

Process
For
Tenanted
Sales

Version: 2.0
Prepared By: Anna Barnett
Date: 18 March 1999

Communications

- The key factor to the success of the sale is that the transition is smooth and seamless, causing no negative impacts on either customers or contractors. Every effort must be made to ensure this happens and all communications should convey this message.
- A close relationship with the purchaser should be developed in terms of communications. Any issues should be dealt with jointly and communications should be reviewed by both parties before being released.
- Letter notifying tenant of intended sale. Sent on day Agreement for Sale and Purchase signed.
- Change of landlord letter from Housing New Zealand to the tenant to comply with Section 43 of RTA. Needs to be sent week before settlement.
- Change of landlord letter from purchaser to the tenant to comply with Section 15 (3) of the RTA. Housing New Zealand to liaise with purchaser with regards to this letter. Must be sent within 14 days of becoming new landlord.
- Letter to tenants of any properties not included in the sale that will continue to be tenants of Housing New Zealand.
- Communication of the intended sale should be made early to contractors, WINZ and any other business partners affected to allow them sufficient time to plan for any changes they may need to make.

Maintenance

- Letter to contractors notifying of intended sale. Sent on day Agreement for Sale and Purchase signed.
- The conditions of the Maintenance Contract should be checked and the possibility of assigning the contract to the purchaser should be considered.
- Letter to suppliers notifying of intended sale. Sent on day Agreement for Sale and Purchase signed.
- Letter to contractor notifying of settlement date. Housing New Zealand must at some time make decision not to let anymore programmed work and give notice to contractors of this. The only maintenance work that should be let from this date onwards is Urgent Health and Safety. Ideally this notice should be given when the sale goes unconditional, however we must comply with the contract between Housing New Zealand and the contractors. Other considerations to be made are that the sale may not go unconditional until closer to settlement than would allow enough time to give this notice.
- Liaison with Purchaser regarding programmed Maintenance work. It may be necessary for the Purchaser to let programmed maintenance work prior to settlement in order to achieve continuity of work for contractor.
- Letter to suppliers notifying of contractors to be removed from their schedule (standard letter 14-130). Should be sent prior to settlement.
- Tidying up outstanding work in RENTEL. The properties cannot be deleted out of RENTEL until all outstanding jobs are completed. MRV or MRW reports should be run in the period leading up to settlement to assist staff identify work to be completed. Liaison with contractors will need to take place to ensure jobs are invoiced quickly.
- Letter notifying After Hours of the sale and that their services will no longer be required after settlement. Liaison with the purchaser will need to take place to ensure an after hours service is still available.

Bonds

- Bond Processing Centre must be informed when there is a change of landlord so that the bond can be transferred into the name of the new landlord. Confirm with Peter Treanor at Bond Processing Centre that this can be by way of a schedule of properties with a cover letter relinquishing Housing New Zealand's interest in the bond and transferring it to purchaser. Business Systems will be able to provide the schedule on request.
- Not all bond numbers will be recorded in RENTEL. Provide a schedule to Neighbourhood Unit staff listing all tenants with address and bond number where there is one. Neighbourhood Unit staff can use this list when checking through files and note down any bond numbers that are on the file but not in RENTEL. They can then update RENTEL. This option is only suggested if Neighbourhood Unit staff are going to be checking through files for other reasons as well. It would not be worth the effort checking through the files for the sole purpose of finding bond numbers.¹
- Ensure there are no outstanding bonds when the properties are to be vacated. Ask Neighbourhood Unit staff to tidy up any outstanding bonds in the week leading up to vacation /settlement.

