

- 6 APR 2017

Damian Smith
fyi-request-5525-8bd494c7@requests.fyi.org.nz

Dear Mr Smith

Thank you for your recent request for a copy of Housing New Zealand's Asset Management Strategy (AMS), which on 27 March 2017 you clarified as follows:

"A summarised version of the 2016 AMS is fine. I am specifically after information regarding the density of Social Housing when compared to Private dwellings."

Please find attached a copy of the AMS 2016 – 2026.

In regard to the second part of your request, relevant information was provided in our response to you on 20 March and 24 March 2017. No further information is held.

I trust this information is helpful.

Yours sincerely



Rachel Kelly
Manager Government Relations

Our housing future

Asset management strategy 2016 - 2026

Housing New Zealand
Housing New Zealand Corporation



Released under the Official Information Act 1982

Introduction

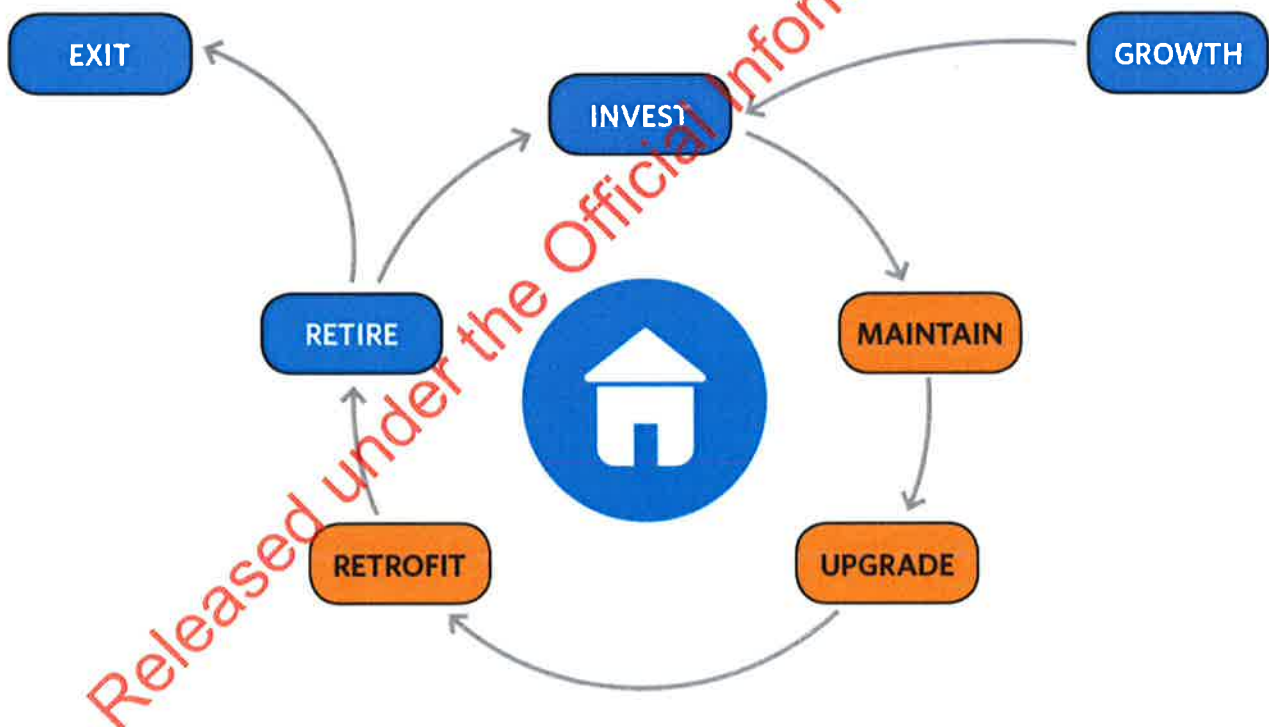
Housing New Zealand is the country's largest property owner, with about 64,400 properties across the country valued at approximately \$22.7 billion.

Our primary role and commitment is to deliver appropriate housing and related services to help those in high need, for the duration of their need. However, the circumstances of our applicants and tenants are changing, as is the environment we work in. This makes managing our state housing portfolio challenging. Housing New Zealand must understand, plan for and adapt our housing stock to match these changes.

We also have a role to play in providing more opportunities for market-based affordable housing for New Zealanders, as demand continues to rise in some areas and fall in others.

We are committed to being the social housing provider of choice for New Zealanders in the long term.

