

# Financing Options for Housing on Whenua Māori



Prepared for Hikurangi Enterprises  
and the Todd Foundation

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## Introduction

This project was initiated between Hikurangi Enterprises Ltd and the Todd Foundation with an intention to identify the range of financing options for papakāinga built on Māori land. The plan was to identify a small number of diverse papakāinga projects, interview papakāinga representatives, government officials and bank representatives to understand how they were financed and share the findings.

After initial contact with a small number of key stakeholders involved in papakāinga developments around the country, it seems that 99% of papakainga projects are currently funded via Te Puni Kokiri and the Kainga Whenua scheme for Ahu Whenua trusts.

This report subsequently summarises the main way papakāinga are funded via Ahu Whenua trusts and explains in some detail the process to go through for both trusts and individual whānau interested in accessing loans and government grants for building on whenua Māori. Ahu Whenua trusts as owners of new residences on their whenua can in turn become a Community Housing Provider to receive government subsidies on rental properties for eligible low-income whānau. Alternatively a land trust could partner with an existing CHP such as an iwi social housing provider or a mainstream housing NGO like Habitat for Humanity, Salvation Army or Presbyterian Support Services.

There is an additional opportunity identified for private lenders (sometimes known as 'impact investors') willing to take the risk that most banks will not on lending to individual whānau for building on Māori land.

## Overview

A **Kainga Whenua loan** is a loan supported by a government policy available to lenders to use for lending on houses on Māori land. The loan is underwritten by Kainga Ora (NZ Housing Corporation). Lending is against houses only, not land. Kiwibank is the only lender currently offering Kainga Whenua Loans. Kiwibank charges market interest rates and no lesser eligibility criteria (20% deposit, borrower income sufficient to service loan and any other existing debt, needs to be insured, etc.). The policy says \$200,000 is the maximum loan value per house but Kainga Ora and Kiwibank have been regularly lending above this cap. The houses need to be relocatable, so single-storey on piles.

There are two options for these loans:

1. **Individual owner-occupiers** apply through Kiwibank mobile mortgage managers who will make an assessment on eligibility. A license to occupy issued by the land owners (Ahu Whenua Trust or Māori Land Incorporation) needs to have been issued (and will be noted by Māori Land Court in their records).
2. **Ahu Whenua trusts** can access Kainga Whenua loans and will own the houses, which can be rented or on-sold to individual whānau but the Trust is responsible for the loan until it is repaid. Trusts accessing Kainga Whenua loans apply via Kainga Ora who connect with Kiwibank Business Banking (rather than mobile mortgage managers). Ahu Whenua trusts are not being declined Kainga Whenua loans - the return on rental numbers stack up because Te Puni Kokiri calculates how much government grant is required to make the proposition attractive to borrowers and lenders so there is no problem with accessing a loan. That may change as more trusts utilise the opportunity and allocated public funds for grants are used up (for example 10 applications for a total of \$20m were before the committee in the month this project contacted TPK). All papakainga projects seem to be relying on this process at present and it is documented in detail in the second part of this report.

Ahu Whenua trusts can become a **Community Housing Provider** or partner with a CHP to build houses for low-income renters who are eligible for income-related rents with the balance (above 25% of income) subsidised by the government.

## Key Challenges

1. Thousands of whānau have access to Māori land but not the capital required to build and a high proportion do not pass the normal bank lending criteria in terms of income to debt ratio and good credit ratings.
2. Banks do not want to ever remove a house from Māori land because the reputational damage would be significant. While Kainga Whenua loans in theory underwrite a mortgage default, in reality this hasn't been tested and banks are worried that Kainga Ora would say the bank did not do sufficient due diligence on the borrower and will refuse to uphold the agreed underwriting. So, other than Kiwibank, banks have been reluctant to lend on Māori land.
3. Public funds for lending to Ahu Whenua trusts to finance the balance of building papakainga have been sufficient to date but are likely to be exhausted before needs are met in the future and are always subject to government policy whims.

## Opportunities for Impact Investors

1. Private lenders may have a greater tolerance for risk than banks in terms of criteria for lending to individual whānau and be willing to trust Kainga Ora will fund the deficit in the unlikely case of full default by a borrower and/or the land owners where the house sits.
2. An impact investor could become another financier alongside Kiwibank under the Kainga Whenua loan scheme.
3. A more streamlined system is required for land owners to be able to work with a team of dedicated specialists and a system that can support infrastructure and building design, assess and approve lending seamlessly instead of whānau and trusts needing to juggle multiple agencies and services to get a project designed, approved and implemented.

## Information from Te Puni Kokiri

A number of questions were put to a senior official at TPK who is responsible for papakainga funding applications. Some of the information requested needs to come from HUD or Kāinga Ora (in relation to Kāinga Whenua Loan approvals) and TPK is trying to get this information for us. It was suggested that it would be beneficial for anyone interested in securing TPK funding for housing on Māori land to engage with Te Matapihi (the peak body for the Māori housing sector) and with Paora Sheeran (Sheeran Associates) as Paora is currently the most active in papakāinga feasibilities and project management – probably about 80% of TPK-funded papakāinga currently have his involvement.

Given the research is on financing papakāinga, the best place to start is to outline how most papakāinga are currently financed. Since 2011 (previously in the Social Housing Unit) and then since 2015 when the Māori Housing Network was established in Te Puni Kōkiri, Robert MacBeth has been involved in most papakāinga approvals.

There will be a very small number of exceptions, but since 2011 nearly all papakāinga projects (and for TPK purposes they consider groups of three or more houses on predominantly whenua Māori to be a 'papakāinga') have involved some element of government funding. That funding usually includes a grant for all the infrastructure costs and in the case of collectively owned rental homes, a capital grant of about 70-80%. The level of capital grant is determined to be the amount necessary to make the papakāinga financially viable while charging rents that are affordable (less than 30% of income).

In some cases, when the Ahu Whenua trust is also a registered Community Housing Provider (CHP), or engages a registered CHP, the government 'Income Related Rent Subsidy' may be available which means the rent revenue to the trust can be modelled on market rent (even though the tenant pays just 25% of income). Revenue modelling affects the level of capital grant necessary. In all cases, there is a level of 'co-investment' required – usually bank borrowing and in the case of whenua Māori a Kāinga Whenua loan to the trust. TPK financial due diligence (they have a model called the Project Viability Assessment Tool)

cashflows all projects out 30 years and determines the level of bank borrowing that can be sustained. The TPK level of grant makes the papakāinga 'bankable' and access to loans has not been a major blockage – the main limiting factor has been availability of government grant funding which the May 2021 Budget has gone a considerable way to resolve.

