knowledge of the relevant legislation? (RTA etc.)
- Do you already have strong organisational systems, policies and processes in place?
  - Do you have any other form of Accreditation? (e.g. MSD/Health)
- Have you considered the risks involved in delivering housing?
  - Have you considered approaches to mitigating risk?
  - Do you have a Risk Management Plan?

Once you have worked through the questions in the checklist you should capture the responses in a document that will form the basis of your housing strategy or business plan. If the governing body is not involved in its development, you should produce a Board Paper outlining the process and conclusions and provide evidence that the governing body has considered and approved the strategy (Board Minutes).

For further assistance in considering these issues, CHA has developed a Guidance Note on Developing a Housing Strategy.

## Options for existing organisations wishing to develop or manage housing

### What is the best structure for an existing organisation looking to provide housing?

If you are an existing organisation delivering non-housing services, e.g. a health provider, a mental health or social service or a Māori body e.g. a Māori Land Trust etc. you will need to consider how you deliver housing services, including the relationship between your existing services and any new services developed. You have several options including:

- Delivering housing services within your current structure
- As a separate business unit, but within the same constitutional structure
- Or as a separate entity established specifically to deliver housing services, but with a constitutional link to the current organisation.

The following questions may be useful to assist in deciding whether to establish the housing function within the organisation, as a separate business unit or to establish a separate entity:

1. What is your core business? Is there scope in your Trust Deed or Constitution that enables and mandates the organisation to own, manage and provide social and/or affordable housing?

2. What are the intentions of your organisation regarding housing? Do you intend to be a medium to large provider or just own a few houses? Do you intend to provide housing for a generic target group or will your housing be limited to your current client group?
3. What housing and/or property expertise and experience do you have in your governance?
4. How will you set up and integrate housing into your current business? What will the structure look like? What skills/expertise will you need to bring into the organisation?

Before any decision is reached, CHA advises groups to get legal advice as to the best approach for the organisation. Each organisation has different rules governing what they can and cannot do and have different objectives and powers.

Existing not-for-profit organisations providing social, health, education or other services that are looking to become housing providers should consider the most appropriate structure for doing so.

#### Alignment with mission

If the provision of housing is closely aligned to the mission of the organisation it is likely to be either included in the objectives and powers of the organisation's Constitution or Trust Deed. If not, it is a simple and straight forward matter to amend or add clauses without affecting the original intent. If the organisation's mission does not reference housing, establishing a separate entity may be simpler than making significant changes to the existing constitution.

#### Separation of services

To become registered as a Community Housing Provider (CHP), an organisation needs to be able to demonstrate the separation of housing services from other services operating within the organisation (see CHRA Guidance Note 2). This is to ensure there are sufficient protections for tenants and to ensure CHPs are well governed, are financially viable and deliver appropriate housing services to tenants.

This separation can be achieved by setting up a separate business unit within the existing entity responsible for planning the housing activity, managing the housing as a separate function, employing qualified and dedicated staff to manage the tenants and the housing and being accountable for housing income and expenditure. Separation can also be achieved by the establishment of a separate entity such as a subsidiary – a limited liability company or a charitable trust. An organisation may initially choose to establish a separate business unit and as the housing business grows, may decide to set up a separate or subsidiary entity in the future.

### Size of housing portfolio

The decision whether to establish a separate entity should also be based on the current and intended size of the housing portfolio and housing services. If the organisation plans to become a medium to large provider, establishing housing as a separate entity will be more important than if the organisation only intends to own a few homes.

### Owning and managing assets

Owning and managing assets (in particular residential housing) may be a new function for an organisation. The organisation may be looking to gain access to assets through government grants, donations or transfers. A trust or similar structure may be set up to ensure assets are used according to the wishes of the property owners (i.e. the settlors, donors or government). This kind of structure means you are able to:

- Ring-fence or limit the way an asset can be used
- Make it easier to gain access to these assets by providing security to government or lenders, as to their use without impacting on other assets not within the trust structure
- Help create sufficient scale in one entity to enable better rates for borrowing, leveraging asset holdings and leveraging from other areas of the business.