Home Buy

- Identify any properties where we have an Agreement for Sale and Purchase with a tenant which has not yet settled. These properties should be excluded from the sale however the Agreement for Sale and Purchase with bulk Purchaser should include a clause to cater for the event that one or more of these sales may not settle with the tenant. If this situation arises it would be desirable that the Purchaser would then buy the property at an agreed price. The clause should also recognise how any proceeds of the sale should be dealt with.²
- Should there be any Home Buy sales still not settled with the tenant at the time of settlement with the purchaser, these tenants should be written to and told that Housing New Zealand will continue to be their landlord until settlement with them. In the event that the sale with them never settles, they should then be written to and told of the change of landlord to the purchaser.
- If there are any tenanted home buy properties still not settled with the tenant at the time the sale settles with the bulk purchaser, a system will need to be put in place to continue the management of the properties.
- All Home Buy sales should be managed carefully to ensure the sale is smooth and is pushed through the system quickly. Housing Corporation should be notified of the sale and asked to give priority to these particular Home Buy sales. They should also be advised not to send anymore eligibility certificates out for finance applications they are currently processing.
- Tenants with Active Home Buy applications should be identified and a letter hand delivered telling them that because of the sale Housing New Zealand will no longer be able to continue with the sales process. The Home Buy representative for the area should deliver this letter. If the Purchaser has committed to introducing a home ownership programme of their own, customers should be informed of this and if possible, a letter from the Purchaser confirming this commitment should also be delivered.

¹ In Masterton only a few bond numbers were found on files that were not already entered in RENTEL.

² In the Masterton sale Housing New Zealand reluctantly conceded to pay the Purchaser the net proceeds of sale however this is not the recommended approach.

- Any Active Home Buy applications to purchase a property in a different area should be managed carefully. In terms of normal Housing New Zealand policy, only current tenants who have been in the property for at least 6 months are eligible for the Home Buy programme. This means that as soon as the property they are living in is sold to the new owner, they are no longer a Housing New Zealand tenant and therefore no longer eligible for Home Buy. It may be necessary to consider transferring them to a Housing New Zealand property in the area they wish to buy in before the sale goes through. If they are not able to move until after the sale goes through, it may be an option to waive the 6 month criteria. This would have to be approved by the Chief Executive.
- Any tenant who has shown an interest in Home Buy but has been unable to proceed because Housing New Zealand doesn't have individual title for the property they are living in should be treated in the same manner as customers with active applications.
- All Home Buy promotions should be stopped in the area.
- Any customers who make an application to purchase a home under the Home Buy programme after the announcement of the sale has been made should be visited and told that Housing New Zealand is unable to continue with the sales process.
- Any customers who show angry disappointment at the inability to purchase under Home Buy should be managed case by case. It may be necessary to approach the purchaser and obtain agreement to follow the sales process through with some customers if this will avoid an issue.
- If the Purchaser has expressed an interest or given a commitment to introducing their own Home Ownership programme, a meeting could be set up between them and Harriette Blackman, Programme Development Manager. Harriette will be able to offer information and advise on Home Ownership programmes.
- Customer's must be kept informed as much as possible about how their home buy opportunities will be affected by the sale.

Relocatables

- Identify any relocatables in the portfolio to be sold. Locate the bailment deed (either held on the file or in Regional Office). If the bailment deed cannot be located, approach the tenant and get a copy from them. If they do not have one, try the Department of Courts.

Titles

- Identify the situations with titles i.e. how many individual titles in the portfolio, how many titles have more than one property on it etc. The purchaser should be made aware of this prior to signing the Agreement for Sale and Purchase.
- Identify any properties in the portfolio that are currently in the process of being subdivided and the reasons for this. Establish how far through the process they are and when they are due to be completed. Decide whether to complete before transferring to purchaser. If it is agreed to complete the subdivision, but that it will not be completed before settlement date, a special clause will need to be included in the Agreement for Sale and Purchase for these properties.
- Instruct the Titles team to not start any more subdivisions.
- All titles must be pulled out and checked that they are in order. A list of all the properties in CT order should be provided to the staff responsible for this. This should be completed reasonably early to allow for any 'missing titles' or other problems to be sorted out.

- Titles should be delivered to the Housing New Zealand solicitor at least four or five days before settlement. This allows the solicitor to check through the titles to make sure everything is as they expected. It is preferable that the titles are hand delivered and that a signature is obtained from the person that accepts them at the solicitor's office.
- A schedule listing all the properties included in the sale with the CT numbers and legal description should also be provided to the solicitor to be used for the settlement statement.