Since TPK has been the government's principal funder of papakāinga projects there has not been a papakāinga project declined by TPK or not proceeded through lack of access to a bank/Kāinga Whenua loan and in fact most Kāinga Whenua loans approved connect with TPK papakāinga projects (or in the case of individuals, with one of our infrastructure grants). Occasionally as Kiwibank does the due diligence/credit checks on the trustees of the Ahu Whenua trusts there may be issues to resolve but these are standard matters not related to the actual project. There is a need to distinguish between Kāinga Whenua loans to trusts for papakāinga and loans to individuals building on whenua Māori. Kiwibank and Kāinga Ora would probably say that for some whānau, standard affordability and credit check issues do lead to declined loan applications.

The Kāinga Whenua loan programme (started in 2010 as the latest way to support loans on whenua Māori and to address the lack of mortgage security) has limitations and it is generally accepted as needing review and alternate options developed. Between TPK and HUD there is policy work happening on access to finance on whenua Māori (this with consenting issues is one of the two main barriers to papakāinga) but at the moment every papakāinga TPK has approved has had a loan, usually a Kāinga Whenua loan approved, so it's not the main issue at the moment from TPK papakāinga perspective.

Most TPK papakāinga approvals come through the regional office pipeline which involves support for the papakāinga feasibility (average \$90,000) which gets the project to 'shovel ready' stage. TPK manages the pipeline of ready to go projects and fund them as funding becomes available – TPK don't 'decline' as a rule if the project is financially and practically feasible but there may be a 'waiting for their turn'.

## Specific questions and answers

1. How many papakāinga have received TPK funding each year for the last five years? What proportion of this funding is for feasibility, infrastructure, build or other? How many homes were built? How much were each of these projects co-funded by whānau, private investors, banks, other government agencies or other sources?

Since 2015, TPK has funded 75 papakāinga feasibilities, 53 papakāinga projects including 187 collectively owned rental homes and infrastructure sites on papakāinga for 523 homes. 104 of the collectively owned rentals have been completed – quite a few are of course under construction and TPK are just in the process of working through the pipeline of ‘shovel ready’ papakāinga with the new funding. Up until this year’s Budget the Māori Housing Network in Te Puni Kōkiri operated a budget of about \$30 million per annum. Roughly half of this goes to our repair kaupapa and half is new supply – papakāinga (feasibilities, infrastructure and capital grants). As mentioned above, all papakāinga involving collectively owned rental homes requires a co contribution of about 25% and this is usually a bank (Kāinga Whenua) loan. Papakāinga involving home ownership homes only receive infrastructure funding but not a capital grant – the homes are paid for by the whānau directly (usually an individual Kāinga Whenua Loan).

2. How many papakāinga applications were received over the last five years to 30 June 2021? How many were funded for planning but did not apply for infrastructure or building costs? How many applications were declined and for what reasons?

As outlined above, nearly all TPK papakāinga approvals come through from a supported papakāinga feasibility. TPK is careful with feasibility support as a ‘shovel ready’ project is the goal at the end but accept that a small minority may ultimately be determined unfeasible (could be planning, whenua or financial issues for instance). Only one or two have completed a feasibility and then decided against applying to proceed. TPK don’t decline applications as a rule (none have been declined) – a ‘shovel ready’ papakāinga may just be in the pipeline waiting the availability of funding.

3. What tenure types have been established as papakāinga - how many are owned by occupiers vs rented? How do the repayments/rents compare with market prices for similar housing in the same location?

As a rule papakāinga are either all collectively owned rental homes, just home ownership or are a mixed tenure papakāinga. TPK encourages mixed tenure because TPK wants to support as many whānau into home ownership as possible and TPK is told the communities are stronger. Around half of TPK funded papakāinga now have or will include a mixture of rental and home ownership. The rentals are affordable because TPK grants make it possible (about 30% of income or sub-market rents noting that in rural locations there is often not much difference). The cost of building (because the land does not have to be paid for and because TPK covers the infrastructure costs) will always be lower on a papakāinga which means that whānau loans and therefore repayments will be lower. An average loan for a house on a papakāinga is about \$250,000 and the interest rate under the Kāinga Whenua loan scheme is standard residential.

4. How do the costs of planning and building papakāinga compare to social housing or transitional housing?

The planning costs are usually higher because they are mostly in rural locations, are often outside of the District Scheme provisions and are often green field sites requiring significant Geotech, planning and feasibility advice. The building of the houses would be the same except for the lack of having to purchase the land – but countered by the often deep rural locations. The infrastructure costs are way higher because of the rural and difficult sites – hence TPK providing infrastructure grants.

5. What is the proportion of Maori in social housing and transitional housing? What proportion of Māori are beneficiaries or shareholders of Māori land blocks and/or incorporations?

Social housing and transitional housing is a question for HUD – Māori are something like 40% of all Kāinga Ora tenants. Te Puni Kōkiri might have the answer to the second question. Will seek more information.

6. What is the total budget for MHUD housing vs TPK housing? Within MHUD's funding how many houses for Maori entities have been funded in the last five years?



The Whai Kāinga Whai Oranga Budget announced in May somewhat complicates things. HUD funds transitional housing and social housing and they should be able to answer the question about Māori entities. TPK funds papakāinga. Will seek more information.

7. Kainga Whenua loans (Kiwibank/KO): How many Kainga Whenua loans have been granted? How much were they each for? How many enquiries have Kiwibank had for Kainga Whenua loans? What are the main reasons for potential applicants not progressing?

Will check with Kāinga Ora.

8. How many iwi have invested in and/or plan to invest in papakāinga?

TPK know of a few that but this wouldn't be a comprehensive list –Te Matapihi may be better able to answer this.

The following is a summary of kōrero from a range of presenters and participants in a weekly series of online Zui (hui via via Zoom) hosted by Gavin Brooks during 2021. At the end is a list of Frequently Asked Questions from participants in the Zui.

## What is Papakāinga?

When talking about a papakāinga, it is usually referred to as a group of three or more houses, built on whenua Māori, operating as an intentional community according to kaupapa Māori. Developing a papakāinga on your whenua can be a way to help whānau achieve the provision of quality affordable housing and can help to provide ongoing accommodation and/or revenue for future generations.

Papakāinga can reflect a whānau support system as they can provide opportunities for whānau to strengthen connections between generations, reinforce cultural and spiritual identities, and revitalise Te Reo Māori. For some people, it can be a multi-generational venture, so it's good to get rangatahi involved in the process too.

