

# Notes: Meeting to Review Sale to Trust House

23 March 1999

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**Present:**

Kathy Parsons (Chair)  
Graeme Middlemiss  
Nigel Spratt  
Peter McKenna  
Anna Barnett  
Pauline McLellan  
Angela Pearce  
Bruce Riden  
Craig Nisbet  
Linda Watkins  
Penney Foley  
Jenny van der Merwe

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## 1 Identification of Portfolio to be sold

- Start with Asset Management Plan
- In Masterton wanted to sell entire portfolio in Neighbourhood Unit
- 560 was ideal size - critical mass for viable business
- Meet Policy objectives:
  - Low level of unmet demand
  - Housing New Zealand no dominant provider in Area
  - Tie in with Housing New Zealand Vision
- Want to ensure Trust succeeds - have to sell realistic/viable business
- Trust must have:
  - Equity to Invest
  - Alternate source of revenue
  - Bankability
- If not:
  - Do we believe they could do a better job than us because they are less constrained
  - We may have to help them - "Enabling through Partnership"

## 2 Negotiation of Sale

- Go through Checklist before negotiation
- Valuation important in non-contested sale
- In Masterton, few people were involved at this stage and they didn't have knowledge of portfolio. Need to know:
  - What are we dealing with?

- What is happening in portfolio
- Key People are:
  - Area Manager
  - Property Manager
- Preparation and Communication important
- Involve Key People from the beginning
- Information should be provided by one person (Area Manager or Property Manager)
- Reconcile all numbers to Rentel (base information) - responsibility of Property Manager
- There should be one Project Manager who follows the process right through from the beginning
- A standard Sale and Purchase Agreement is being drawn up
  - This will reflect what Housing New Zealand wants out of the sale
  - It is a core set of requirements
  - There must be flexibility in the Sale and Purchase Agreement for movements in the portfolio
- A decision on the withdrawal from the market of Vacant Sales must be made

### **3 Board and Shareholder Approval**

- The Framework is approved up front - shareholder approval
- Board approval is sought once the Sale and Purchase Agreement is ready for signing
- Nigel Spratt submits monthly board papers updating progress on likely sales, so there are "no surprises"

### **4 Communications**

#### ***Themes***

- No negative change for tenants
- Seamless transition
- Minimise change from customer perspective

#### ***Strategy***

- The strategy consists of two parts: 1) communicating policy and 2) template communication strategy for individual sales
- The template that we have now was developed out of the Masterton sale

#### ***Audience***

- Customers
- Wider Public
- Staff
- Maintenance Contractors
- Real Estate Agents
- Community Groups
- Area Manager to identify other participants in Area

#### ***External Communication***

- We got Trust House to speak to some of the parties

- It is favourable if business partner (trust) can communicate for us - they have networks, contacts, etc
- We must make judgement up front whether partner has good community links and is able to take ownership and communicate initiative.
- All letters sent out during Masterton sale have been collected together and appended to template
- Post Sale Customer survey - will work with Trust House to survey customers - this will be a one off survey to help provide support for the concept
- Ground Rules established at start - Roles and Relationships
- We would like to review all their external communication
- Nominate key communication contact from each party

### ***Internal Communication***

- There should be an agreement when both parties inform their staff
- Staff should be informed around the time the agreement is signed, as early as possible and at least before it becomes public.

### **Other Staff**

- With Masterton deal there was no context for staff, some staff unhappy about announcement
- The Video being put out should create some context
- Should do more updating of staff following event
- Initially didn't get message across that purchaser is doing 55+, HomeBuy etc
- Success story with Neighbourhood Unit staff should be broadcast more loudly
- Appropriate communications vehicles being explored
- Timeliness of communication important

### ***Other***

- We identified at risk tenants and the Tenancy Managers visited them within the first couple of days after the announcement. They were identified by length of tenure, 55+, HomeBuy and modified properties
- Got some other staff into the area to support staff during the time after the announcement
- Had some standard responses to enquiries
- Other Area Managers should be briefed after telling staff
- Option for future - phones could be redirected to someone in Corporate Office
- With Masterton there were probably four calls per hour

## **5 Business Systems**

- Should document system changes that were made as a template for the future
- Key - Timing
- The period between going unconditional and settlement was too short (1 weekend, went unconditional 4.45pm on Friday). One could normally push settlement out for a few weeks
- In future - should let the purchaser know we have no capacity to roll out settlement date. Someone from Business Systems must be involved initially