### Establishing a separate entity

If a subsidiary structure is selected, the level of influence a parent company can have includes:

- Appointing and removing board members
- Sharing common board members
- Include powers to approve, determine strategies, policies, plans and budgets
- Include voting rights for the parent company board.

Resources can also be shared between parent and subsidiary entities. Administration, human resource, information technology, office space and equipment are examples of 'shared services' that can reduce the cost of setting up a subsidiary to own and manage housing. And in some cases, the new housing entity can provide services back to the 'parent' or the wider group such as facilities and asset management.

Below are lists of the advantages and disadvantages of establishing housing as a separate entity.

Advantages of establishing a separate entity include:

- Can isolate riskier or different business
- Can be easier to attract partners
- Easier to attract governing members and staff with housing/property related skill sets
- Preserves the identity of an organisation
- Can accommodate cultural/financial differences and objectives
- More easily understood by investors
- Easier to meet regulatory requirements and satisfy CHRA to meet ongoing compliance
- Can allow the provider to develop a clearer housing strategy/business plan
- Creates a clear separation of the landlord function from any support services provided.

Disadvantages of establishing a separate entity include:

- Can be costly and time consuming to set up
- More expensive to maintain – increased operating and management costs
- Can be bureaucratic and unwieldy to operate a subsidiary
- Danger of an ‘us’ and ‘them’ culture developing
- Distancing the parent organisation from tenants can impact on needs of tenants/customers being met.

## Community Housing Regulation Authority Registration – Becoming a Class 1 Social Landlord. What is required?

Extracts from the Community Housing Regulatory Authority (CHRA) – Becoming a Class 1 Social Landlord leaflet Dec 2016.

Phone: 04 896 5908 Email: [CHRA@mbie.govt.nz](mailto:CHRA@mbie.govt.nz) Website: [www.chra.mbie.govt.nz](http://www.chra.mbie.govt.nz)

### Who can register?

To be eligible to become a Class 1 Social Landlord you must meet CHRA eligibility criteria and demonstrate the capacity to meet the Performance Standards.

### What are the eligibility criteria?

- Your organisation must be a housing provider; that is, be an organisation that has as one of its objectives the provision of social rental housing and / or affordable rental housing
- Your governing body (or equivalent) must support the application for registration
- The Authority, must be satisfied, on reasonable grounds, that you have the capacity to meet the performance standards.

### What are the Performance Standards?

The Performance Standards are the statutory benchmark CHRA uses to assess the capacity of a CHP when it applies to be registered. Once registered, your organisation has to continue to meet the performance standards, and CHRA monitors this on an annual basis.

The following components of a CHP’s capacity and performance are assessed and monitored:

- Governance, Management
- Financial viability
- Tenancy Management
- Property and Asset Management.

### Once registered

If your application is successful, you will attain the status of a class 1 Social Landlord and your organisation will be added to the Public Register.

## Public Register

CHRA maintains a list of all organisations that achieve registration as a Class 1 Social Landlord. Its purpose is to ensure that registration and regulation of CHPs is as transparent as possible and enables social housing tenants to make informed housing choices.

## Benefits of registration

Registration means your organisation:

- May be eligible to enter into a contract with MSD (at MSD's discretion) for IRRS
- Will be monitored by the Authority on an annual basis to ensure your organisation continues to meet the eligibility criteria and Performance Standards
- Will be listed on a Public Register, which is regularly reviewed by organisations wanting to partner with registered CHPs
- Can apply for tax exemption through the Inland Revenue Department if required. This only applies to community housing entities that have been set up to provide housing or housing assistance for low income households who may not otherwise be able to buy their own home.

## A Summary of the Authority's process

### Pre-Application meeting

This gives CHRA the opportunity to understand your organisation's circumstances and to answer your questions. It also allows CHRA to discuss your organisation's suitability for registration, the Regulators expectations of registered CHPs, the regulatory requirements and the level of supporting information CHRA would require your organisation to submit with an application. If it is agreed that an application is appropriate, CHRA will send you an application form to complete following the meeting.