When considering the benefits of papakāinga, it is important to consider the statistics. The Māori homeownership rate is only 28 percent compared to 57 percent for the general population and is steeply declining. Māori make up 36 percent of public housing tenants, despite comprising of just under 15 percent of the general population, and Māori are four times more likely than pakeha to be homeless. Overcrowding and multi-generational housing pressures are also more likely to be felt by Māori whānau. These impacts are even more severe for specific Māori groups such as wahine Māori who are more likely to experience housing deprivation. Housing is a key factor in the wellbeing of vulnerable children and kaumatua.

Papakāinga provides an opportunity to overcome these housing pressures and provide affordable and quality housing for generations to come while living to the values of Te ao Māori.

## Why consider papakāinga?

- It is an opportunity for Māori to ensure political, economic, social, and environmental development.
- It creates an opportunity to improve the health and wellbeing of the awa, maunga, whenua and whānau.
- It creates an opportunity to increase capability and enhance whanaungatanga.

- It creates business and economic development opportunities now and in the future.

## What are the strategic goals of papakāinga?

- To support the development of housing within the rohe to increase renting capabilities and increase home purchase opportunities for Māori.
- To enhance strategic partnerships with organisations to better meet the unique needs of Māori and the community.
- To develop stronger relationships with nga hapu by providing responsive programs and services.
- To invest in housing to expand housing supply and opportunities for Māori.
- To provide opportunities for whanu / hapu and Iwi to meet, learn and contribute to new housing so that stronger connections can be built within whānau / hapu / iwi and the community.
- Assist in building capacities and capabilities of Māori that will further enhance the capacity to provide quality and affordable housing services within the Tribal Domain.
- To prevent homelessness through whenua Māori based initiatives.
- To uphold, provide and recognise whanaungatanga in Iwi / Māori approaches to homelessness.

## Living Te Ao Māori

Te ao Māori acknowledges the interconnectedness and interrelationship of all living and non-living things. Papakāinga creates an opportunity to live to the principles of Te ao Māori. Living to the values of Te ao Māori involves being stewards of the land to ensure sustainability through kaitiakitanga; creating intergenerational legacies through whai rawa; building positive relationships through whānaungatanga and manaakitanga; and, through quality leadership, management, and governance through mana whakahaere.

## Overview of the Key steps in developing Papakāinga:

1. Whānau planning: This usually takes around 12 months and involves developing and sharing your vision with your whānau. This step will involve a lot of kōrero, hui and preliminary research and is often the most time-consuming step.
2. Information gathering & research: This usually takes around 6 months of mahi and requires you to undertake research, learning and gathering of information about your land, its governance, and the whānau who might want to live there. Your detailed research and investigation will give you confidence that your papakāinga housing development is viable and will identify any likely barriers.
3. Project planning and feasibility: This usually takes around 6 months of mahi, and with the information you have gathered from steps 1 and 2, you as owners

and or Trustees will be in a better position to engage professional services and get technical advice. This involves getting technical reports, considering site options, technical design details and associated costs.

4. Due diligence: This usually takes around 3 months of mahi, and this is when you'll work with any funding providers to negotiate funding. The funding providers will do a thorough assessment of your project and will expect to see some of the following:
  - business case and project plan
  - resource and building consents
  - cost estimates and quotes
  - projected ongoing operating costs and revenue for the papakāinga project management details.
5. Building and project management: This usually takes around 18 months of mahi, and with all of the funding, project plans and consents in place, infrastructure and building work can get underway. It's good to get any building contracts checked by your lawyer.
6. Maintenance and management: This requires ongoing mahi as there will be new responsibilities for the Trust to manage as the landlord of the papakāinga. There will be ongoing mahi managing and maintaining the houses and working with tenants.

## The Key Stages of Papakāinga

There are three key steps to the papakāinga process. These steps involve the kōrero with the whānau, getting the whenua in order, and then the actual build of the whare. The requirements and process for each of these steps are broken down below.

### **Stage 1: whānau**

The first step is whānau planning. This step requires you to achieve consensus across your whānau, hapū, and other owners about the vision and principles for developing papakāinga. This step involves a lot of kōrero, hui and research. Some key considerations around stage one are summarised below.

- The kōrero needs to start with the whānau. First you need to get the whānau to agree to build on the land and get everyone on the same page. These conversations need to be intergenerational and involve rangatahi as one of the goals of papakāinga is to ensure the sustainable and affordable provision of homes for generations to come.

- Some whānau are afraid that they could lose something through the papakāinga process, so it is important to have the kōrero up front to ensure all of the whānau concerns and queries are addressed.
- It is important to consider the big picture benefit of papakāinga housing and the best use for the land. This means having the kōrero up front about the configuration of the houses and how the principles of Te ao Māori can be incorporated into the design.
- It is important to have a kōrero about the different options of papakāinga development and configuration, including the possibility to have a mix of whare and rentals.
- Consideration needs to be made around what the houses will need in terms of infrastructure and services to ensure these are futureproofed and will last for generations.
- To secure funding through Te Puni Kōkiri, you need the right infrastructure for your whenua in the form of leadership for decision making. This needs to be established in a way where everyone supports each other and could involve the formation of a whānau Trust.
- If a Trust is being established to support papakāinga, it is important to ensure the Trustees have some experience with managing Trusts and or organisations, and also have the heart and will to want to drive the papakāinga process on their whenua. The right people need to be in the right place when setting up Trusts.
- There is a limited timeframe for the opportunity to access funding and to get the whānau back on to the land. Funding is locked in until 2025 but could finish earlier so if you are considering papakāinga, now is a good time to apply for funding.

## Stage 2: Whenua

Stage two involves understanding the whenua ready for papakāinga. You need to learn about the whakapapa of your land, and who is connected to it. You will need to understand who has shares in the land, and you may need to update the list of landowners if some have passed away. For a papakāinga to have a good foundation, the governance over the land, potentially in the form of a trust needs to be strong. Some key considerations around stage two are summarised below.

- To get the whenua ready for papakāinga you need to tidy up successions, and make sure these have all been succeeded to.
- The whenua eligible for papakāinga must be multi owned whenua and you must know all of the owners. If you do not know all of the owners, you can go to the Māori land court to find out who all of the owners are.