Rates

- Rates will need to be apportioned for the properties that are included in the sale. This information must be entered in RENTEL so the earlier it is done the better. It would usually be prepared by a solicitor however can be done by anyone as long as the results are checked by a solicitor before finalising. The purchaser will include payment for the apportionment of rates at settlement.
- Identify what Council(s) the properties are covered by. Make contact with the Council(s) and request that they send an electronic spreadsheet of the rates status. The information required is; address, total amount paid by Housing New Zealand year to date, annual rates amount, next instalment due date³. If the Council holds the Housing New Zealand Property Reference number then this must also be included on the spreadsheet. If they don't have it, then the CT number or valuation number should be included.
- Not all Councils will be able to provide a soft copy of this information. This would mean data would have to be manually entered into a spreadsheet from a hard copy schedule provided by the Council. This would be a time consuming exercise and time should be allowed for it.
- To calculate the Rates Apportionment the following formula should be used:

Amount HNZ paid:	The amount paid year to date
Less Amount HNZ responsible for:	$\frac{(\text{Annual Rates}/365) * \text{number of days expired}^4}{\text{The amount the purchaser pays HNZ}}$
Equals Rates Apportionment:	
- A schedule listing the apportionment of rates must be provided to the solicitor to be included in the settlement statement.

Due Diligence

- There will be a period of Due Diligence where the purchaser looks closely at the operations of the business, spending time in the Neighbourhood Unit looking through files, RENTEL and some of the properties. A high level of co-operation is required from the Neighbourhood Unit staff through this period.
- Any requests from any staff member of the purchaser for particular information should be directed through the Project Manager.

Lettings leading up to Settlement

- Once the sale has been announced, no more customers should be signed up with a WINZ Order on Benefit. Other methods of payment such as an automatic bank payment should be used.

³ Find out if there are any instalments due between the time the information is obtained and settlement date.

⁴ From 01 July to settlement date.

- All new tenants signed up after the signing of the Agreement for Sale and Purchase must be advised of the sale and new landlord be letter at the time they are signed up.
- Where the first payment date for the bank automatic payment is after settlement date, the customer should sign the automatic payment form with the purchaser's bank account on it. Ideally this should only be done once the sale has gone unconditional however a judgement call will be required in the case where the sale is not unconditional.
- There should be no pre-lettings set up in RENTEL where the Tenancy Start Date is after settlement date.

Applications for Housing

- Identify all customers with a current application for housing in the area of the properties that are being sold.⁵
- Obtain agreement from the purchaser that they will accept all current applications from Housing New Zealand.
- Write to all current applicants asking their permission to transfer their application to the purchaser.
- Once this letter has been sent, no more Application Review letters should be sent.⁶
- For any applications received after this letter has been sent, the customer should be informed of the sale and must be provided with the opportunity to sign the authority to pass their application on to the purchaser.
- At settlement, all applications where we have been given permission by the customer to pass on to the purchaser should be passed on. Where the customer has not responded to the letter, the application should be cancelled in RENTEL and held on file for one month.
- Any priority applicants should be managed case by case during the transition period. The purchaser should be made aware of any such customers and expectations agreed.

Current Tenants with Vacated Debts

- Identify any current tenants in the portfolio being sold who have vacated debts.
- Determine whether any of the debts are being paid off.
- Remove any automatic transfers of receipts that have been set up in the TEX screen of RENTEL.
- Arrange with the tenant to set two automatic payments up – one to Housing New Zealand for the extra and one to the purchaser for the rent.
- From the date this arrangement begins to work, any payments received by Housing New Zealand by the customer should not be passed on to the purchaser. Any payments that are passed on to the purchaser that were intended for Housing New Zealand should be received back from the purchaser.
- Where the amount involved is small the best option may be to write the debt off.

Finalising Properties to be Included in Sale

- Identify all 'possible' properties to be included in the sale. This will require close liaison with someone from within the area such as the Property Manager.

⁵ This should include any customers with a location choice that falls within of the area covering the houses to be sold, i.e. not just those with a first choice location in that area.

⁶ Automatically produced from RENTEL.