### Application evaluated

Once CHRA has received an application, it is evaluated to ensure your organisation meets the eligibility criteria and the documentation you have provided demonstrates capacity to meet the Performance Standards. The evaluation process is not a check-box exercise. CHRA actively evaluate all the documents submitted with your application to assess your suitability for registration.

### Registration decision

The CHRA Evaluation Panel makes a recommendation to the Regulator, who decides whether to grant registration. CHRA aims to make a decision within 60 working days. However, if the regulator deems that insufficient information has been provided, it will contact you to request further information.

Successful applicants will be added to the Public Register and registration will be published in the New Zealand Gazette. CHRA also notifies MSD that your organisation has been registered.

## Annual Monitoring and Reporting

As a Class 1 Social Landlord you will have ongoing obligations to provide information to CHRA, including the Annual Regulatory Return and Disclosure and Change reporting when certain events occur. Annual reporting is usually completed within 28 days of your organisation's AGM (or equivalent).

Reference Documents:

[www.chra.mbie.govt.nz](http://www.chra.mbie.govt.nz)

CHRA Performance Standards and Guidelines

CHRA Guidance Note. Class 1: Social Landlord. What sets you apart?

CHRA Guidance Note. Separation of Services

## Support Available to Groups

### Community Housing Aotearoa

Organisations wishing to become involved in housing – Transitional, Social or Affordable – can get support from Community Housing Aotearoa (CHA). Community Housing Aotearoa is the representative body of New Zealand's community housing sector. Our 110 members build, manage or provide affordable and social housing. Our Vision is to see 'All New Zealanders well-housed' in warm, safe, dry and affordable homes as a basic human right. We work to support the growth and development of community housing providers to enable them to provide affordable and social housing.

CHA can provide up to 10 hours of advice and assistance to groups considering getting involved in housing at no cost. This is made possible through Central Government's financial support of CHA.

In addition, CHA has produced a Best Practice Guide to social housing that outlines the standards that Community Housing Providers should meet. We provide examples of the kinds of policies and procedures that help providers meet those standards. The Best Practice Guide is closely aligned to the Community Housing Regulatory Authority's Performance Standards for Class 1 Social Landlords. If an organisation follows the BPG Standards, it should demonstrate that it has the capacity to meet the Performance Standards. The BPG is available here: <https://www.communityhousing.org.nz/collaboration/Best-Practice>

CHA has also produced guides and templates on key policies – specifically those relating to Tenancy and Property Management. We will be adding to these and updating them on an ongoing basis.

### Community Housing Solutions Ltd

If you require additional assistance beyond the initial 10 hours support provided by CHA you will likely need to contract with a Consultant. There are consultants that can provide services to assist groups establish themselves as housing providers and you should speak with them to consider whose services best match your needs.

CHA has established Community Housing Solutions Ltd to provide specialist advice and assistance to groups. CHS is a specialist housing consultancy that can assist clients with a range of assignments in relation to social and community housing. CHS was formed by CHA to separate its general member services from specialist consultancy services.

CHS provides consultancy services in social and affordable housing to developers, community housing organisations, local and central government. The type of work undertaken supports the work of CHA to build the capacity and capability of the housing sector, to increase housing supply and to improve housing outcomes for New Zealanders. For more information on Community Housing Solutions Ltd and the services it provides read here:

<http://www.communityhousing.org.nz/about-us/community-housing-solutions-ltd>

## Resources

CHA is developing resources on an on-going basis, including 'Guidance on Developing a Housing Strategy'. These can be found on our website:

<http://www.communityhousing.org.nz/collaboration/Best-Practice>

The Community Housing Regulatory Authority has a lot of information on its website for organisations wishing to apply for registration, including Guidance Notes and the Performance Standards and Guidelines. This information is available on the CHRA website:

<http://chra.mbie.govt.nz>

**This Guide is produced by Community Housing Aotearoa  
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