- You need to look into the history of the whenua and find out if there are any sites that need to be protected, and know the stories of the whenua to get ready for papakāinga.
- A licence to occupy is required to undertake the papakāinga on the whenua. This means that the whānau or Trust gives written permission to the whānau to establish papakāinga on the land. A licence to occupy is required before Kāinga Ora or Te Puni Kōkiri will get involved in the papakāinga process.
- Within the licence to occupy it is important to incorporate a succession plan. If one of the whānau who owns the whare passes, then you need to know who the next person in the succession line is and this needs to be written in the licence to occupy.
- Once the licence to occupy has been secured, you are then able to apply for funding to assist in the provision of infrastructure. Te Puni Kōkiri will cover everything horizontal through infrastructure funding. This includes things such as driveways, septic systems, power, water, geotechnical assessments, surveyors, architects and anything else to do with the whenua.
- If there are multiple whānau that want to build on the whenua, then it is important to decide from the beginning how many houses are going to be established, where the houses are to be established, how they will be established, and also consider how infrastructure and servicing will be efficiently and effectively provided to the houses. All of these considerations need to be included in the licence to occupy.
- When establishing papakāinga on the land, Kāinga Ora underwrite the loan, and Kiwibank lend the money. The money is lent on the house and not on the land to provide security over the land. Previously, banks wouldn't lend money over the land as the banks couldn't secure a mortgage over the land. The change means that the security over the mortgage is over the house and not over the land.
- To secure funding for the provision of papakāinga, a tripartite agreement is the contract from Te Puni Kōkiri that is signed. The three signatures on this are between the Trustees of the whenua, Kāinga Ora, and Kiwibank. Once the agreement is signed, the grant can then be used as a deposit to Kiwibank for the establishment of the papakāinga. If the cost of the build is less than 200K, then no deposit is required.
- Since the security of the mortgage is over the house and not over the land, the house needs to be transportable, on piles and connected to the gird to be part of papakāinga. Since the money is lent on the house, the house can be taken off the land in bad circumstances. If anything does go wrong throughout the process, it is important to see if in the first instance the Trustees can help to pay, or if tenants can be taken on to ensure the houses are futureproofed.

- When going through the papakāinga process, it is important to continue to use your land, so have a look at what you want to do with the whenua in the meantime. This may involve leasing it out for grazing etc.
- It is important not to start with the build before you have everything lined up. This includes the licence to occupy, an established Trust, and ensuring all of the whānau on the same page etc.

### Stage 3: Whare:

During this stage you need to consider how the actual houses will be built and what infrastructure will be required to connect the houses to services. You will need to consider information you gathered in the whānau stage to determine what is the most appropriate house design. Options for building include the use of a local building company, or a company that offers pre designed or transportable homes. If you are taking a Kainga Whenua Loan, your whare will need to be on piles (rather than a concrete foundation) as it needs to be removeable as a condition of that loan.

- Papakāinga must be for three or more whare.
- The first grant application you make with Te Puni Kōkiri when beginning the papakāinga process is an application for a feasibility grant. Te Puni Kōkiri will fund between 40 – 60k for the feasibility grant. A feasibility grant covers all of the components that are required to determine if the proposal is feasible. This includes consents, surveying, geotechnical assessments and figuring out what you want to build, how much it will cost and how long the process might take. In the feasibility process you will be able to consider how many whare you are looking to establish, the configuration of these, and how you will incorporate aspects of Te Ao Māori.
- The second grant application you can make with Te Puni Kōkiri is for an infrastructure grant. This grant is not a loan, so it does not have to be paid back. This grant pays for everything horizontal such as roadways, driveways, sewerage etc.
- In terms of the whare, collectively owned homes are an option. These homes can be owned by the Trust and leased out to the whānau. Te Puni Kōkiri can contribute up to 80% of the costs for these homes. The rental costs put on the whare should be affordable but be able to pay off the mortgage.
- When considering the type of whare it is important to consider investment options, including the potential to have some papakāinga as rental properties.
- Climate change and resilience should be considered in the feasibility step of papakāinga, including a consideration of how the whare can be sustained for generations to come.



## Things to think about:

There are some key things to think about throughout the papakāinga process. These have been summarised below:

- It may be worth considering engaging people to help in the process once the whare are established. This could include an experienced project manager to manage the process, or a property manager to manage any rentals once they have been established.
- It may also be worth considering building your own capabilities within your whānau and communities. Building regional capabilities in project management and property management can assist in not only future papakāinga ventures but also in the educational growth of communities.
- It is important to consider if you are ready for a mortgage and the responsibilities of paying off a loan. If you are not ready to take on a mortgage or do not quite have what is required, it may be worth setting some goals and a plan to get on track. Te Puni Kōkiri have been running workshops that can help you to understand how to save money and pay off interest.
- Show homes are a useful option when considering what sort of whare you are looking to establish. It may be difficult for some people to understand what architectural plans can look like in real life, so it is useful to see show homes, especially when considering how to futureproof the whare.
- Futureproofing options are important to consider in the design phase. For example, it may be worth considering wider hallways, lower shower entrances and lower shelves to ensure easy access for all generations.
- If you don't know where to start, go and talk to your local Te Puni Kōkiri advisor and they will help you to understand what you want, and how to achieve this.
- Kiwibank is currently the only bank that will lend money for papakāinga. For papakāinga, you can borrow up to 200k without a deposit, but anything over this requires a 15% deposit.
- While it is possible to get an occupation order to exclusively occupy a certain part of any Māori land in which you have interests, a licence to occupy allows the lender access to the land while the occupation order doesn't. It is important to have the conversation with both the Trust and the whānau upfront to decide if a licence to occupy or occupation order will be more suitable.

## The Stages of Papakāinga

The key stages of papakāinga development and requirements have been broken down into the table below.

Whānau				Whenua			Whare		
	Leadership	Information	Proposal	Feasibility	Site Plan	Legal	Design	Contracting	Building
Whānau	Whānau leadership	Analysis and consulting	Develop strategy	Whānau readiness	Cultural assessment	Mandate	House design	Select contractors	Manage building
Māori land Court		Title info and engagement	Title options	Title option selection	Title layout planning	Court application			
Council		Property information	Planning provisions	Consent requirements		Resource consent	Building consent		Inspection and compliance
Budgeting			Preliminary budget	Financial viability			Quantity calculation and valuation	Estimates and finance	Payments and reserves
Consultants	Project mentors	Project manager	Design leader			Design and technical		Contract manager	

## Te Kakano Kainga Ora and SIP Panel Housing

Te Kakano Kainga Ora is the commercial wing of Wai Ora Christian Community Trust. Te Kakano Kainga Ora aims to provide quality, affordable, health homes for all through the use of SIP. SIP stands for Structural Insulated Panel. They are a building system for residential and light commercial construction. The panels consist of an insulating foam core sandwiched between two structural facings. SIPs are manufactured under factory controlled conditions and can be fabricated to fit nearly any building design. Being custom-made, any engineered timber or steel solution can be accommodated. SIP is a building system that is durable, energy efficient, healthy and warm. Te Kakano Kainga Ora housing aims to transform 10000 whānau over 10 years, through getting the systems right and using it elsewhere. Te Kakano Kainga Ora has a range of different papakāinga concepts to choose from.