- Identify any properties where there is an Agreement for Sale and Purchase with a third party, either through the open market or Home Buy sales process. These properties should be removed from the sale, although in some circumstances it may be useful to put a clause in the Agreement for Sale and Purchase with the bulk purchaser to ensure that should the sale with the third party not go through they will transfer to the bulk purchaser for an agreed sum.
- Ensure there is an understanding by both Housing New Zealand and the purchaser of the value attached to each property within the sale. This is important for the instance where for some reason a property is removed from the sale (especially if that property is a piece of land or relocatable). It is then clear as to what value the total purchase price is to be reduced.⁷
- Advise Real Estate agents to remove all remaining properties on the open market from sale.
- Check all status's and unit types of properties in RENTEL to ensure everything is as expected. Properties with a unit status of DSU or VPD cannot be processed as a sale so must be corrected first.

Sales Details Recorded in RENTEL

The following data must be recorded in RENTEL:

URP Screen

Val Type
 Request Date (VLRQ_REQUEST_DATE)
 Val Date (D_VAL_DATE)
 Land Amount
 Improvement Amount
 Valuer Ref

UNS Screen

Sales status
 Liability
 Third Party Ref
 Unconditional Date
 Proposed Settlement Date
 Total Sales Proceeds
 Deposit due
 Gross yield
 Net Yield
 5yr Horizon
 10yr horizon
 15yr horizon
 Economic Value
 Investment value

⁷ In Masterton the Agreement for Sale and Purchase specified any properties removed from the sale would be removed at a value of the average price of each property in relation to the total purchase price. This meant when three vacant sections of land were removed from sale the total purchase price was reduced by far more than the sections were worth.

Selling Expenses

Maj code RTS, Min code GEN for rates apportionment.

DR/CR = CR

Maj code SLE, Min code SEL for solicitor fee.

DR/CR = DR

- A method of apportioning individual purchase prices which reasonably reflect the value of each property in relation to each other and the total purchase price must be decided.⁸
- The purchase price must be split into both Land value and value of Improvements.
- If the number of properties included in the sale is large, it may not be necessary to completed individual FAM's for each property. The alternatives should be discussed with the Asset Reconfiguration Group (ARG).
- All data to be recorded in RENTEL must be on one spreadsheet, including the Property Reference.
- The spreadsheet is to be provided to Information Technology (IT) to be automatically downloaded into RENTEL. The data should not be downloaded before the sale goes unconditional, however it must be downloaded in the same month that the sales goes unconditional in order for it to be reported correctly.
- Relocatables and Land may have to be entered manually (check with IT to confirm).
- If the solicitor is to pass on the total sales proceeds to Housing New Zealand less their fee, the fee should be apportioned to each property and this amount must be downloaded as costs of sale. If the solicitor is charging an hourly rate and billing monthly i.e. passing on the full proceeds of sale and billing their fees separately, this cost of sale should not be entered into RENTEL.
- Properties will be deleted from RENTEL once the settlement date has been entered in UNS and processed overnight. It is only possible to enter the settlement date after the property has been vacated and once all outstanding maintenance jobs have been completed in RENTEL i.e. paid. This should be done as soon after settlement as possible and ideally should be completed in the same month that the sale settled.

Vacating the Properties in RENTEL

- The properties must be vacated in RENTEL with a Tenancy End Date of the day before settlement.⁹ This process can be done automatically by IT if a spreadsheet listing the properties included in the sale is provided to them. IT will ensure the following points are completed.
- Where the sale is an occupied sale, details should be completed as follows:
Forwarding address - address of the property.
Vacation reason – OCC for Occupied Sale
Vacation destination – MPR for Moved to Private Rental
Vacation Locality – STC for Same Town/City
- The Statement flag should be set to Y so that Customer Statements are printed at corporate for each tenancy that is vacated. These statements are for the 3 months prior to vacation.

⁸ For the Masterton sale, a schedule was provided by the Valuer listing each property and it's value. This was used to apportion the total sale price to individual properties. The use of Investment Values, Net Book Values, and the average price per property were all discounted as valid methods.

⁹ It is commercially acceptable practice for the vendor to charge rent on settlement date and the purchaser to charge rent from the day after settlement, however this is not Housing New Zealand practice.

- When a property is normally vacated a 'Notice of Vacation' is printed. This facility should be turned off.
- Reports should be generated after vacation listing all customer balances (see point 2 in "Handling of debts and Credits on Settlement").
- If there are any tenants with Damage debts, a manual statement should also be produced for the Damage.

