

WORKING PAPER

Future Scenarios for Social and Affordable Housing Environmental Scan

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ENVIRONMENTAL SCAN

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Contents

1	Introduction	1-1
2	Defining Social and Affordable Housing.....	2-1
2.1	Definitions.....	2-1
2.1.1	Other definitions	2-2
2.2	Who provides housing?	2-3
3	Historic Perspective.....	3-1
3.1	Pre-1970s	3-2
3.2	1970s	3-3
3.3	1980s	3-4
3.4	1990s	3-5
3.5	2000s	3-6
3.6	Key Statistics	3-8
4	Current State	4-1
4.1	Social and affordable housing in 2007 – supply and demand	4-1
4.1.1	Where is New Zealand now?.....	4-1
4.1.2	Key social and affordable housing facts.....	4-2
4.2	Measuring up – how is social and affordable housing performing?.....	4-3
4.2.1	Measuring progress for social and affordable housing	4-4
4.2.2	Information gaps.....	4-5
5	Driving Forces	5-1
5.1	Political driving forces	5-1
5.2	Economic driving forces	5-4
5.3	Environmental driving forces	5-7
5.4	Social driving forces.....	5-9
5.5	Technological driving forces	5-13
6	Limitations	6-1

Tables, Figures & Appendices

Tables

Table 3-1	Key Statistics.....	3-8
Table 3-2	Change in Household Numbers, 1991-2001	3-10
Table 3-3	Change in Tenure 1981-2001	3-10
Table 3-4	Change in Household Numbers by Ethnicity, 1991-2001	3-11
Table 3-5	Median Sale Prices	3-11
Table 4-1	New Zealand in 2007	4-1
Table 4-2	New Zealand Housing Strategy Action Areas.....	4-4
Table 4-3	Measuring Progress.....	4-6
Table 5-1	Political Drivers from the Literature Review	5-2
Table 5-2	Economic Drivers for Literature Review	5-5
Table 5-3	Environmental Drivers for the Literature Review	5-8
Table 5-4	Social Drivers from Literature Review	5-10
Table 5-5	Technological Drivers from the Literature Review	5-14

Figures

Figure 2-1	The New Zealand Housing Sector	2-4
Figure 3-1	Number State Houses 1938-2002	3-9
Figure 3-2	Number of State Houses Built and Sold 1938-2002.....	3-9

Appendices

- A. Documents Reviewed for Environmental Scan
- B. List of Interviewees
- C. Glossary of Terms

Section 1

Introduction

Housing New Zealand Corporation (HNZC) has contracted URS New Zealand Limited (URS) to develop future scenarios of social and affordable housing in New Zealand in 40 years time, with a focus on the next 20 years.

The Environmental Scan, and its companion Issues Paper, is the first deliverable. The information contained within the Environmental Scan establishes the current state of social and affordable housing in New Zealand (as at 2007) and identifies the driving forces affecting demand for and supply of social and affordable housing.

The objectives of the Environmental Scan are to:

- Broadly describe key developments in social and affordable housing in New Zealand over the last 40 years
- Broadly describe current situation for social and affordable housing in New Zealand
- Identify the key trends and targets in relation to social and affordable housing
- Identify key factors that might influence the changes in social and affordable housing (economic, social, cultural, political, environmental, technological)

The Scan takes the following structure:

- Historic perspective – the most important changes over the last 40 years with regards to social and affordable housing
- Current situation – what does the demand for and supply of social and affordable housing look like in 2007, how is this measured and how well does social housing deliver on its mandate
- Drivers and trends – a detailed review of major issues influencing social and affordable housing today and in the future, how they impact on key social housing indicators and on each other.

The Environmental Scan is based upon a comprehensive literature review (see **Appendix A** for a list of reviewed documentation), interviews with key HNZC staff and experts outside HNZC. The people who were interviewed manage, or have an interest in, social and affordable housing demand and/or supply, and the factors that influence that supply and demand, such as health, climate change, demographics, building technology etc. **Appendix B** includes a list of people interviewed.

The Environmental Scan and Issues Paper will be used to explore far-ranging futures as part of the scenario development. In particular, the assessment of driving forces will be used to prioritise those factors considered to exert the most influence over the future of social and affordable housing in New Zealand and hence aid in scenario development.

Underlined terms in the main text are defined in the glossary in **Appendix C**.

The Environmental Scan is a working paper. The Scan includes feedback from internal HNZC reviewers. Amendments may also be made through the scenario planning process as additional resources are identified. The Scan will be used to inform identification of the scenarios by the Experts Group. HNZC's plan is to update the Environmental Scan annually.

