

Queenstown Lakes District Council
PO Box 50072
Queenstown 9348

Attention Mike Theelen, CEO

26 September 2016

Dear Mr Theelen

COUNCIL GUARANTEE FOR QLCHT

In 2011 the Queenstown Lakes Community Housing Trust (QLCHT) created a new lending product for eligible first home buyers called the Starter Loan programme. 5 year, low-interest loans were provided by *Queenstown Housing Bonds Ltd*, a wholly-owned subsidiary of QLCHT with funding provided by Central Lakes Trust (CLT).

Due to this innovative product being a first in New Zealand, QLDC agreed to guarantee QLCHT's performance up to a maximum amount of \$2m (based on \$6m borrowings). In return QLCHT provided an indemnity back to QLDC. Please see attached to this letter both Guarantee and Indemnity.

The Starter Loan programme commenced in 2012, however over the past 2 years the financial markets have changed significantly, and the programme itself has become somewhat redundant with interest rates holding at an all-time low.

Many of our households have refinanced with a market bank and QLCHT is now in a position where we're locked into principal and interest repayments to CLT but no longer making a return on the programme.

QLCHT has recently put a proposal to CLT to convert the Housing Bonds loan to a Rental Property five year loan of \$4m for our 11 Shotover Country rentals. This portfolio has a current market value of \$7.5. See attached proposal to CLT.

CLT is requesting the QLDC guarantee remain in place. They have noted housing is an issue across the District and by rolling the loan over with Council security remaining in place, it provides evidence that this is categorically an investment, rather than having any grant connotations.

QLCHT's lawyer has advised a new guarantee and indemnity need to be written up. We are happy to prepare this at our cost.

As we are nearing the end of our project at Shotover Country (all houses are expected to be completed by the end of November), we are very keen to confirm financing as soon as possible for the 11 properties remaining in QLCHT ownership for the purposes of Social Housing.

QLDC and QLCHT are signed up to a Memorandum of Understanding which provides for Council guaranteeing the performance of the Trust (attached for your reference).

As such we respectfully request Council provides a new guarantee to CLT which will be limited to \$2m for a period of 5 years to QLCHT's wholly owned subsidiary *QLCHT Shotover Country Ltd*. In return, QLCHT will provide an indemnity for the same amount back to QLDC.

We look forward to your response on this matter.

Kind regards,



Julie Scott
Executive Officer