

Waikato Housing Impact Fund and Funding

Summary Document | February 2026



Purpose Statement

This mahi, led by the Waikato Wellbeing Project, aims to create more affordable housing in the Waikato

Prepared for:



Prepared by:



A Funding and Financing Tool to support more affordable homes

What is the opportunity

The “market” is not delivering enough affordable homes to meet the needs of the Waikato community

There is a housing market gap, or a part of the community that is significantly underserved by the market and government. It sits between housing that is delivered or supported by the government, and housing that is delivered purely on a market basis.

In this gap sits housing that is market led and delivered, but does not necessarily require the support or funding from central or local government.

It is housing that is affordable, good quality, healthy, efficient, safe, connected, and provides a dignified housing outcome that an owner or tenant can be proud of.

To deliver projects into this market gap, doesn't necessarily align with the current housing deliver model that requires a proven market, funding criteria to be met, presales off the plan, and bank funding criteria met.

A challenge is: how do we have the private sector stepping more into this space. Delivering homes that are more compact, affordable, and provide a critical housing step out of government and community supported housing.

Having undertaken detailed stakeholder interviews, one consistent solution identified is the need for funding, finance or capital to deliver projects at a greater speed, scale, and with less risk exposure.

What forms can impact funding and finance take

Impact funding and finance can take a number of forms, and there are different examples, at different scales in New Zealand and around the world.

In simple terms, we refer to funding as capital. This may be deployed in a number of ways, but at its core it is project equity or a money that goes into a project, at risk, and is returned on completion.

On the other hand is finance, which is money lent to a project for a fixed return and repaid on completion.

We are fortunate in that there are several examples of both impact funding and financing, locally in the Waikato and nearby, that we can draw lessons from.

The equity funding approach is one. A special purpose housing fund is an investment model designed to channel money, expertise, and decision-making into solving local housing challenges.

A fund allows a partnership approach for developers to step into “uncharted waters” and deliver affordable housing products that may be outside the norm, or not proven and tested by the market. There is market feedback from the development sector that delivering smaller homes, homes without pre-sales, or projects that may not meet main bank lending criteria are a challenge.

Unlike traditional government policy responses, which often rely on regulation or subsidies, these impact funds pool capital from local councils, iwi, philanthropic organisations, businesses, and sometimes private investors to directly unlock and invest in new housing projects.

An example of this is the Bay of Plenty Housing equity fund. More on that later.

The other is an affordable housing finance model. An example is the fund led by Trust Waikato – Te Puna Hapori A tailored community investment finance model, that provides finance to housing investment opportunities that are otherwise not serviced by main banks and the financial system.

So what are the options to deliver impact and scale for community benefit in the Waikato?

- A purpose driven housing finance model, that provides targeted development funding to affordable housing projects.
- A purpose equity fund, that provides a range of investment tools to underwrite, co-invest, joint venture, or fund affordable housing projects.
- A combination of the two models.

Waikato Affordable Housing Impact Finance

Rationale of Proposal

The alternative approach, or additional approach alongside a housing equity fund, is a regional housing finance model.

This model is attractive in that it provides a purpose finance vehicle that is available for impactful affordable housing projects. This is especially relevant where their projects may be delivered to segments of the market that:

- Are not well proven market segments, being smaller homes, more affordable homes, or other innovation
- Housing that may not be aligned with main bank funding and valuations due to its innovative characteristics

- Affordable housing projects that proceed based on little or no presales

Case Study: Te Puna Hapori

Trust Waikato has established the Te Puna Hapori fund, which is an impact investment fund for the goal of delivering safe and healthy communities for individuals and families to build a home, be educated, grow and flourish. It is in place and scalable.

Established in 2019, the fund is managed and implemented by Brightlight, who connects directly with market opportunities and deploys finance to impactful projects that provide benefit to society and the environment. The involvement of Brightlight ensures that there is the capability, experience and risk management processes in place for the fund to be invested, protected and to grow.

The fund targets a NC Official Cash Rate plus 3-4% yield per annum, while structuring downside protection in each investment.

The fund operates in a finance space, that otherwise is not well served by main banks and development finance.

The Te Puna Hapori fund provides mechanisms for the protection of funding inputs, and provides a return on capital deployed to projects, so could be of high interest to a range of local government and community trusts in the Waikato.