Section 2

Defining Social and Affordable Housing

2.1 Definitions

The original scope of this research intended to address social housing only, as defined in the Affordable Housing: Enabling Territorial Authorities Bill 2007:

“social housing means housing for—

- (a) *persons on low incomes:*
- (b) *persons with special housing needs:*
- (c) *persons whose disabilities mean that they need support or supervision in their housing”*

However, following the interview process and in reflection of the prominence of issues around affordability of housing, the project scope was expanded to include affordable housing also.

Affordable housing is defined in the Affordable Housing: Enabling Territorial Authorities Bill 2007 as:

“affordable housing means housing that—

- (a) *is for persons living in households that—*
 - (i) *have low to moderate income; and*
 - (ii) *have no, low, or moderate legal or beneficial interests in property; and*
- (b) *is priced so that the persons are able to meet—*
 - (i) *their housing costs; and*
 - (ii) *their other essential basic living costs”*

It should be noted that, these definitions did not appear to be widely accepted by the interviewees.

There are two aspects of affordability; rental affordability and the affordability of home ownership. Work by DTZ for CHRANZ¹ suggested that affordability from a home ownership perspective appears to be a combination of a number of factors including:

- household debt levels
- residential property values
- the cost of housing finance
- household income

There are two main rental tenure affordability measures:

- the rent-to-income-ratio
- the residual income method (Working Party on Affordability Issues, 2003, p.66)²

¹ DTZ Research (May 2004a)

² DTZ Research (June 2004a)

Section 2

Defining Social and Affordable Housing

DTZ recognised that measuring trends in affordability presents a number of challenges. The common indices used include:

- The ratio of house prices to income.
- Affordability indices that incorporate house prices, income levels and the cost of debt using a variety of ratios. The AMP Affordability index is an example of this type of index in New Zealand.

Each approach has its own strengths and weaknesses. The ratio of house prices to income is a relatively simplistic approach and does not capture movements in the cost of debt over time. The second approach, however, attempts to incorporate the cost of debt in the measure affordability for home purchasers over time. In addition, these models examine affordability relative to a specific date rather than examining the ongoing housing costs for an owned household.

Further research by HNZA in 2007³ confirmed criticisms of expenditure- and income-derived measures of affordability because they don't take account of quality and overcrowding, and they do not identify the cause of poor affordability outcomes.

2.1.1 Other definitions

The New Zealand Housing Strategy Affordability Report, published in 2003 as part of the work undertaken developing the New Zealand Housing Strategy discussion document, defined housing affordability as:

"Housing affordability relates to the ability of households to rent or purchase housing in an area of choice at a reasonable price, the capacity of households to meet ongoing housing costs, and the degree that discretionary income is available to achieve an acceptable standard of living. There is an underlying principle that expenditure on housing should leave enough residual income to cover other basic living costs, as well as allowing households to save for irregular but unavoidable costs such as medical and dental care".

The New Zealand Housing Strategy Indicators Monitoring Report 2007 (HNZA 2007b) defines the affordability indicator as the proportion of low-income households paying more than 30 percent of their net income on housing costs. Affordability is calculated using a housing cost to income ratio (housing costs/net income). Housing costs are those mandatory expenses such as mortgage/rent payments and local authority rates (insurance, utility and other costs are excluded). The Indicators Monitoring Report does not identify whether house maintenance costs and other running costs are included or excluded from the definition of housing costs.

The Canadian Mortgage and Housing Corporation defines a household as below its "affordability standard" if it spends more than 30% of its income on housing.

The Australian Affordable Housing National Research Consortium notes that affordability is a complex issue but can be dealt with by a benchmark (those who pay more than 30 percent of gross income on housing are defined as in "housing stress") but so as not to overstate the problem, confine this definition as relevant to the lower 40 percent income bracket.

This approach was also adopted by Auckland Regional Affordability Strategy, confining affordability analysis to the bottom 40 percent of average household income.

³ HNZA (2007a)

Section 2

Defining Social and Affordable Housing

2.2 Who provides housing?

Social housing in New Zealand is provided by HNZA, local authorities and community organisations. The term 'third sector' is often used to describe local authorities and the community organisations delivering social housing. Common usage in HNZA is to refer to this sector using the phrase non-government social housing. In 2004, an umbrella association – Community Housing Aotearoa Inc (CHA) – formed to provide support and guidance for non-government social housing providers.

HNZA is the chief provider of social housing in New Zealand, however there are a wide variety of other organisations including local government, community based groups and iwi also providing social housing for people on low- to- modest incomes.

In order, community organisations primarily provide housing for people with mental health illnesses or special needs, followed by the elderly and low income households generally. In order, local authorities primarily provide housing for the elderly, low income households generally, people with physical disabilities and people with mental health illnesses or special needs. Primarily accommodation is provided in apartments or blocks of flats, bed-sits or stand-alone houses.

