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## Second Party Opinion

# Community Housing Funding Agency Ltd. Social Finance Framework

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## Primary contact

**Vanessa Lai**

Hong Kong

+852-2912-2019

[vanessa.lai](mailto:vanessa.lai@spglobal.com)

[@spglobal.com](mailto:vanessa.lai@spglobal.com)

**Location:** New Zealand

**Sector:** Community housing financial institution

## Alignment Summary

Aligned = ✓ Conceptually aligned = ○ Not aligned = ✗

✓ Social Bond Principles, ICMA, 2025

✓ Social Loan Principles, LMA/LSTA/APLMA, 2025

See [Alignment Assessment](#) for more detail.

## Strengths

**Community Housing Funding Agency Ltd. (CHFA) has a strong social license to operate in the communities it serves.** The New Zealand government will support, and partner with, CHFA to increase financing for the community housing sector. In addition, CHFA could benefit from Community Finance's (the manager of CHFA) track record of providing lower-cost loans to eligible borrowers for affordable housing and for working with debt capital markets.

## Weaknesses

No weakness to report.

## Areas to watch

**A limited number of market-rate homes to the general public is also eligible.** The provision of market-rate homes does not directly improve housing affordability of the target population. However, it could improve the financial ability of community housing providers (typically not-for-profit charities) to deliver more affordable housing. The provision of a limited number of market-rate homes also enables the co-location of different housing tenures and mixed income populations, fostering an inclusive community. CHFA confirms the proportion of market-rate homes will not exceed 10% of any financing, tempering the risk of funds not being allocated to the most needed populations.

**Buildings are subject to physical climate risks.** New Zealand is susceptible to physical climate risks, such as heightened flooding, rising sea levels, and extreme weather events (storms, heatwaves and heavy rainfall). CHFA does not have separate policies for physical climate risk mitigation and adaptation.

# Issuer Sustainability Context

This section provides an analysis of the issuer's sustainability management and the embeddedness of the financing framework within its overall strategy.

## Company Description

CHFA was established in 2024 as an aggregator to provide efficient financing to combat New Zealand's affordable housing deficit. The agency supports community housing providers through lower-cost loans. CHFA funds such lending using its own capital and by issuing debt instruments to investors (e.g. fund managers such as KiwiSaver providers and the wholesale debt capital market).

In March 2025, the New Zealand government announced its support for, and partnership with, CHFA to deliver finance at an even greater scale for the community housing sector.

CHFA is wholly owned by Community Finance Ltd., a specialist intermediary for the community housing sector since the establishment of the company in 2019. As of May 2025, CHFA and Community Finance together lend to 14 community housing providers in the country.

## Material Sustainability Factors

### Access and affordability

Low housing stock and lack of affordable options can severely influence people's livelihoods, especially vulnerable, low-income populations that can face the threat of homelessness. Access and affordability are especially important for residential tenants in areas where rents can account for a large percentage of residents' incomes. Lack of accessibility and affordability of commercial properties can also hinder sustainable growth of local communities. According to Stats NZ's Housing in Aotearoa New Zealand 2025 Report, it would take an average New Zealand household five years to save for a 5% house deposit, 10 years for a 10% deposit, and 20 years for a 20% deposit. This is based on a median house sale price of NZ\$753,500 (US\$448,785) and a median household income of NZ\$38,087 (US\$22,685). Meanwhile, New Zealand households spent an average of NZ\$22.2 on housing costs for every NZ\$100 of their disposable income.

### Impact on communities

Properties, and by extension the owners, are inherently part of the communities in which they operate because they provide an essential service and can shape communities economically and socially. The residential sector is particularly meaningful to communities, where affordable housing and gentrification pressures can alter the social fabric and can be challenging to remediate.

Not-for-profit housing operators are not significantly exposed to consumer preferences as providers of safety-net accommodation. Rather, we see more localized risks related to residents being opposed to public housing or negative externalities (concerns about high crime, for example). Similarly, if an affordable or community housing provider fails to keep its residents safe with proper housing standards, its reputation and relations with various stakeholders can be damaged, increasing risks around social cohesion and community unrest. For example, the Building Act 2004, and Local Government Act 2002 ensure that housing projects in New Zealand adhere to safety, health, and structural standards, and mandate local councils to involve communities in decision-making processes.