### Reasons to build with SIP:

- Speed: SIP buildings go up in approximately half the time of a traditional stick frame building.
- Labour: SIP buildings can be built with minimal and un-skilled labour. Because of SIPs simplicity we can train builders on site and in far less time than the traditional building methods. Thus by-passing the current skilled labour shortage on building sites around the country.
- Waste minimisation: SIP produces 70 – 90% less material.
- Eco friendly: 80 – 90% of SIP build is recyclable.
- Energy Efficient: SIP houses use 50% less energy to heat compared to the equivalent traditional stick build with the same "R" value.
- Strength: SIP buildings are stronger than stick buildings.

## Te Puni Kōkiri

Te Puni Kōkiri supports the development of small-scale papakāinga (usually 3-10 houses) on whenua Māori, where homes will be owned and occupied by the owners of the whenua, and whānau who whakapapa to the land have the opportunity to live according to Te Ao Māori. The focus of Te Puni Kōkiri is on rōpū who wish to establish an intentional Te Ao Māori papakāinga community that maintains a connection to their whenua. This helps to ensure identity and whakapapa can come together, which enables intergenerational living and strengthens cultural and spiritual identity and te reo Māori. Papakāinga supported by Te Puni Kōkiri usually incorporates some communal spaces and shared amenities, including for example orchards, communal māra kai, and gathering spaces or recreation areas. Papakāinga will often help provide a base for whānau and community enterprises.

### **How can Te Puni Kōkiri help?**

- Te Puni Kōkiri have experience in supporting papakāinga development on both whenua Māori and general title land, sometimes land returned under Treaty settlements in both rural and urban communities.
- Te Puni Kōkiri can support the development of papakāinga, usually on whenua Māori, and typically three to ten homes, by supporting and contributing to the cost of planning and feasibility assessments for papakāinga on their whenua (grants are typically around \$90,000 per rōpū).
- Te Puni Kōkiri can support through infrastructure and construction costs (capital grant) to build collectively-owned affordable rental housing (grants are typically \$500,000 to \$3 million per rōpū).
- Te Puni Kōkiri can support through infrastructure for whānau-owned homes on whenua Māori (grants are typically \$80,000 - \$100,000 per whare, depending on the level of infrastructure needed).
- Te Puni Kōkiri can support investment in new papakāinga developments vary depending on the size and type of development proposed. The land owning rōpū must contribute to the construction costs of any affordable rental homes, generally between 25 and 40 percent, usually from borrowing or cash reserves.
- Te Puni Kōkiri advises that funding and other support needs to have flexibility to be able to move at the pace with which whānau and rōpū are comfortable. This can mean a year or two may pass between initial conversations and a proposal that is ready to be funded.
- Te Puni Kōkiri advises that building papakāinga and individual homes on Māori land requires rōpū and/or whānau to clarify their aspirations, get the agreement of often dispersed landowners, learn to navigate through complex processes, and decide to make very substantial financial commitments.

- Throughout the papakāinga process, Te Puni Kōkiri will maintain its relationship with the rōpū or whānau, and provide appropriate advice and support.
- You are able to set up a meeting with your local Te Puni Kōkiri advisor for more advice and information.

### Te Puni Kōkiri Funding Support

The range of available funding support from Te Puni Kōkiri is outlined in the table below.

Funding Type	Papakāinga Planning	Infrastructure Support	Home Construction
Papakāinga affordable rental housing for Maori who wish to provide rental housing.	Yes	Yes	Yes
Papakāinga owner occupied housing for whanau who wish to live in a papakāinga	Yes	Yes	No
Single owner occupied home for a private house on Maori land.	No	Yes	No

### Kāinga Ora and Kiwibank

Kāinga Ora and Kiwibank work together to help whānau aiming to achieve home ownership on their multiple-owned land through the Kāinga Whenua loan scheme. If you have a licence to occupy, a Kāinga Whenua loan for individuals allows you to build, purchase or relocate a house on your whenua. The loan can be used for repairs and maintenance for an existing house on multiple-owned land.

Kiwibank is responsible for approving and providing the loan, and their standard lending criteria as well as the Kāinga Whenua criteria will need to be met. Kāinga Ora provides lenders mortgage insurance for the loan. A Kāinga Whenua loan is secured only against the house, not against the house.

With a Kāinga Whenua loan, Kiwibank can lend you 100 percent of the house building costs or the purchase price of the house, up to \$200,000. Conditions include having licence to occupy, a valuation from a registered valuer and a satisfactory building contract. No deposit is required for a loan below \$200,000.

#### **Kāinga Whenua Loans:**

- The Kāinga Whenua Loan Scheme is an initiative between Kāinga Ora and Kiwibank to help Māori achieve home ownership on their multiple-owned land.
- Kāinga Whenua loans are only available through Kiwibank.

- The loans are available for both Māori land Trusts, and individuals with a right to occupy their multiple-owned Māori land; however, the requirements and application process are different.
- Obtaining finance to develop housing on Māori land can be difficult because it is difficult for lenders to take security over the house and land.
- A Kāinga Whenua loan is secured only against the house, not against the house and land as with most home loans – so the land is not at risk in the event of default.
- Kiwibank approves and provides the loan, and you need to meet their standard lending criteria as well as the Kāinga Whenua criteria. Kāinga Ora provides lenders' mortgage insurance for the loan.
- Kāinga Ora takes security over the dwelling by way of a bipartite agreement between the Trust and Kāinga Ora.
- A Kāinga Whenua loan has a 30 year maximum term.
- When completing a Registration of Interest (ROI) for a Kāinga Whenua loan, you need to provide a copy of the Trust's most recent audited accounts and details of your housing project including:
  - number of houses to be built.
  - the budgeted cost.
  - how you will fund the development.
  - your plans for ownership of the houses.
  - the legal entity that owns the land block.
- You can register interest through the Kāinga Ora website.

### **Kāinga Whenua Eligibility Criteria:**

- Must be multiple-owned Māori land.
- At least one borrower must be a fulltime occupier
- No income caps.
- No need to be a first home buyer.
- Must sign a Kāinga Whenua agreement.
- Must have a licence to occupy.
- You need to meet Kiwibanks standard lending criteria as well as Kāinga Whenua criteria
  - Must be in the same job for a minimum of 12 months, or the same industry for the past two years.
  - Have good account conduct (no defaults, no unarranged overdraft fees, no missed payments or any debts in the past three months).
  - Clear credit history (no outstanding defaults with baycorp or Veda advantage).
  - Income vs debt.
  - No deposit required for any borrowing under \$200, 000.
- Deposit can be from Kiwisaver funds, genuine savings, or gifted funds.