HNZA's main role has traditionally been to provide good quality, affordable rental homes for people on low incomes or with special housing needs. HNZA provides for people in need, whether because they cannot afford to access rental housing on the open market or because they have specific supported housing requirements. HNZA provides funding support through the Housing Innovation Fund for councils, community groups and Māori housing projects. Local Authorities, generally district or city councils, primarily provide housing for elderly people or those with disabilities. Community organisations provide housing for more targeted, specific requirements.

Assistance with purchasing property is provided by HNZA through:

- home ownership loans and education for people on low to medium incomes
- support for councils and community groups wanting to increase their involvement in providing social housing
- research on New Zealand's housing market
- locally-based programmes to strengthen communities
- partnerships with Māori, iwi, local government and community organisations to address housing issues in their areas
- partnerships with developers to include social and affordable housing within a wider residential development.

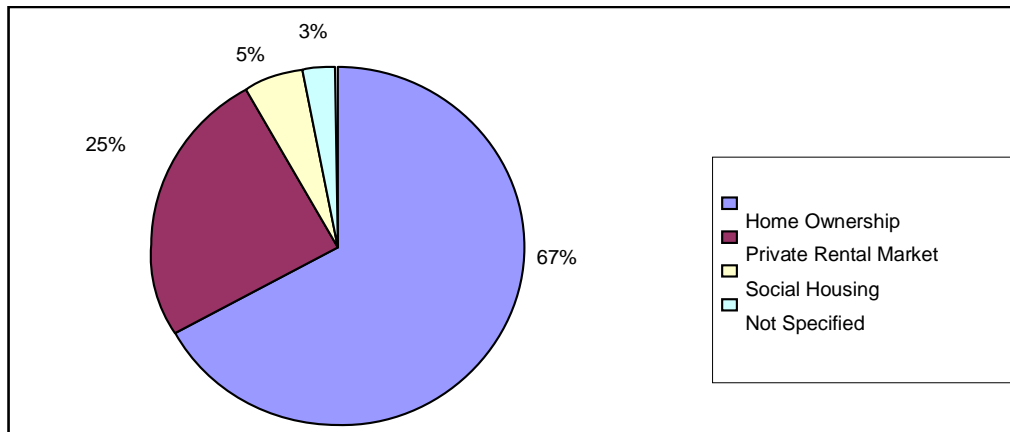
There is no requirement at this stage for private developers to provide affordable housing independently of HNZA.

Figure 2-1 highlights the small scale of social housing in New Zealand, at 5 percent of the overall housing market.

Section 2

Defining Social and Affordable Housing

Figure 2-1 The New Zealand Housing Sector



Source: Statistics New Zealand Census 2006 Household and Dwelling Survey Results

NB. Statistics New Zealand’s website states that comparing census data with Housing New Zealand Corporation (HNZC) data indicates that there was an undercount of approximately 25 percent in 2006, and approximately 15 percent in 2001. It is not possible to give exact figures, as the HNZC data relates to a different time period and could include dwellings that were unoccupied at the time of the census. The undercount is largely due to respondent error in filling out the tenure related questions and a high non-response rate for these households. This comment applies throughout the Environmental Scan, wherever references are made to statistics sourced from Statistics New Zealand, in relation to numbers of state houses in New Zealand.⁴

⁴ Statistics New Zealand - <http://www.stats.govt.nz/census/2006-census-information-about-data/information-by-variable/sector-of-landlord.htm>

Section 3

Historic Perspective

This section provides a brief outline of the key facts and achievements associated with social and affordable housing over the last 40 years (1970-2007). A limited amount of data prior to 1970 is included to demonstrate the rate of change in the supply of, and demand for, social and affordable housing in New Zealand.

The purpose of social housing in New Zealand originally focused on housing for low-income workers to protect them from inner-city slums and unscrupulous landlords. Exceptionally, Christchurch City Council provided housing for the elderly from the 1920s. With the cradle-to-grave social focus of Labour in the 1930s and 1940s, state housing was provided for low income families who were unable to purchase on the open market.

Over the last seventy years, government involvement and intervention has been a key determinant of the structure of New Zealand's housing market.

The issue of access to affordable housing, however this is defined, is not new. As noted above the purpose of social housing originally focused on housing for low-income workers unable to purchase on the open market. However, the remit of social housing, as opposed to strictly affordable housing, changed over time to include people with special housing needs who were otherwise unable to access the open housing market. In the mid 1980s people with mental health challenges and other disabilities who had been living in institutions were mainstreamed. This put pressure on state housing and those able to access social housing services have gradually reduced to only people most disadvantaged by the housing market.