### Physical climate risk

The geographically fixed nature of real estate assets exposes them to physical climate risks. While varying by location, these could include acute risks (such as wildfires, floods, and storms), which are becoming more frequent and severe, as well as chronic risks (such as long-term changes in temperature and precipitation patterns and rising sea levels). Acute and chronic risks could damage properties or place tenant health and safety at risk. These challenges can also require investments to manage the

potential impact on, in severe cases, relocation of tenants. While the aggregate impact is moderate, the type, number, and magnitude of these risks varies by region—highly exposed regions may be subject to material physical climate risk exposure. Most participants have some insurance coverage, but it could become more difficult to secure insurance for the most exposed assets in the future, absent adaptation. According to the 2020 National Climate Change Risk Assessment by the Ministry for the Environment, extreme weather events, drought, increased fire weather, and ongoing sea-level rise were identified as one of the ten most significant climate change risks for buildings in New Zealand, based on urgency. The country is observing gradual changes such as rise in sea level and higher average temperatures, and more frequent and severe extreme weather events such as heatwaves, coastal flooding, and changing seasonality.

## Issuer And Context Analysis

### **CHFA's framework aims to address the most material sustainability factors for the issuer.**

Lending to community housing providers for delivery of affordable housing and associated social services will improve access and affordability for communities. In our view, physical climate risk is also a relevant consideration to buildings due to the increasing frequency of extreme weather events.

**CHFA addresses the issues of access and affordability by providing lower cost loans to community housing providers.** According to Stats NZ's Housing in Aotearoa New Zealand 2025 Report, housing supply is not necessarily keeping up with demand in some parts of the country. Although residential buildings have increased in recent years, new dwelling consents per head of population still lags behind. The lack of supply has affected affordability throughout New Zealand, particularly in the Auckland region, which has the highest median price for housing.

**Associated social and wellbeing services can also benefit communities.** Almost all registered community housing providers in New Zealand are also registered charities. They extend their role beyond offering affordable housing options by providing social services such as health, financial wellbeing education, and support. These services are typically free or government funded. The provision of such services can lead to improved economic stability, community well-being, quality of life, and other social benefits.

**Physical climate risk is a key sustainability issue for buildings.** New Zealand is susceptible to physical climate risks, such as heightened flooding, rising sea levels, and extreme weather events (storms, heatwaves and heavy rainfall). These events could harm a building's structural integrity and functionality, potentially undermining the intended social outcomes and the safety of those in the community. Engagement with community housing providers to enable effective responses to climate hazards is one of the objectives of New Zealand's national adaptation plan. All housing developments must meet healthy home standards of the Ministry of Housing and Urban Development. CHFA does not have separate policies for physical climate risk mitigation and adaptation. The New Zealand government, through its national adaptation plan, aims to have data and information on exposure of community housing providers by 2026. This will inform CHFA's policy development.

# Alignment Assessment

This section provides an analysis of the framework's alignment to Social Bond and Loan principles.

## Alignment Summary

Aligned = ✓    Conceptually aligned = ○    Not aligned = ✗

✓ Social Bond Principles, ICMA, 2025

✓ Social Loan Principles, LMA/LSTA/APLMA, 2025

### ✓ Use of proceeds

All the framework's social project categories are aligned, and the issuer commits to allocate the net proceeds exclusively to eligible social projects. Please refer to the Analysis of Eligible Projects section for more information on our analysis of the social benefits of the expected use of proceeds. The look-back period for refinancing is not disclosed, which reduces insight into the projects' additionality.

### ✓ Process for project evaluation and selection

CHFA's senior management is responsible for the overall selection and evaluation process, in accordance with its board approved lending criteria. Eligible borrowers will be screened during the onboarding process, ensuring that they meet the issuer's lending policies and the framework's eligibility criteria. The onboarding process also includes screening for perceived environmental and social risks related to eligible projects. For instance, borrowers have to adhere to applicable laws and regulations (e.g. relating to environment, tenancies, and healthy homes), as part of the loan agreements. Quarterly and annual reviews of all eligible borrowers will be conducted. The framework does not include an exclusion list.