Handling of Debts and Credits on Settlement

- Every effort should be made to sell the current debt with the properties. Debts seven days or less should be sold at 100% of their value. Debts greater than seven days should be sold at a discounted rate.¹⁰
- Once the properties have been vacated a report should be produced listing all the vacated balances. This should be broken down into credits and debits. Debits should be broken down into debts less than seven days and debts seven days or over.
- These reports should be provided to the purchaser after settlement. A payment for the total credits is to be made by Housing New Zealand to the purchaser who must allocate the appropriate credits to the tenant's accounts. The discounted value of the debts is to be worked out and a payment must be made by the purchaser to Housing New Zealand for this amount. This payment must be allocated to the individual tenant vacated accounts. Where the payment was at a discounted rate, Finance must allocate the balance required to clear the debt to the account.
- The allocation of the money to the debt accounts will show as a payment received by the tenant. Ensure that this money is not passed over to the purchaser (see "Receipt of Payments After Settlement Date").
- Individual refunds must be made using the RDF screen of RENTEL for each of the credits. The refunds should be made out to Housing New Zealand for the purchaser. This should be done in co-operation with the TPU team in Manukau who will prevent individual cheques being produced for each refund. The appropriate journal entries will be made to match the payment that has already been made to the purchaser.
- The bank account authority flag in the TNT screen should be set to 'N' for all tenancies included in the sale to ensure that no refunds are made to the tenant in error. IT can do this automatically as part of the vacations process.
- If for some reason it is not possible to sell the debts to the purchaser, any material held on the tenant file relating to the debt should be copied and retained by Housing New Zealand to assist with debt collection.

Transfer of Information to Purchaser

- The purchaser is likely to wish to obtain certain information relating to the tenant and property. Needs of varying purchasers will differ, however a starting point is to provide the following screen dumps from RENTEL to show them the sort of information that Housing New Zealand holds:

TEV	CNJ	APR (6 pages)
TER	COW	
TEC	UND	
TET		
TNC		

¹⁰ Masterton debts 7 days and over were sold at a rate of 75%.

TNT (3 pages)

Also provide a tenant statement.

- The type of information the purchaser is likely to want:
 - Tenant details such as name, address, phone number, tenancy start date etc. as well as information relating to rent i.e. rent amount, charge frequency, charge date etc.
 - Information relating to the property such as bedroom size, market rent, build year etc.
 - Tenant comments dating back for possibly one year.
 - Tenant statements for all current tenants.
 - Tenant balances on vacation.
 - Details of any warranties held.
 - Details of current applicants if these are to be transferred to the purchaser.
 - List of all properties that have had new stoves or hot water cylinders since 1992.
 - Key serial numbers (and cutting codes if possible).
 - List of all customers with Tenure Protection and 55+.
 - List of customers charged in arrears.
 - Benchmark schedules and feature adjustments for each property from the last rent setting. This will assist the purchaser in identifying improvements the tenant has made that Housing New Zealand has not charged for e.g. carpets and garages.
 - List of customers who had an active home buy application at the time of the sale, including those who had been told that their property was not available for sale at the time of their application because individual title was not available.

- Data should be pulled off the Husky boxes the day after vacations have been completed. Something to be aware of is that payments may have been received on that day and must be excluded from final balances.
- If comments from TNC are to be passed over to the purchaser Housing New Zealand needs to be satisfied there are no comments included that contravene the Privacy Act (see Appendix X for legal opinion on what can not be passed over)
- The purchaser will also require all Tenancy Agreements and other key documents relating to the tenancy or property such as Property Condition Reports. There may be other documents/papers that they require which will be specified in the Agreement for Sale and Purchase. The keys to vacant properties will also need to be handed over. These things should ideally not be handed over to the purchaser until settlement, however operationally this may have to be done before settlement. If they are handed over prior to settlement a letter should be sent to the purchaser setting out why this is being done and what the expectations are in relation to settlement (see Appendix xx for example). Confirmation of the purchaser's agreement to the letter should be received before handing any records over at all. Ensure the letter has been sighted and approved by the Housing New Zealand solicitor.
- The purchaser may be interested in standard letters or forms from the Quality Manuals. They may also be interested in some of the procedures in the Quality Manuals themselves. Copies only of these documents may be given if a confidentiality agreement has been signed. No originals should be passed outside Housing New Zealand.