The Te Puna Hapori structure is established. It can be added to and grown by other parties. This is a real fund, that is able to grow and have a greater impact over time in the Waikato.

Waikato Housing Impact Fund

Rationale of Proposal

The alternative approach, or additional approach alongside a housing impact finance model, is a regional housing equity model.

A housing impact equity fund is an investment model designed to channel money, expertise, decision-making into solving local housing challenges. Unlike traditional government policy responses, which often rely on regulation or subsidies, these impact funds pool capital from local councils, iwi, philanthropic organisations, businesses, and sometimes private investors to directly unlock and invest in new housing projects.

They are increasingly attractive models because they are:

- **Locally Grounded:** Housing impact funds use local money, people, and control, aligning investment with community priorities.
- **Direct Impact:** They go beyond policy and influence and instead directly fund housing to speed delivery where the private sector would not.
- **Financial Return and Sustainability:** The funds are set in perpetuity, whereby the fund obtains a reduced margin on projects in order to enable them to occur, and funds are recuperated to continually invest in more housing projects where the private sector isn't.

Elements of a successful model

To be effective, a locally led, investment-driven housing initiative would require the following elements:

- A supportive residential property market with fundamentals that make development financially viable.

- Access to capital that can be invested into construction and delivery of housing projects.
- Sufficient scale and funding commitment to justify the establishment and ongoing management of the initiative.
- Clearly defined objectives and success measures, including set equity contribution targets, housing delivery goals (e.g., number of homes built), and affordability thresholds.
- Agreed return expectations and risk management strategies among funding partners to ensure alignment and accountability.
- A shared investment framework that enables collective pooling of resources, maximising impact across a range of housing types rather than restricting funds to narrow categories.
- Independent governance and management to provide transparency, build trust and give investors' confidence in decision-making and performance.
- One or more committed anchor partners to lead, champion, and lend credibility, particularly during early-stage development and investor engagement.

Haven't we tried this before?

That's right, this model has been attempted before, most recently through efforts of Momentum Waikato in 2021-22. The intent behind these efforts was to establish a Waikato Affordable Housing Fund, in conjunction with project partners, that would provide finance or equity, to initiate or unlock, manage or complete affordable housing projects across the Waikato that deliver community and economic benefits throughout the region.

The fund was envisaged as a recyclable fund, that after establishment would then reinvest funds on an ongoing basis as with a growing pool of capital.

Legal advice on the fund structure, investment criteria, standard operating procedures was obtained.

So why didn't it succeed – we have spoken with the coordinators of the Momentum led Waikato Affordable Housing Fund initiative. In short, the fund was a good idea, that has since been picked up and actioned in other locations, but in the Waikato required the confluence of a range of factors at once, which did not occur in this instance:

- Alignment of objectives from potential fund partners. Objectives are ever changing with the acute needs of the community. Consistent feedback is that there are always more needs seeking impact funding support, than funding that is available.
- A housing market that provides opportunities for impact investment. In 2021 and 2022 the housing market in the Waikato and across New Zealand and was highly volatile in terms of price increases then decreases, interest rates, demand, and affordability. Central government had also stepped into the market as a major house developer. Participating in that market window had inherent high risk, and urgency to invest and make decisions.

The question is, was it the right idea but just at the wrong time?

Case Study: The Bay of Plenty Housing Equity Fund

The Bay of Plenty Housing Equity Fund (BoPHEF) is an equity-style investment fund established to achieve both social and commercial housing outcomes. It is designed to address priority housing needs across the region, including elderly housing, key worker accommodation, and supported living. The fund's

purpose is to enable large-scale, long-term housing supply in the Bay of Plenty.

Its mission is *"To catalyse the development of the much needed, large-scale new housing supply across the Bay of Plenty for members of the community most in need of improved housing options, whilst delivering a commercial rate of return to investors."*

Financial Objectives

The fund generates returns through a combination of:

- Profit margins from housing developments.
- Rental income from tenanted properties and interest from loans.
- Appreciation in property values over time.

The fund is structured to achieve a long-term return of CPI + 4% (pre-tax, net of fees).

Capital and Governance

The BoPHEF has secured approximately \$100m in capital commitments, sourced from a mix of:

- Bay of Plenty-based community trusts.
- Tauranga City Council.
- Borrowed capital.