## 6 Finance / Treasury

- s9(2)(g)(i)
- Need to have structured project
- s9(2)(g)(i)
- Ranjit key financial person operationally
- Finance sign off needed from Greg Orchard
- Once Clauses in the Agreement deviate from standard they should be reviewed by a Finance person.
- Can vacated credits be automated? These are currently being done manually. Will have to look at the cost of automating this vs. the number of sales to be done.
- Vacated Debts
  - Could be sold to the purchaser or to a debt collector
  - OR HNZ could keep collecting them from another office
  - A decision will be made for each sale
- Current Debt is to be sold wherever possible

## 7 Legal Issues

- This transaction is reasonably straight forward from a legal perspective
- s9(2)(g)(i)
- Documentation must:
  - s9(2)(g)(i)
  - Be flexible - able to remove properties from transaction, clear and accurate tie into pricing
  - There must be an Out Clause in case something happens - such as an "Act of God"
  - s9(2)(ba)
  - Need clauses that allow HNZ to undertake Due Diligence on the other party
  - Must have something about social objectives - s9(2)(g)(i)
  - s9(2)(g)(i)
- The following should be part of the initial Checklist used:
  - Commerce Act - look at this in negotiating stage. s9(2)(g)(i)
  - s9(2)(g)(i)
  - RTA
  - Privacy Act
    - Could be a problem when undertaking Due Diligence
    - Should only hand over "landlord" information
  - Obligations under other Contracts
    - Maintenance
    - Leases - telephone systems etc
  - Companies Act
- s9(2)(ba)
- Drafting of legal documents reasonably straight forward if know what wanting to achieve commercially
- s9(2)(g)(i)

- Clarity of Roles and Responsibilities needed together with the early involvement of a legal person

## 8 Due Diligence

- Need clearly set out protocols on:
  - How it will look
  - how much time it will take and
  - contact people on each side
- In Masterton it went beyond due diligence to learning about our business
- Checklist - the process of learning how HNZ business works should be agreed on up front, it should be a separate process to due diligence
- A confidentiality agreement is signed after the first enquiry. Interested parties are only given property information once they have given us information on themselves
- s9(2)(g)(i)
- All requests from purchaser should go through the Project Manager
- s9(2)(g)(i)
- The chain of communication from HNZ to interested parties should be tightened up - there should be a single point of contact
- s9(2)(g)(i)
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- Have to be careful about representation
- There is a need for good record keeping

## 9 Human Resources

- HNZ wrote to staff and gave them a end date for work.
- HNZ assisted them in updating their CVs, ran sessions on interview skills
- EAP councillors were available on the day the sale was announced to staff
- Peter spent a lot of time with the staff
- Peter had had a long relationship with the staff, had good staff relations
- Checklist: A staff assessment should be done up front
- s9(2)(g)(i)
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## 10 Maintenance

- Have to make a decision on when to stop letting work
- Must be fair to the contractor. s9(2)(ba)
- This must be part of the checklist
- s9(2)(g)(i)
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s9(2)(g)(i)

## 11 Unconditional Date

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s9(2)(g)(i)

## 12 Requirements for Settlement

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s9(2)(g)(i)

We need clear title to each property in our name

Transfers - prepared by the purchaser

Sale Notices

Settlement Statement - sent to purchaser

Mortgage

Keys

Schedule of Rates - done 4/5 days prior to settlement

## 13 Settlement

- Notify Treasury
- What will happen to cash payments coming to us after settlement - some system should be put into place to pass them on to the purchaser. The process to resolve this must be started sooner rather than later.

## 14 Business Continuity

- Went well
- Staff continued to work as normal until the day they finished
- Did bring extra resources in at times
- Important to get it right - the business must be in good shape when hand over occurs
- In some situations we may need to bring other staff in
- Checklist:
  - What are the key things that must be done?

- What is less important (e.g. PMAS)
- s9(2)(g)(i)
- When do we give possession to the purchaser? - this must be negotiated up front
- Preference for Settlement is month end (not 1<sup>st</sup> of month) or over weekend - close out dates on Rental
- Should vacate property the day before settlement

## 15 HomeBuy

- s9(2)(g)(i)
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## 16 Tenure Protection

- s9(2)(g)(i)
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## 17 Titles

- Key is to know what the title situation is
- Purchaser should be aware of the situation
- The project manager is responsible for getting schedule
- Project Manager is to talk to both the Titles Team and the Property Manager
- This should start in the negotiation stage

## 18 Other

### ***Tenants Improvements***

- The history of these will be lost
- HNZ should have a firm policy
- Masterton - did make them aware of tenant improvements when discussing rent setting

### ***Private Owner issued Fencing Notice***

- Checklist - what fencing notices are in process

- We become liable once we agree
- Make decision on a case by case basis with the Property Manager