Our Asset Management Strategy 2016 - 2026 (the Strategy) is a core component of this vision as part of our strategic direction. The Strategy aims to change the profile of our housing stock from one where a significant proportion of our stock is old and no longer fit-for-purpose, to one that better matches current and forecasted demographics and delivers warm, dry, safe houses that our tenants can operate within their means.



This strategy builds on the foundations of previous work and work planned for the next decade. It reflects changes in policy, operations, and the wider environment, and has a strong focus on financial efficiency to provide value for taxpayers. The strategy also recognises that we operate in a dynamic strategic environment. It has been designed to include a set of responses that can adjust to changing conditions, rather than fixed responses that would necessitate recasting the strategy every time our environment changes. By being more responsive to broader market drivers and conditions, we will ensure we continue to 'do the right thing' for our tenants, assets, and stakeholders, over the next 10 years.

Our Goals

Six goals will drive the achievement of real and tangible results. These are:

Goal 1: Ensure all tenants have access to well matched, dry, warm and safe homes that they can operate within their means

This means: Our tenants are the most vulnerable people in New Zealand, and our assets exist to serve the needs of our tenants. The services our assets provide to our tenants must be:

- A home that our tenants can afford to heat and use.
- A home that can be used within our tenants' means and capabilities, for example, designs to suit the needs of older persons or those with disabilities, or homes that are the right size for the tenant's requirements.
- A safe place that is free from physical hazards, and within an environment that supports the safety and security of our tenants.
- A home that is a healthy place to live in.

Goal 2: Our homes form part of well-functioning communities

This means: Social housing exists to provide vulnerable people with the stability and certainty that comes from having a place to call home. Our social housing assets provide the foundation for achieving more positive life outcomes for our tenants. Configuring our social housing assets to support well-functioning communities ensures these assets provide the level of stability and social outcome for which they are intended.

Goal 3: Our portfolio aligns to social housing demand and our market strategy

This means: We will strive to change our portfolio to match the demands of the social housing sector. This means shifting the typology split of our portfolio to additional smaller and larger homes, and investing in greater supply in certain areas.

We will balance the need for change against the need to act in a business like manner through setting a clear market strategy. This market strategy will guide reconfiguration decision making, to ensure that our level of investment is financially sustainable and clearly signalled to the social housing sector.

Goal 4: We will ensure our investment decisions respond to our assets' lifecycle requirements

This means: We will have assets that are optimised for use as a rental portfolio, where investment decisions respond appropriately to the lifecycle requirements of individual assets. This means that over the next ten years we will:

- Manage the 22,700 assets (38 percent of the portfolio) that are not financially performing or are low demand or non-strategic by either selling, or bringing to standard through upgrading or retrofitting in line with lifecycle requirements.
- Redevelop up to 30 percent of the 10,700 assets (18 percent of the portfolio), that have been identified as having future redevelopment potential.

- Manage the remaining 44 percent of the portfolio that is currently performing well financially, upgrading, retrofitting and rebuilding assets in line with life cycle requirements.

Goal 5: We will support the delivery of social and affordable housing

This means: The Crown's 2016/17 social objectives includes a desire for us to provide affordable or market housing, particularly in Auckland. This means:

- We will facilitate sustainable stock transfers by managing our assets in accordance with this strategy up to the point that a transfer is confirmed.
- We will seek opportunities to enable the community housing sector, for example, through shared maintenance agreements or redevelopment partnerships
- Where redevelopment is the best lifecycle response, we will utilise our land to increase the supply of affordable and market housing.

Goal 6: Our portfolio is financially sustainable on a long-term basis

This means:

- Through our Housing Investment Framework, our individual investment decisions align with the financial sustainability of our portfolio.
- Through our lifecycle decision making, we are making the right renewal decision at the right time.
- Through the application of our market strategy, we are ensuring the overall mix of investment in our assets aligns with our long term financial sustainability.