The scale of the fund is approximately \$60m of pledged capital with up to \$40m of leveraged debt funding facility available. The fund is managed by appointed fund manager New Ground Capital, an independent entity, and is overseen by a Board & Investment Committee. The governance structure

includes representatives from contributing equity partners, as well as independent experts in investment management and community housing.

Fund Structure Overview

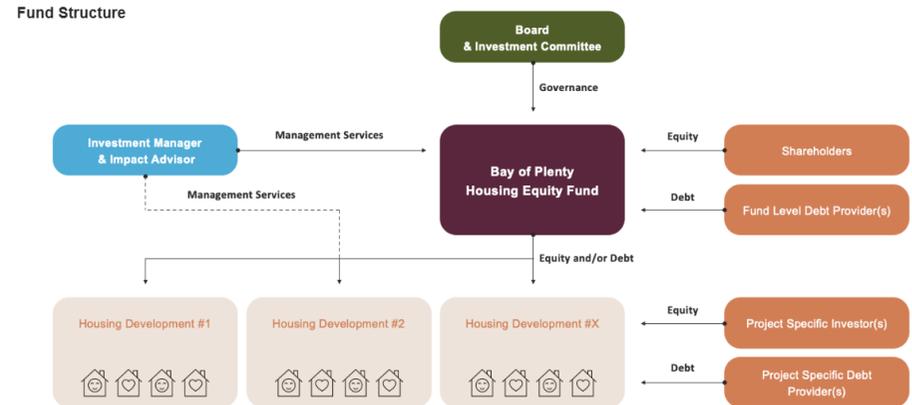
The diagram provided on the BoPHEF website (below) illustrates the following key components:

- **The Core Fund (purple):**
 Capital is sourced from **equity contributions by shareholders** (including community trusts and Tauranga City Council) and leveraged through additional debt from private lenders. The fund has initially been established as a Portfolio Investment Entity (PIE fund) structure.
- **Governance (green):**
 Oversight is provided by a **Board & Investment Committee**. These include independent individuals with experience in investment management and community development, alongside representatives of the fund’s major shareholders.
- **Investment Manager - New Ground Capital:**
 Act as the fund’s independent investment and development manager. Responsibilities include:

 - Identifying and assessing investment opportunities.
 - Presenting suitable projects to the Board & Investment Committee.
 - Managing delivery of funded housing projects to varying degrees, depending on project requirements.
- **Project Funding Model:**
 Housing developments are financed through a combination of:

 - Capital from the equity fund.
 - Project specific investors.
 - Tailored private lending arrangements.

Each project’s funding mix is customised to suit its scale, scope, and social or commercial objectives.



Proposed Approach to Establishing a Waikato Housing Equity Fund

There are multiple ways a housing equity type fund could be established in Waikato. The following proposed approach is intended as a ‘strawman’ to support early-stage discussions and refinement by key stakeholders.

Leadership

Effective leadership is critical to the successful establishment of the fund. The fund will require a lead entity that:

- Operates independently of local political cycles.
- Holds credibility and mana within the region.
- Has the experience and expertise to engage key funding partners.
- Can unite diverse stakeholders under a shared vision.
- Maintains a strategic, region-wide focus.

Importantly, leadership should also involve financial investment in the fund, demonstrating a tangible commitment to its success (“skin in the game”).

Potential Shareholders and Funders

Capital contributions are central to the fund’s ability to leverage debt and deliver housing projects at scale. The following organisations are identified as primary potential shareholders and funders:

- Hamilton City Council.
- Waipā District Council.
- Waikato District Council.
- Matamata-Piako District Council.
- South Waikato District Council.

- Waitomo District Council.
- Otorohanga District Council.
- Thames Coromandel District Council.
- Taupo District Council.
- Waikato Regional Council.
- WEL Energy Trust.
- Momentum Waikato.
- Trust Waikato.
- South Waikato Investment Fund Trust.

Potential Project-Specific Investors

Project-specific investors may include any individual or entity with land, capital, or development capacity aligned with the objectives of the housing equity fund. These investors bring site-based or project-based value to complement the fund’s strategic direction. Potential project-specific partners include:

- Iwi and Māori-focused organisations.
- Community Housing Providers (CHPs).
- Private property developers and investors.
- Local councils – for example several Council own residential development land that could be contributed to eligible housing projects.