- Any amount above \$200k requires a 15% deposit i.e \$250k will require a 15% deposit on the amount of \$50k = \$7, 500.
- If the borrower can provide an acceptable alternative security for the loan, the house does not have to be relocatable. If alternative security is not available then the house needs to be relocatable.
- The house you are planning to build, purchase or relocate must:
  - Be built on piles.
  - Be one storey of at least 70 square meters.
  - Have reasonable road access.

### **Kāinga Whenua Property Criteria:**

- A Kāinga Whenua loan puts limits on the type of house you can build, purchase or relocate to the land. It must be a one-storey house of at least 70 sqm, on piles, and with reasonable road access.
- With Kāinga Whenua you can borrow up to \$200,000 for each proposed house. The approved loan value must include a 10% contingency amount – or 5% if a Master Build Guarantee is provided. Market interest rates apply to the loan.
- The houses must be able to be removed from the site if necessary.

### **Land Tenure Secured Through a Licence to Occupy:**

- A right to occupy the land through a Te Ture Whenua Māori Act 1993.
- Land owner grants the occupier the right to live on a specified part of multiple owned Māori land.
- The right is issued by Trustees, incorporation or owners of the land.
- The right is noted by the Māori Land Court against the block of land.
- Kāinga Ora approves the Trusts existing licence.
- Kāinga Ora can provide a Licence to Occupy template.
- Occupier and landowner should agree in the early stage of the process.

### **Land Tenure and Security Interest:**

- Landowner recognises that the dwelling belongs to the individual(s) rather than the landowners.
- Borrower agrees to give security over the house to Kāinga Ora.
- Landowner grants access to Kāinga Ora to remove the house in the event of a non-repayment of the loan.
- Contains separate Licence to Occupy.
- Signed after Kiwibank provide Final Loan Approval.

### **Valuation:**

- Required for establishing maximum loan amount.
- Maximum loan amount will be lower of cost to build and valuation.

- Only required at the time of application.
- Recommended that you speak to Kiwibank prior to organising a valuation.

### **Possible Exemptions to the Requirements:**

- Exemptions to some criteria may be considered in exceptional circumstances.
- Exemptions are considered for:
  - Loan cap – on the basis of requirement for larger houses or significant infrastructure costs.
  - Single storey – on the basis other security is provided.
  - Piles – on the basis that other security is provided.
- Applications are still to be made in a normal manner.
- Kiwibank and Kāinga Ora will both consider the exemptions.

### **Kāinga Whenua for land Trusts and other collectives**

- Became available in July 2013.
- Allows Māori land Trusts to access finance to develop housing for beneficial owners.
- Normally used in conjunction with other government initiatives such as Te Puni Kōkiri grants.

### **Trust loan requirements**

- No income caps apply
- Security arrangement bipartite agreement between land owning Trust and Kāinga Ora

### **Application process for Trusts**

- Register an interest.
  - Complete an ROI form.
  - Provide Trusts latest audited accounts and housing plan vision.
- Kāinga Ora can connect Trust with Kiwibank to work through application process.
  - Develop detailed business case and cash flows.
  - Financial assessment of proposal by Kiwibank.
  - Handled by Kiwibanks Business Banking Unit.
  - Normally involves a Project Manager.

### **To proceed with an application, you need to complete the Home Loan application and provide the following documents:**

- A signed and completed home loan application form (must be signed by all applicants).

- The last 3 months of bank statements of your everyday account that your pay goes into and any other transaction accounts not with Kiwibank (full statements including the bank logo).
- Last 3 statements for any credit card, hire purchase, personal loans outside Kiwibank.
- Evidence of income: your last 3 payslips and a letter from your employer confirming your employment.
- If you are self-employed, Kiwibank requires the 3 most recent full year financials and personal IRD tax summaries for the last 3 years (if you have them).
- Evidence of deposit: if the amount you are looking to borrow is over the minimum \$200, 000 amount.
- ID for each borrower such as a NZ passport or NZ drivers licence.
- If you receive working for families or any other benefit, you must provide the letter of entitlement from IRD or WINZ received via the post.

### **Once the loan is pre-approved:**

- A copy of the registered valuation report for the property for the property to be built
- A copy of the building consent is issued
- Builder risk insurance
- A copy of the latest fixed price contract, along with quotes for any work not included in the fixed price contract
- Code of compliance on completion

### **How to apply for a Kāinga Whenua loan**

- Pre-approval. Apply for Kāinga Whenua through Kiwibank and get pre-approval which will then be sent to Kāinga Ora.
- Seek a licence to occupy. This gives you permission to live on the multiple owned Māori land. This can be a lengthy process where there are numerous landowners or Trustees.
- Find a builder and produce a budget and a plan. Find out what the total cost will be to purchase the house, renovations or relocate and complete. Your budget must meet Kiwibanks lending criteria and you must obtain all council consents you need to comply with local bylaws.
- Get loan approval from Kiwibank. Get the final approval from Kiwibank for the final amount
- Tripartite agreement. The tripartite and a deed of mortgage needs to be signed by you, all the landowners and Kāinga Ora.
- Register with the Māori land court. The Māori land court needs to register your licence to occupy.



- Building starts. Building of the new house, renovating or relocation of existing house starts according to the design, plan and budget you submitted as part of your application.
- Progressive drawdowns. Timings and the finer details of progressive drawdowns will be unique to every Kāinga Whenua loan.
- Building complete. Once the building is complete, you are then able to move in.

### **Kiwisaver first home buyer assistance**

- First home grant:
  - Involves a government subsidy (free money).
  - For existing homes, \$1000 per every full year of contributing (min 3 years), up to a maximum of \$5,000 per person.
  - For new homes, \$2000 per every full year of contributing (min 3 years), up to a maximum of \$10,000 per person.
- First home savings withdrawal.
  - Can withdrawal all but \$1000 of your savings.

## **Types of Trusts**

When looking to establish a Trust, it is important to be aware of the different types of Trusts and how each of these work. Some of the common Trust types are outlined below.