Discussion surrounding access to affordable housing has increased since the start of the current housing boom in the early 2000s. The inability for first home buyers, in particular, to access the housing market is a global issue, influenced by a complex arrangement of factors.

Section 3

Historic Perspective

3.1 Pre-1970s

The pre-1970s period is characterised by two extremes; implementation of the state housing programme by the Labour Government in the 1930s and sell-off of state housing assets by the National Government three decades later. Māori housing needs are considered separately from Pakeha; delivery is through different mechanisms (loans) and a different agency (the Department of Maori Affairs). The average state housing family is two parents with two children.

<ul style="list-style-type: none"> • Worker dwellings provided by Liberal Government in 1905. • Christchurch City Council providing social housing since 1920s, mainly focused on housing for the elderly.⁵ • First period of boom in state housing started in 1937 by Labour Government of the day⁶. • In the 1940s the average state housing family consisted of two parents and two children⁷. • Māori were excluded from state housing until 1948 because few could afford the rent and their presence would 'lower the tone'⁸. State assistance took the form of loans instead.
<ul style="list-style-type: none"> • National Government introduced 'right to buy' legislation in 1950 for state tenants, on the basis that private ownership would provide greater freedom than renting.⁹
<ul style="list-style-type: none"> • Housing Act 1955 allows the Minister of Housing to have land set aside for state housing purposes.
<ul style="list-style-type: none"> • Rapid changes in urbanisation of Māori population significantly affected home ownership levels. Following the change in policy to include Māori in the state housing population, levels increased such that population concentrations appeared in areas such as Porirua and South Auckland.
<ul style="list-style-type: none"> • Sale or retention of state houses depended on who was in government. National supports sales to tenants whilst Labour supports retention of stock in perpetuity.
<ul style="list-style-type: none"> • Housing delivered through State Advances Commission, Housing Division of Ministry of Works and Department of Māori Affairs.

⁵ www.ccc.govt.nz/CityHousing/History. Downloaded 16 January 2007

⁶ 'The first state house - state housing in New Zealand', URL: <http://www.nzhistory.net.nz/culture/we-call-it-home/first-state-house>, (Ministry for Culture and Heritage), updated 22-Nov-2007

⁷ 'Building families - state housing in New Zealand', URL: <http://www.nzhistory.net.nz/culture/we-call-it-home/building-families>, (Ministry for Culture and Heritage), updated 31-Aug-2007

⁸ ibid

⁹ ibid

Section 3

Historic Perspective

3.2 1970s

The 1970s are characterised by formalisation of a housing delivery organisation (Housing Corporation New Zealand) and recognition of changing familial structures for state housing tenants. The nuclear family is no longer the standard state housing tenant.

<ul style="list-style-type: none"> • Housing Corporation of New Zealand formed in 1974 by merging of State Advances Commission and the Housing Division of Ministry of Works. Housing Corporation Act 1974 sets out HCNZ's objectives.
<ul style="list-style-type: none"> • State housing areas set alongside private developments and closer to workplaces, transport links and other facilities. New housing designs introduced to take account of changing living arrangements¹⁰.
<ul style="list-style-type: none"> • Private rental sector good at serving short-term transitional housing needs¹¹.
<ul style="list-style-type: none"> • State housing policy changes to recognise shift from traditional nuclear families to extended, blended and sole-parent families.
<ul style="list-style-type: none"> • In 1979 the Housing Corporation supplied finance for 38.4% of new mortgages¹².

¹⁰ 'State house style - state housing in New Zealand', URL: <http://www.nzhistory.net.nz/culture/we-call-it-home/state-house-style>, (Ministry for Culture and Heritage), updated 6-Sep-2007

¹¹ HNZA (July 2006)

¹² McLeay, 1992 quoted in DTZ (May 2004)

Section 3

Historic Perspective

3.3 1980s

Housing affordability starts to decline in the 1980s, particularly towards the end of the decade. Economic conditions worsen for Māori. There is a change in focus by the State away from the cradle to grave approach of the previous decades to the State filling gaps the private sector cannot address. Overseas debt levels influence decisions to sell-off of State assets, including housing.