### ✓ Management of proceeds

CHFA will track the net proceeds in its register and allocate it within 24 months of the issuance of a social finance instrument. The issuer commits to periodically adjust tracked net proceeds to match allocations to eligible projects during the time the instrument is outstanding. Pending allocation, net proceeds will be held in cash, cash equivalent instruments, or other investment grade instruments, in accordance with CHFA's treasury risk management policy.

### ✓ Reporting

CHFA commits to report annually on the allocation of the net proceeds and on the financed projects' impact until full allocation of the net proceeds and in case of material developments. Reporting will be available on its website. Allocation reporting will include information such as the total amount of instruments outstanding, and a brief description of the projects and the target populations. The company will also report on the actual impacts of the financed projects, though specifics of what will be reported are not included in its framework.

# Analysis Of Eligible Projects

This section provides details of our analysis of eligible projects considered to have clear social benefits and to address or mitigate a key social issue.

The issuer expects to allocate the majority of proceeds to refinance affordable housing projects.

## Social project categories

### Affordable housing

Refinancing and new lending to eligible borrowers to deliver affordable rental and assisted home ownership models.

Target populations:

- People in serious housing need and with very low incomes who are registered on the New Zealand's government's public housing waitlist.
- People with low-to-moderate incomes who are supported by eligible borrowers. This includes Māori, Pacific, migrants, elderly, and other populations who are marginalized and underserved by New Zealand's housing market.

### Analytical considerations

- Lending to eligible borrowers to deliver affordable rental and assisted home ownership models will improve living conditions for low-income and underserved communities. It will help them maintain and expand access to safe and affordable housing. Housing options include emergency or transitional housing, public or community housing, and assisted rental or ownership.
- Eligible borrowers refer to community housing providers registered with the Community Housing Regulatory Authority, based on the requirements set out in the Public and Community Housing Management (Community Housing Provider) Regulations 2014, and other eligible organizations supporting social and affordable housing in New Zealand. To be eligible, community housing providers must have the intention to provide community housing, affordable rental housing, or both, and have detailed plans to provide long-term housing. Once registered, community housing providers are assessed annually to ensure that they continue to meet the performance standards. Currently, there are 92 registered community housing providers in New Zealand with 19,200 properties. Almost all of these are also registered charities, adding an additional layer of government regulation (Charities Act 2005 and financial reporting standards), overseen by the Department of Internal Affairs.
- People who want to be registered on the government's public housing waitlist must meet criteria for age, residency, housing need, and income and assets. For example, applicants need to have income under NZ\$807.63 (US\$478) a week (after tax) if single with no children or NZ\$1,242.51 (US\$736) a week (after tax) if they have a partner or children; and cash assets worth less than NZ\$42,700 (US\$25,278). According to the Ministry of Housing and Urban Development's Housing Dashboard, 19,089 applicants are on the register as of May 2025. Tenants will pay 25% of their net income in rent to community housing providers and the income-related rent subsidy tops it up to an equivalent of a market rent.
- Other target populations, such as people with low-to-moderate incomes, Māori, Pacific, migrants, elderly, marginalized, and underserved populations, who are not eligible for public and community housing, are covered by other affordable housing options. Affordable housing is generally defined as housing that costs less than 30% of a household's gross (pre-tax) income. The Ministry of Housing and Urban Development provides an upfront capital grant, funded by the Affordable Housing Fund, to a community housing provider. In return, the provider is required to rent the homes to the market for up to 80% of market rent.
- However, revenues from market rent are not always sufficient to stimulate new supply, particularly in places with low market rents but high housing needs. In addition, many of the costs of delivery are borne upfront, when many community housing providers may struggle to access finance to get developments underway. The government funding often includes an additional ongoing operating supplement (above market rents) or upfront grants, to provide the funding to deliver and maintain the homes. CHFA could bridge this financing gap by providing lower cost loans (than from banks or non-banks) to these community housing providers. According to the issuer, its lending rates are and will be consistently lower than residential bank special rates from the five major banks in New Zealand, on average in the coming five years.