### **Ahu Whenua Trusts**

- Ahu Whenua Trusts replace the old Section 438 Trusts. This type of Trust is a land administration Trust designed to manage the whole blocks of Māori freehold land.
- Before setting up an Ahu Whenua Trust, the Māori land court is required to be satisfied that the constitution of the Trust will promote and facilitate the use and administration of the land for the beneficial owners.
- The Ahu Whenua Trusts are often used for commercial operations and is the choice of Trust for many farming operations over Māori freehold land.
- Trustees of Ahu Whenua are able to make decisions concerning the administration of the land on behalf of the beneficial owners.
- Subject to certain restrictions on alienation, it is possible for the Trust order to give the Trustees flexible powers.
- Trustees can only alienate the land by way of sale in limited and prescribed circumstances, it is also possible for the Trust order to contain provisions prohibiting the sale of the land altogether and/ prohibiting the mortgaging of the land for security purposes.

- Ahu Whenua Trusts are also permitted over Māori reserved land previously administered by the Māori Trustee. Trusts set up over Māori land include the Wellington Tenths Trust, the Palmerston North Reserves Trust and the Pukeroa Oruawhata Trust.

### **Whānau Trusts**

- Whānau Trusts are designed to hold and manage beneficial interests or shares in Māori land or general land owned by Māori.
- A key feature of Whānau Trusts is that they enable whānau members to bring together all of their interests or shares in land for the benefit or advancement of the whānau and their descendants of the tipuna (either living or deceased) named in the Trust order.
- While a Whānau Trust exists, no person is entitled to succeed to any interest or shares held by the Trust. This prevents the further fragmentation of shares and is seen as a major benefit.
- One of the difficulties of the Whānau Trusts are that once established they are not easily terminated. This difficulty increases with the passing of time.

### **Putea Trusts**

- A Putea Trust is designed to deal with uneconomical smaller share interests within a block or within various blocks.
- The owners, Trustee or the secretary of a Māori incorporation may make the application for the creation of a Putea Trust.
- The Te Ture Whenua Māori Act 1993 requires that the shares and any income they produce be held for Māori community purposes.

### **Whenua Topu Trusts**

- A Whenua Topu Trust is designed to manage the land belonging to an iwi or hapu.

### **Kaitaki Trusts**

- Kaitaki Trusts are designed to protect minors or persons under disability who are unable to manage their affairs. The Trust can be constituted over the persons land interests or personal property.

## Papakainga Land Tenure Options (via Kererua Savage):

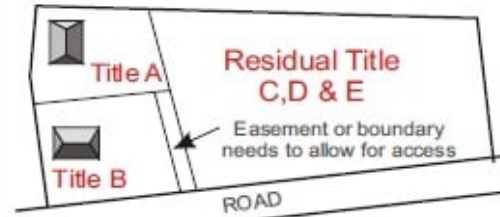
### Current Maori Land Block

5 Owners: A,B,C,D & E



### Partition Order

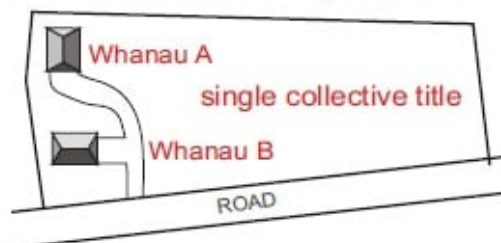
Owners A & B file for Partition



Three separate titles created.  
Owners A&B can use own land as security for mortgage more easily than shared land.

### Occupation Order

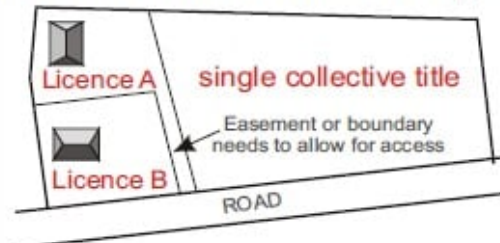
Owners A & B file an Occupation Order



Owners A & B can build on and occupy the land but no separate title is created. They do not have any exclusive rights over the land.

### License to Occupy

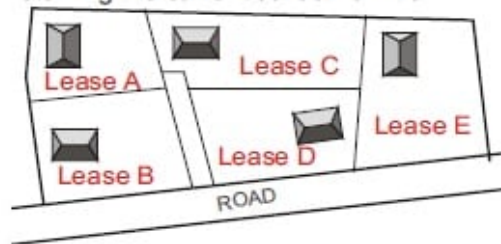
Owners A & B file for License to Occupy



Title unchanged but owners A & B have an exclusive right to occupy a defined part of the block for a defined period of time.

### Lease

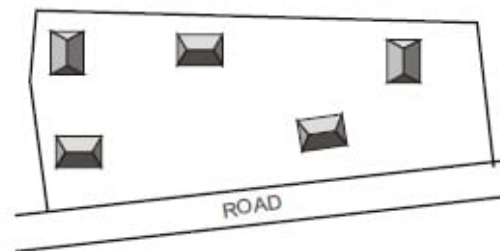
The Trust sub-divides the property for lease retaining the current collective Title.



Each lease creates an 'estate' that can be bought and sold or rented by the leaseholder. The lease has a commercial value that can be used by the lessee to secure finance.

### General Title

If the land is under General Title.



A family trust or company is able to raise finance against the equity in the land more easily than Maori Land, however Resource Consent requirements will be more stringent.

## Frequently Asked Questions:

**Can the infrastructure grant from Te Puni Kōkiri be used as part of the deposit?**

No, this will only fund horizontal infrastructure and services.

**Who will Kiwibank look at if it is a Whānau Trust as a borrower?**

Kiwibank will look at the Trustees of the whānau Trust.

**Who lends the money?**

Kiwibank lends the money. The bank has additional criteria you must meet to qualify, as well as the kāinga whenua scheme criteria.

**How big a deposit will I need?**

You don't need a deposit at all if the cost of building or the purchase price of the house is less than \$200,000. In those cases, Kiwibank can lend you 100 percent of the amount required. However, the amount you can borrow is subject to certain conditions. You may be able to borrow more in certain areas and you'll still only need a deposit of 15 percent for amounts over \$200,000.

**Who qualifies for a kāinga whenua loan?**

You need to meet all of the following requirements:

- you must work within a realistic travelling distance from the block on which you want to live
- if there's more than one borrower, only one of you has to live full-time in the house. Other whānau members can contribute to the repayments
- no deposit is required if your loan is under \$200,000
- you must have a licence to occupy the land you want to build on
- the land needs to be Māori land that can't be mortgaged and that is either owned by multiple beneficial owners or under a Trust or incorporation created under Te Ture Whenua Māori Act
- you must have an acceptable credit history
- you must have a valuation from a registered valuer
- you must have a satisfactory building contract.

Loans can now be granted for repairs and maintenance to existing homes on multiply-owned Māori land.