<ul style="list-style-type: none"> Māori primarily housed by government in social housing. Only around 9 percent of Māori social housing tenants are housed by local authorities, compared to 25 percent for non-Māori.¹³ In 1951 54 percent of Māori owned their own home. By 1981 this dropped to 45 percent compared with non-Māori, whose home ownership rates rose between 1976 and 1981 from 70.8 percent to 72.9 percent.¹⁴
<ul style="list-style-type: none"> Number of Māori households starts declining from 1986 onwards. At the same time Māori households are 4 times more likely to be crowded.¹⁵
<ul style="list-style-type: none"> Thirteen per cent of all New Zealanders live in crowded households.¹⁶
<ul style="list-style-type: none"> Māori are over-represented in homelessness statistics.¹⁷
<ul style="list-style-type: none"> In the mid 1980s de-institutionalisation in the health sector of mentally health challenged people and people with disabilities.
<ul style="list-style-type: none"> In 1988 only 8 percent of Māori households are paying more than 30 percent of their income in housing costs. By 1997, this figure had increased to 32 percent.¹⁸
<ul style="list-style-type: none"> By the late 1980s New Zealand is in recession and the State begins to sell assets in an effort to reduce overseas debt.¹⁹
<ul style="list-style-type: none"> There is a trend towards Māori returning to rural areas from urban areas. Rural areas often lack available housing leading to occupation of previously abandoned houses. Access to acceptable housing is hampered by lack of power, water and sewerage services.²⁰
<ul style="list-style-type: none"> State view of social welfare changes. High unemployment levels and welfare dependency convinces public policy developers that the State should restrict itself to providing assistance where the private sector did not.²¹
<ul style="list-style-type: none"> The family benefit capitalisation scheme is replaced by Homestart loans in October 1986. Homestart loans allow for 12.5 percent of the value of a house to be lent interest-free for five years and repaid thereafter at 5 percent interest.²²
<ul style="list-style-type: none"> After deregulation of the financial sector in 1984 the banks and other private sources of finance moved into the mortgage market and, by 1987, the Housing Corporation's proportion of housing loan approvals was 32.2 percent of the total.

¹³ HNZA (June 2007)

¹⁴ The Family Centre Social Policy Research Unit et. al. (October 2006)

¹⁵ Ibid

¹⁶ HNZA (July 2007a)

¹⁷ Percy, 1982

¹⁸ HNZA (July 2007a)

¹⁹ HNZA (December 2007)

²⁰ Ibid

²¹ ibid

²² DTZ Research (May 2004a)

Section 3

Historic Perspective

3.4 1990s

The nuclear family is all but gone from state housing. A solo parent and children are now the typical state house tenants. Housing affordability continues to decline significantly. Owner occupancy of properties declines for Māori and non-Māori. Housing stress increases.

<ul style="list-style-type: none"> • The largest group of HNZN tenants is single people, followed by sole parents with children²³.
<ul style="list-style-type: none"> • By 1990, the Housing Corporation's proportion of housing loan approvals had fallen to 16.9 percent of all housing loans.
<ul style="list-style-type: none"> • In 1991-1992 the State cuts spending and, for the first time in 50 years, reduces benefits.²⁴
<ul style="list-style-type: none"> • National Government introduced full market rents in 1991 to reduce the state role in housing provision.²⁵ Accommodation supplement used to support tenants in need to pay market rents. Labour scrapped this policy in 1999 and re-instated income-related rents.²⁶
<ul style="list-style-type: none"> • Introduction of Accommodation Supplement in 1993, available through the Department of Work and Income for low to modest income earners renting in the private sector.
<ul style="list-style-type: none"> • Between 1990 and 1998 the proportion of households spending more than 30 percent of their income of housing costs increased from 17 percent to 24 percent.²⁷ In 1997 32 percent of Māori households are paying more than 30 percent of their income in housing costs.²⁸ Overall proportion of households spending more than 30 percent of their income on housing costs increases to 24 percent.²⁹ Proportion of Māori households paying more than 30 percent of income in housing costs declines, partially as a result of income-related rents for state housing.
<ul style="list-style-type: none"> • Of Housing New Zealand tenants in 1999, 77 percent had a total tenancy length of 10 years, 60 percent less than five years and 25 percent a total history of less than 1 year.³⁰
<ul style="list-style-type: none"> • Owner-occupier rates fell from 73.8 percent to 67.8 percent between 1991 and 2001.³¹ Māori homeownership declined from 52 percent in 1981 to 44 percent in 2001.³²
<ul style="list-style-type: none"> • Between 1991 and 2006 housing affordability (ratio of income to house prices) increased from around 3.00 to between 5.00 and 7.00 times the average income³³.
<ul style="list-style-type: none"> • Māori and ethnic population increased by 30 percent from 434,847 in 1991 to 565,329 in 2006.³⁴

²³ Baker et al (2005)

²⁴ HNZN (December 2007)

²⁵ 'The state steps in and out - housing in New Zealand', URL: <http://www.nzhistory.net.nz/culture/we-call-it-home/the-state-steps-in-and-out>, (Ministry for Culture and Heritage), updated 31-Aug-2007

²⁶ The Family Centre Social Policy Research Unit et. al. (October 2006)

²⁷ HNZN (July 2007a)

²⁸ ibid

²⁹ HNZN (July 2007a)

³⁰ Salvation Army (February 2005)

³¹ HNZN (July 2006)

³² HNZN (2007b)

³³ ibid

³⁴ The Family Centre Social Policy Research Unit et. al. (October 2006)

Section 3

Historic Perspective

3.5 2000s

The 2000s are a period of change for delivery of state housing. The Government amalgamates several housing delivery organisations into the HNZC. Housing affordability continues to decrease, as do ownership levels. There is increasing reliance on the private sector rental market for housing. The cost of maintenance and modification is significant as state housing stock ages.