- CHFA could benefit from Community Finance’s track record of providing lower cost loans to eligible borrowers to deliver affordable housing and of working with the debt capital markets. This support, combined with CHFA’s policies and alignment with relevant government policy, funding, and objectives, should ensure social risks associated with the eligible projects are appropriately identified, managed, and mitigated.
- Some affordable housing developments are built with a Homestar rating, for which a house must meet additional performance and sustainability requirements beyond the New Zealand Building Code. Such rating brings energy savings, depending on the actual size and layout, as well as the actual operation. Nonetheless, obtaining a Homestar rating is not a requirement for CHFA’s lending.
- Buildings are exposed to physical climate impacts such as droughts, wildfires, rising sea levels, and extreme weather events. All housing developments must meet healthy home standards of the Ministry of Housing and Urban Development. CHFA does not have separate policies for physical climate risk mitigation and adaptation.

### **Socioeconomic advancement and empowerment**

Refinancing and new lending to eligible borrowers to deliver:

- Affordable rental and assisted home ownership models;
- A range of other social services such as health and financial wellbeing support; or
- A limited number of market-based homes to the general public.

Target populations:

- People in serious housing need and with very low incomes who are registered on the New Zealand’s government’s public housing waitlist.
- People with low-to-moderate incomes who are supported by eligible borrowers. This includes Māori, Pacific, migrants, elderly, and other populations who are marginalized and underserved by New Zealand’s housing market.

### **Analytical considerations**

- In addition to affordable housing, eligible borrowers will provide other social services to tenants, and also deliver a limited number of market-based homes. Eligible borrowers and target populations of this category are the same as the “Affordable housing” category.
- Community housing providers will provide social services beyond housing, such as health, and financial wellbeing education and support. These services are typically free, or government funded. Examples include digital coaching services for older tenants, alcohol and drug support, residential rehabilitation, and mentoring services for children and young people etc. The provision of such services can improve economic stability, community well-being, quality of life, and offer other social benefits.
- A limited number of market-rate homes to the general public (for rent or ownership) is also eligible, typically with development models where a single project includes mixed housing types (e.g. social housing, assisted rentals and ownership options, and market-rate homes). While the provision of market-based homes does not directly improve the housing affordability of target population, it could improve the financial ability of community housing providers, which are typically not-for-profit charities. These community housing providers will reinvest the surplus to expand the supply of affordable housing. The provision of a limited number of market-rate homes also enables the co-location of different housing tenures and mixed income populations, fostering an inclusive community. For instance, the Auckland Plan 2050 mentions that mixed-tenure communities reduce spatial inequality and bring wider benefits such as social cohesion, sense of belonging, and better health outcomes. CHFA confirms that the proportion of market-rate homes will not exceed 10% of any financing, tempering the risks of funds not being allocated to the most needed populations.

# Mapping To The U.N.'s Sustainable Development Goals

Where the financing documentation references the Sustainable Development Goals (SDGs), we consider which SDGs it contributes to. We compare the activities funded by the financing to the International Capital Markets Association (ICMA) SDG mapping and outline the intended linkages within our SPO analysis. Our assessment of SDG mapping does not affect our alignment opinion.

This framework intends to contribute to the following SDGs:

**Use of proceeds**

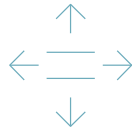
**SDGs**

Affordable housing



**11. Sustainable cities and communities\***

Socioeconomic advancement and empowerment



**10. Reduced inequalities\***

\*The eligible project categories link to these SDGs in the ICMA mapping.

## Related Research

- [Analytical Approach: Second Party Opinions](#), Mar. 6, 2025
- [FAQ: Applying Our Integrated Analytical Approach For Second Party Opinions](#), Mar. 6, 2025

## Analytical Contacts

### Primary contact

**Vanessa Lai**  
Hong Kong  
+852-2912-3019  
[vanessa.lai@spglobal.com](mailto:vanessa.lai@spglobal.com)

### Secondary contacts

**Bertrand Jabouley**  
Singapore  
+65-6239-6303  
[bertrand.jabouley@spglobal.com](mailto:bertrand.jabouley@spglobal.com)

### Research contributor

**Sreenidhi Hegde**  
Pune  
Crisil Global Analytical Center, an S&P affiliate

## Second Party Opinion: Community Housing Funding Agency Ltd. Social Finance Framework

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