**Can several people apply for a kāinga whenua loan together?**

Yes. There is a multi-borrower option that allows three or more borrowers in a single household to apply for the loan and contribute to the loan repayments. This is aimed at multi-generational households.

**How do I get a licence to occupy?**

- First you'll need to identify who owns the land and whether there's a Trust or incorporation administering it.
- If a Trust exists you'll need the agreement of the Trustees to obtain a licence to occupy, while if the owners are an incorporation, you'll need to get agreement from the incorporation's committee of management.
- If there's no Trust or incorporation administering the land you'll need to get all of the owners to agree to the licence being granted. If you're unable to gain agreement from all owners or you can't locate all of them, you can apply to the Māori Land Court for an "assembled owners" meeting to be held.
- If an agreement can't be reached, you'll need to apply to the Māori Land Court for it to decide the issue.

### **Are there building requirements?**

There are certain requirements for the house you're planning to build, buy or relocate to the land. The house must:

- be built on wooden piles
- be one storey of at least 70 square metres, and
- have reasonable road access.

### **Is building consent for SIPs harder to get?**

No. SIP housing is usually a pre-engineered system certified for compliance with the New Zealand Building Code.

### **What if only half of the whānau is ready to go ahead with the papakāinga process but the other half is interested, just not ready?**

It is important to put in an application for all interested whānau in this situation and even if half of the whānau isn't ready, the process can sometimes take a while which puts them in a good position to potentially be ready down the track.

### **Will Kiwibank lend to over 65's?**

This is case by case dependent. Kiwibank will lend the money based on a number of things including sustainability of income etc. If you are over 65 it is still worth going and talking to Kiwibank or your local Te Puni Kōkiri advisor.

### **What is the criteria for lending?**

The criteria is based on affordability, lendability, sustainability, expenses etc.

### **Will the loan be fixed or floating through Kiwibank?**

Kiwibank can have both fixed and floating loans for papakāinga.

### **Where will the funding come from and how will it be secured?**

You need to work with whānau and establish a Trust, and if you can get up to 3 whare on your land then you can get funding through Te Puni Kōkiri. Single house funding can be secured but it is a different process and there is less funding available.

**What happens if you don't bank with Kiwibank?**

If you don't bank with Kiwibank, you will need to open an account with them through the application process. At the moment, Kiwibank is the only bank that will lend money for papakāinga.

**Who can we contact to help the whānau Trust fill out the forms and help through the process along the way?**

Get in touch with your local Te Puni Kōkiri office and they will link you up with a local advisor who will help you through the process.

**Is whānau able to build papakāinga on awhenua Trust?**

Yes, but you must go through the Ahu Whenua Trust and work this out with them first.

**If we have everything ready such as our licence to occupy etc, what do we do now?**

Go and see an advisor at your local Te Puni Kōkiri office and they will help you with the next steps.

**Are you able to include plumbing for an ablution block in addition to each whare with the grants?**

Yes you can.

**What could prevent you from securing a loan with Kiwibank?**

Bad credit ratings and limited income can be barriers to the process. While funding and grants are available, you do often require some finance to do the vertical build.

**Will Te Puni Kōkiri provide funding to multiple owners on general land that use to the Māori land?**

Yes, this can be considered and Te Puni Kōkiri will look at situations like these on a case by case basis so it is definitely worth applying.

**If there are seven siblings that want to form a Trust in order to begin the papakāinga process but there are 22 other shareholders, how would you go about establishing this Trust?**

You will need to set up a Trust with all of the shareholders, including the other 22 that may not be wanting to be as involved in the papakāinga process. The other option could be to consider partitioning.

**How does the infrastructure fund work?**

The funding can help to support infrastructure for all houses on the whenua. The infrastructure fund can be used to fund to support development leading up to the building of the whare, but cannot help with the actual build of the whare. The infrastructure fund can provide up to 70K per whare.

**How would we go about undertaking the process of papakāinga housing on locked Māori land?**

Go to the Māori land court as a starting point, but Te Puni Kōkiri can also assist with what to do in this situation.

**Will Te Puni Kōkiri fund a communal living situation?**

Yes, this can become part of the plan but it depends on what the whānau wants and what type of structures you can build on your whenua.

**Does Te Puni Kōkiri have a preferred selection of developers and builders that they prefer whānau to use, or does the whānau seek their own?**

No, the Trust or whānau will seek their own.

**Can kiwisaver funds be used as part of the deposit, and can more than one person use their kiwisaver?**

Yes, and kiwisaver funds can be used by more than one owner/applicant.

**Does Te Puni Kōkiri fund building materials and other essentials?**

Yes, if these materials are part of the rental build.

**If Te Puni Kōkiri pays up to 80% of rentals, is this a grant or a loan?**

It is a grant so it does not need to be paid back.

**Does papakāinga housing become your own once paid back?**

No, it is yours from the beginning. For the rentals, they remain rentals to the whānau for the lifetime of the mortgage. Rights to purchase are an important step to consider in the planning process in case someone is struggling to pay.

**How do council rates apply?**

It will be a user pays rates bill. For example, if there are four rentals and four owners, the rates are paid for through the rent, but this depends on the services that you are tapping into. So if you are only going to be using roads, parks and reserves then the rates will be quite low.

**What happens if you are land rich but cash poor?**

The feasibility process is paid for, the infrastructure is paid for, and some of rental homes can be paid for. Every number will be crunched to make it as affordable as possible to enable whānau to come back to the whenua. It is still worth trying for papakāinga in this situation as it may be viable and Te Puni Kōkiri will assess on a case by case basis.

**If you don't have shares in the whenua, can you still get a licence to occupy?**

Yes you can, but make sure that the licence to occupy gives you access to the land.

**How do whānau Trusts apply for mortgages for rentals?**

The whānau Trusts still need to pass the standard credit check. Having good financial controls in place post build such as maintenance and property management is also helpful.

**Does partitioning hinder the papakāinga process?**

No, it doesn't have to. In this instance, it is important to ensure an entity is established over the land. If you go ahead and partition, you could set up a whānau Trust and then go and apply for funding. Partitioning may also be worth considering if all of the owners of the land cant be found or contacted.

**Do credit ratings matter for Trustees?**

Yes, they do. The Trustees will need to meet Kiwibanks standard lending criteria.

**What are the build time frames for a SIPS house?**

The actual time frame will depend on the complexity of the design, but typically it will take half the time compared to the equivalent conventional timber-framed house.

**Is SIP panel construction Eco friendly?**

Yes, because SIPS built houses are durable and well insulated, the amount of energy required to heat or cool them is substantially reduced. SIP panels are also made from materials that can readily be recycled.