<ul style="list-style-type: none"> Special Housing Action Zones (SHAZ) introduced in 2000, in Northland, the East Coast and urban South Auckland, in areas with high housing need. The program is coordinated by Te Puni Kokiri and aims to fund community initiatives to help improve housing in these areas.³⁵
<ul style="list-style-type: none"> <u>Income-related rents</u> introduced in December 2000.³⁶
<ul style="list-style-type: none"> HNZC established in 2001 following the Housing Corporation Amendment Act 2000. HNZC combined Housing New Zealand Limited, Community Housing Limited, Housing Corporation of New Zealand and the housing policy function of the Ministry of Social Policy into one organisation.³⁷
<ul style="list-style-type: none"> In 2001, 80 percent of households in New Zealand were in urban areas, yet they comprised 90.4 percent (58,647) of crowded households. Some rural areas also experience problems with crowding. In 2001 approximately 9.6 percent or 6,234 crowded households were situated in rural areas, specifically Northland, Bay of Plenty, Gisborne and Hawke's Bay³⁸
<ul style="list-style-type: none"> On-going disparity between levels of Māori and non-Māori home ownership in 2001 (44% compared to 68%).³⁹
<ul style="list-style-type: none"> In 2001 HNZC begins extending traditional three-bedroom state houses to meet increased space requirements for Māori and Pacific Island families.⁴⁰ Introduction of Māori and Pacific house design guides in 2002 to better reflect diverse cultural needs of tenants when building new state houses.⁴¹
<ul style="list-style-type: none"> Total housing stock in New Zealand as at December 2003 was 1,571,000. NZ is adding to housing stock at about 30,000 houses per year.⁴²
<ul style="list-style-type: none"> <u>Housing Innovation Fund</u> (HIF) introduced in 2003 – a four-year package with \$65m funding for local authorities and community organisations to provide social housing.⁴³
<ul style="list-style-type: none"> Average house prices increased by 74 percent since 2003 whereas incomes increased by only 24 percent.⁴⁴
<ul style="list-style-type: none"> In 2004 22 percent of households spent more than 30 percent of their income on housing costs. In 2004 21 percent of households with at least one Māori adult spent more than 30 percent of their income on housing costs.⁴⁵

³⁵ ibid

³⁶ HNZC (December 2007)

³⁷ ibid

³⁸ HNZC (July 2006)

³⁹ HNZC (2007b)

⁴⁰ 'Building families - state housing in New Zealand', URL: <http://www.nzhistory.net.nz/culture/we-call-it-home/building-families>, (Ministry for Culture and Heritage), updated 31-Aug-2007

⁴¹ 'State house style - state housing in New Zealand', URL: <http://www.nzhistory.net.nz/culture/we-call-it-home/state-house-style>, (Ministry for Culture and Heritage), updated 6-Sep-2007

⁴² Beacon Pathway (2004)

⁴³ The Family Centre Social Policy Research Unit et. al. (October 2006)

⁴⁴ HNZC (November 2007a)

⁴⁵ HNZC (July 2007a)