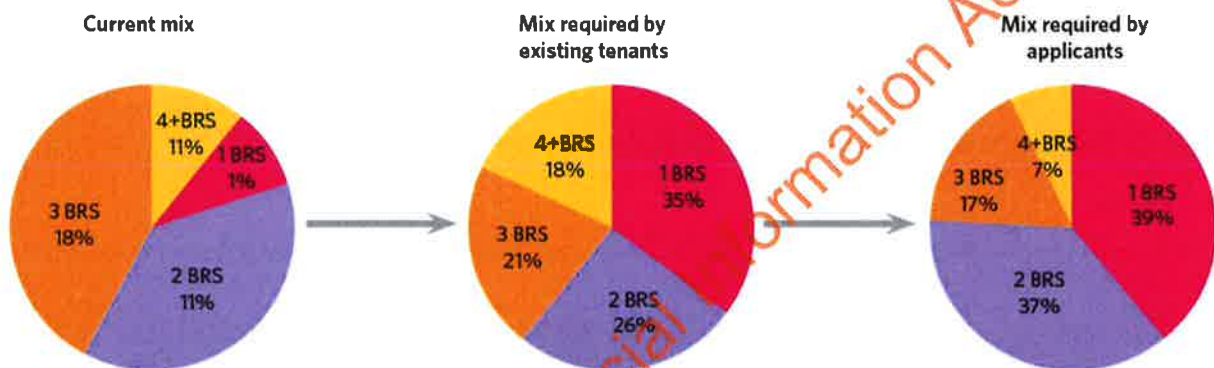


Our Response

Who we house

The economic and political settings around who we house have changed significantly over the years, from housing war veterans in the 1930s and 40s to housing only A and B applicants that meet the Social Allocation System Criteria in 2011. Typically A and B applicants face a range of barriers to accessing private accommodation.

The success of our organisation hinges on our ability to understand who the people we currently house are and who we will house into the future. Our asset management decisions take time and have a lasting impact on communities and most importantly, our tenants. The figures below provide a snapshot of our current tenants and the applicants that are coming on the register.



Managing our Existing Assets

We need to manage our houses appropriately in order to ensure our tenants have access to dry, warm and safe environments that they can operate within their means. Based on our existing standards, specifications, schedules of rates, lifecycle assumptions and modelling forecasts, we are setting aside between \$400 - \$450m per annum over the next ten years for maintenance and capital improvements to ensure that our obligations to our tenants are met.

Asset Realignment Challenges

Like many infrastructure providers, we are facing a significant asset renewal requirement as an organisation. Nearly 58 percent of our houses are in the wrong place or of the wrong typology for current tenants. We also have many assets nearing the end of their economic and/or functional life. This means that these assets require significant upgrading over and above their existing maintenance requirements to achieve a modest but reasonably current standard. To address this we will look to ramp up the renewal rate of our existing assets to 1,800 properties per annum to ensure that the lifecycle of 30 percent of our assets are re-set by replacing, retrofitting or redeveloping them over the next decade.

Growth

We are tasked with providing housing to A or B applicants under the Social Allocation Criteria, managed by the Ministry of Social Development. In order to be sustainable as a business in the long-term; however, we need to prioritise our investments. Therefore, in markets where we choose to operate, we will aim to grow our housing portfolio in line with MSD purchasing intentions, as well as long term forecasted demand trends in areas where it is economic for us to do so. This means:

- more one and two bedroom units and larger four plus bedroom homes in the main centres (and less three bedroom homes across the country).
- we will aim to grow our portfolio by 4,300 more homes in main centres, where there is continuing demand for our services, by improving the utilisation of our land; and
- we will reduce our portfolio by 1,800 homes in areas of lower demand where land values and owning or renting a home in the private market is relatively affordable.

Embracing Change

The Strategy matches investment decisions about the location and configuration of state houses, to likely changes in demand for social houses over time.

Through our strategy, we will create opportunities to build houses that are economical to maintain, and appropriate for the communities they are in, while ensuring we have the capacity to respond to changes in the broader environment and wider decisions on the social housing sector.

As a result we will ensure all our houses:

- Meet modern quality standards
- Are at the right place in their lifecycle
- Are of the correct configuration
- Are in the right place to meet demand
- Provide value for money.

Partnerships

To deliver the scale of change required and provide adequate housing for those most in need, we need to be able to work in partnership with a range of groups from across the private, public and community housing sectors.

Through these partnerships, we hope to achieve the following:

- Improve community outcomes
- Leverage our scale more effectively
- Reduce lifecycle operating and capital costs
- Reduce funding impacts on the Crown.

Summary

- 1 Our overall goal is to deliver fit-for-purpose housing through a strategic model that responds to change and demand. We are committed to investing in new, warm, dry, improved state housing - houses that are the right size and location for our customers today and in the future - that they can operate within their means.
- 2 Valuable work and initiatives that align with our strategy are already underway, and we will continue to develop these as we move towards 2026.
- 3 Our intent is clear - we will continue to supply housing to those most in need. To achieve this we will work closely with local authorities, leaders in industry and commerce and the community.
- 4 Through the Strategy, we will deliver our objectives while being a responsible landlord, socially and financially, to build and maintain an effective state housing portfolio.