Additional Elements Required for Successful Establishment

To ensure the fund is effectively established and positioned for long-term impact, several enabling components should be considered:

1. Regionally Aligned Vision and Objectives

While the fund is expected to attract contributions from a range of organisations with shared interest in the region’s wellbeing, each will bring distinct mandates and priorities. These may stem from their funding sources, community focus, or geographic scope.

To build trust and ensure fairness, the fund must adopt a transparent and regionally balanced approach to investment decisions, providing contributors with confidence that their capital is being used effectively, and in a manner aligned with their strategic intentions.

2. Founding Projects

Securing a pipeline of ‘shovel-ready’ or near-ready projects is critical to catalysing early momentum and attracting anchor investors. Early-stage projects can:

- Demonstrate immediate impact.
- Validate the fund’s delivery model.
- Help offset initial establishment and operating costs.

Early success will be important for funders seeking evidence of return, whether social, financial or both.

3. A Dual Role: Funder and Developer

To maximise impact, the fund should be structured to act as both:

- A funder, investing in external projects led by project-specific partners.
- A developer, capable of leading and delivering housing projects directly when needed.

This flexibility is important in cases where no capable development partner exists, but the opportunity aligns with the fund’s objectives. A precedent exists with the Bay of Plenty Housing Equity Fund (BoPHEF), which has led development on land contributed by partners in the absence of an external

developer. In these situations, the fund can directly fund and manage project delivery.

Estimated Operating Costs and the Importance of Scale

Operating a housing equity fund that responsibly invests community-sourced capital requires specialist expertise and professional governance. Property investment and development is among the high-risk investment classes, and as such, the fund must be led by trusted and reputable professionals.

The estimated annual operating cost for a fund is up to \$400,000, covering key governance, management, and administrative functions. This is made up of:

- Approx five Independent Directors to Manage Fund: \$125,000 - \$150,000
- Fund Investment / Development Managers: \$180,000 - \$210,000
- Reporting and administration: \$30,000 - \$40,000

This cost reinforces the need for sufficient scale to justify and sustain a professionally managed fund. It also highlights the importance of securing early-stage projects to generate value and impact as quickly as possible.

Operating Cost Relative to Fund Size

Total Value of Fund	OPEX (% of Fund – Low Estimate)	OPEX (% of Fund – High Estimate)
\$10 million	2.1%	2.5%
\$30 million	0.7%	0.8%
\$60 million	0.4%	0.4%
\$90 million (BoPHEF)	0.2%	0.3%

These figures demonstrate that the greater the scale of the fund, the lower the proportional operating cost, enhancing efficiency and investor value.

How Councils Can Contribute

Councils and, in particular, the larger ones like Hamilton City and Waipa can play a leadership and enabling role in assessing the viability of establishment of a Waikato Housing Equity Fund by:

- **Championing the Concept**
Demonstrating support for the initiative by allocating staff time and elected members' involvement to help develop the fund model, engage with potential partners, support early-stage project development.
- **Committing Capital**
Allocating and pledging money to seed the equity fund and attract co-investors.
- **Contributing Land and Projects**
Offering Council-owned land with development potential.
- **Providing Regulatory Support:**
Offering dedicated consenting and regulatory resources to streamline approvals for projects supported by the equity fund, helping to reduce delivery timelines and provide confidence to partners and investors.

Next steps for implementation

There are two key opportunities here. They are not mutually exclusive, and if both are undertaken and executed, then that will have the greatest positive impact on the speed, scale and delivery of more affordable homes in the Waikato.

- **Enhance and Grow Te Puna Hapori:** This fund is established, is operating, and has the ability to easily grow and be a significant impact finance tool to grow more affordable homes in the Waikato. Trust Waikato are the funders and have the capability and aligned vision to grow the people and communities of the Waikato, to which more affordable housing is strongly linked.
- **Establish a Waikato Affordable Housing Equity Fund:** This fund would take lessons learned from why it was not successful in being established in 2022, but also learnings from other similar funds elsewhere which have been established and are operating with a great deal of success. Such a fund could participate in affordable housing developments in a range of ways, that provide wide ranging entry points into the housing market. For such a fund to be established and be successful, it must be locally originated, have wide buy in from funding partners aligned in the objective and deployment of the fund.