Section 3

Historic Perspective

<ul style="list-style-type: none"> • HNZC establishes the Māori Capability Committee in 2004 to engage with iwi and Māori governance to address Māori housing needs.⁴⁶
<ul style="list-style-type: none"> • Community Housing Aotearoa Incorporated (CHAI) formed in 2004 as a national non-profit organisation to support the community housing sector.⁴⁷
<ul style="list-style-type: none"> • In Auckland, the proportion of new dwellings purchased by first homebuyers declined significantly between 2001 and 2005.⁴⁸
<ul style="list-style-type: none"> • New Zealand Housing Strategy launched in 2005. Part of the focus is the development of partnerships with the community housing sector. The Strategy sets out priorities for housing and a cross-government program of action for the next 10 years.
<ul style="list-style-type: none"> • At November 2007 HNZC had approximately 68,000 properties.⁴⁹ The trend is towards increasing this number.
<ul style="list-style-type: none"> • Over-crowding continues to be an issue for both private rental and state house tenants. Crowded houses contain younger residents and higher numbers of dependant children, experience lower incomes and pay a high proportion of their income in rent.⁵⁰
<ul style="list-style-type: none"> • The state housing portfolio requires substantial modification to avoid obsolescence and to meet present and future tenant needs. Expenditure of maintenance and modernisation over the last five years is \$759.4m and \$123.1 m respectively. There is no clear idea nationally of the level of intervention required.⁵¹
<ul style="list-style-type: none"> • Proportion of households in the private rented sector increased from 22 percent in 1991 to 28 percent in 2006. Growth is correlated with falling home ownership rates.⁵²
<ul style="list-style-type: none"> • The number of Māori recipients of the Accommodation Supplement (AS) has declined by almost 10 percent. The reasons are unclear. Māori couples and single parents on the AS are likely to be supporting larger families than non-Māori.⁵³
<ul style="list-style-type: none"> • For the last five years there has been quite rapid escalation in real house prices in most parts of New Zealand. Over the period June 1999 to December 2006, the home ownership component of the Consumer Price Index (CPI) rose by 44 percent compared with 21 percent for the index as a whole. Over the same period, the rental component of the CPI increased by 4 percent. Over the 10 years to March 2006, average household income from all sources has increased around 4.6 percent per annum. Over the same period, house prices increased by 8.2 percent per annum.⁵⁴

⁴⁶ HNZC (2007b)

⁴⁷ HNZC (November 2007b)

⁴⁸ DTZ New Zealand (September 2006)

⁴⁹ HNZC (November 2007b)

⁵⁰ The Family Centre Social Policy Research Unit et. al. (October 2006)

⁵¹ HNZC (November 2007b)

⁵² ibid

⁵³ The Family Centre Social Policy Research Unit et. al. (October 2006)

⁵⁴ Koloto & Associates Ltd et. al. (August 2007)

Section 3

Historic Perspective

3.6 Key Statistics

In addition to the data above, **Table 3-1** outlines key contextual statistics and information for each period, from the 1970s to 2007.

Table 3-1 Key Statistics

	1970s		1980s		1990s		2000s	
			1981	1986	1991	1996	2001	2006
Population ⁵⁵	3,137,800 (1979)		3,330,200 (1989)		3,837,300 (1999)		4,230,500 (2007)	
Number of state houses ⁵⁶ (1)	51,000 (1970)			58,000 (1986)		62,000 (1998)	62,750 (2003)	
Number state housing tenants			57,078	56,094	63,552	52,671	52,500	
Number of local authority tenants			16,209	16,653	15,420	14,778	14,118	
Number other central government tenants			21,813	17,730	13,152	8,370	6,432	
Ethnicity of social housing tenants (2)								
Asian			408	552	897	1437	2250	
European			52,965	51,285	49,767	42,198	36,714	
Māori			13,776	16,011	19,770	18,237	16,797	
Pacific peoples			5,148	6,294	10,665	10,449	12,951	
Total			73,140	72,633	78,894	66,519	65,826	

Source: Statistics NZ and DTZ Research (May 2004a)

- (1) The number of state houses peaked between 1990 and 1995 at 70,000 houses – see Figure 3-1.
- (2) HNZC and local authority housing, excludes other central government tenants
- (3) There are rounding errors in the figures.

Key trends over the 20 year period between 1981 and 2001 include:

- Asian households' share of HNZC households increased from 0.5 percent in 1981 to 3.4 percent in 2001.
- Maori households' share increased from 21.9 percent to 28.2 percent.
- Pacific peoples households' share increased from 8.4 percent to 22.9 percent.
- European households' share decreased from 68.1 percent to 46.8 percent.