Checking of Files

- All files to be handed over to the purchaser should be individually checked by Housing New Zealand during the due diligence phase to ensure that all material on the file is in order. Tenancy Agreements should be checked to ensure they have been signed and are in the correct tenant's names. Where the tenancy agreement is not in order, it should be sorted out or the purchaser must be made aware of the problem and given an explanation as to how this would effect them as landlord.
- Any material that would contravene the Privacy Act if passed over should be removed from the file (see Appendix X for legal opinion on what can not be passed over).

Receipt of Payments After Settlement Date¹¹

- Housing New Zealand should work with the purchaser early on in the lead up to settlement to ensure tenant payment methods are disrupted as little as possible.
- The purchaser should be encouraged to develop an automatic payment form that can be delivered to the tenant close to settlement.¹² It may be helpful to provide a schedule to the purchaser listing all tenants with their rent amount, rent frequency, rent date, payment source and details of any arrangements. This will assist the purchaser to identify when customers should be contacted and what type of instructions they should be given.
- If Housing New Zealand is not able to continue acting in an agency capacity for Work and Income New Zealand (WINZ) payments, WINZ must be notified of the sale. They should be provided with a schedule of tenants whose property is included in the sale where rent is being paid through an assignment on benefit. WINZ should be encouraged to provide the purchaser with a schedule listing the tenants and the date on which the last assignment of benefit payment is to be made.
- It is highly likely that tenant payments will be received by Housing New Zealand after settlement, whether planned or in error.
- A daily report should be requested listing all payments received on a daily basis. This report should be provided to TPU. A soft copy should also be provided to the Systems Accountant.
- A schedule listing all the payments and who they are from is to be provided to the purchaser with a payment for the total amount received.
- TPU will make refunds for each payment using the RDF screen of RENTEL. The refunds will be made out to Housing New Zealand for the purchaser however no individual cheques will be produced. Finance will create the necessary journal entries to match the payment that is made to the purchaser.
- Any dishonoured payments or payments in error should be deducted from the next payment to the purchaser with an appropriate description noted and the necessary amendments made to the tenant account.
- Housing New Zealand should obtain agreement from the purchaser how long this processing is expected to carry on for and at what stage costs associated with the processing are to be passed on.
- Housing New Zealand is charged for every Post Shop payment made. Housing New Zealand must decide whether this cost will be passed on to the purchaser immediately or waived for a set period of time. This should be agreed in writing with the purchaser.

¹¹ This process is for situations where Housing New Zealand is not to continue receiving payments on behalf of the purchaser on an ongoing basis. Where Housing New Zealand is to continue receiving payments in a agent capacity a more automated process should be developed.

¹² Customers should not change their payments over too soon before settlement as it is easier for Housing New Zealand to pass money on to the purchaser than to develop a process to get it back.

Modified Properties

- The Housing New Zealand Statement of Corporate Intent gives a commitment that above all other priorities, we will allocate modified housing to those people who have disabilities first. The purchaser should be made aware of this commitment.
- A list of all modified properties should be provided to the purchaser. Where possible, the extent of the modifications should also be provided.¹³
- The purchaser should be given promotional material relating the Disability Modification Service of Community Housing Ltd. They should be encouraged to develop a relationship with the service and their permission sought to provide contact details of the purchaser to Community Housing Ltd.

Administration

- Where the sale means the closing of one Neighbourhood Unit or an area that has its own Housing New Zealand telephone number, passing the telephone number over to the purchaser should be given consideration. This will aid a smooth transition for the tenant in terms of making contact with their landlord.
- Where the sale results in a reduction in staff numbers, consideration should be given to selling excess equipment (computers, desks etc.) and cars to the purchaser.

Human Resources

- Housing New Zealand should make every effort to ensure the purchaser is adequately staffed with experienced people to ensure a smooth operation after settlement. This may mean the provision of Housing New Zealand staff, either on a temporary basis or as permanent staff of the purchaser.
- Where Housing New Zealand roles are disestablished, the staff affected must be provided with appropriate support. This should include C.V. preparation and interview techniques.

¹³ This may require a physical visit to the property because RENTEL records are not specific about modifications.