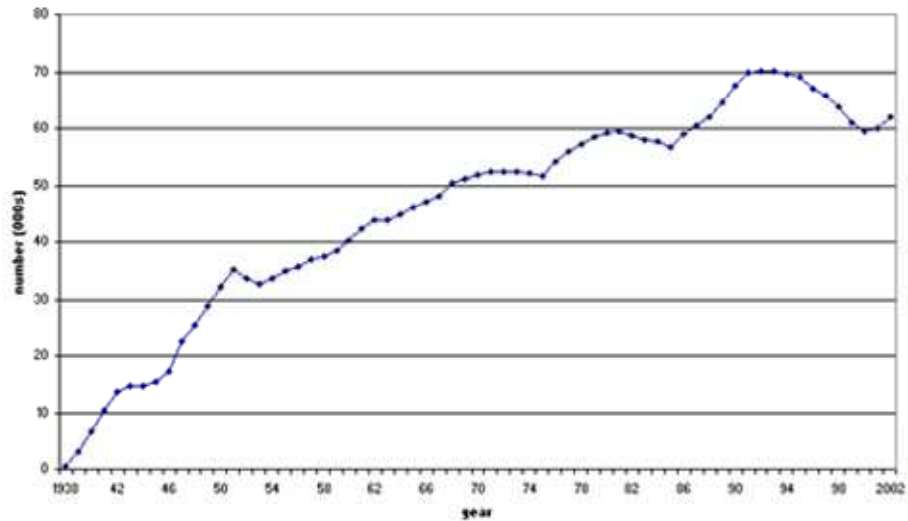
⁵⁵ www.stats.govt.nz

⁵⁶ 'Construction and sale of state houses, 1938-2002', URL: <http://www.nzhistory.net.nz/media/photo/construction-and-sale-of-state-houses-1938-2002>, (Ministry for Culture and Heritage), updated 21-Mar-2007

Section 3

Historic Perspective

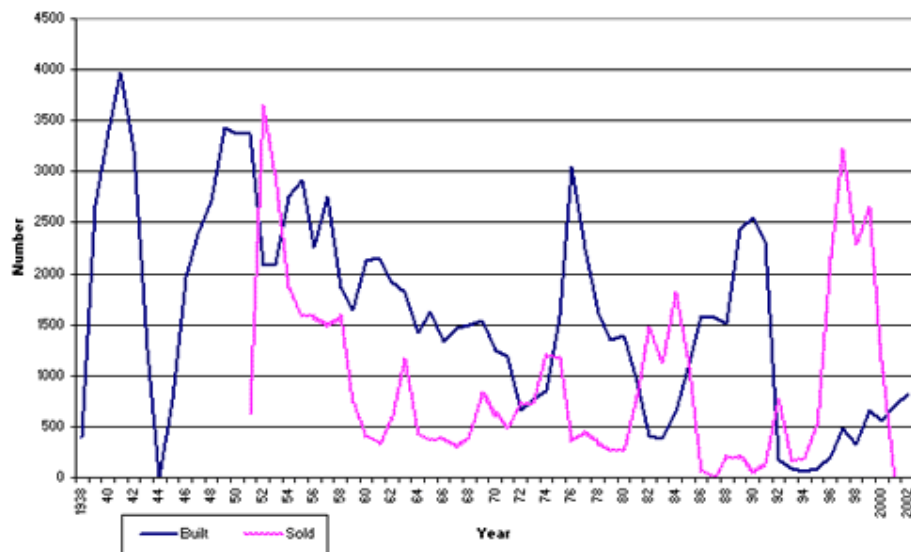
Figure 3-1 Number State Houses 1938-2002



Source: 'Construction and sale of state houses, 1938-2002', URL: <http://www.nzhistory.net.nz/media/photo/construction-and-sale-of-state-houses-1938-2002>, (Ministry for Culture and Heritage), updated 21-Mar-2007

Housing New Zealand rental stock numbers declined during the first half of the 1980s (59,500 to 56,700), increased during the second half of the 1980s (56,700 to 64,500), were flat during the first half of the 1990s (circa 65,000), fell to 56,000 in 2000, and has since increased to 62,750 as at June 2003. Local authority house numbers increased slightly over the first half of the 1980s (16,209 to 16,653), but have since declined at each successive census, to 14,118 in 2001⁵⁷.

Figure 3-2 Number of State Houses Built and Sold 1938-2002



⁵⁷ DTZ Research (May 2004a)

Section 3

Historic Perspective

Source: 'Construction and sale of state houses, 1938-2002', URL:
<http://www.nzhistory.net.nz/media/photo/construction-and-sale-of-state-houses-1938-2002>, (Ministry for Culture and Heritage), updated 21-Mar-2007

Over the last 40 years, the sale of state houses varied depending on who formed the government. Generally a Labour Government sought to increase social housing and prevent asset sales whilst a National Government sought to divest social housing assets and use the market to provide housing to meet needs. Sales of social housing assets often coincide with a reduction in the number of new state houses.

Key trends over the 20 year period between 1981 and 2001, from Table 3-2, include:

- Couple-with-children households' share of Housing New Zealand rented-households fell from 34.0 percent in 1981 to 20.3 percent in 2001, or by 13.7 percentage points.
- One-person households' share of all Housing New Zealand rented-households increased from 17.0 percent in 1981 to 22.4 percent in 2001, or by 5.4 percentage points.
- One-parent households' share increased moderately from 22.4 percent in 1981 to 24.0 percent in 2001, or by 1.6 percentage points.

Table 3-2 Change in Household Numbers, 1991-2001

Household Composition	Owner-Occupiers		Private-Rented		Housing NZ	
	No.	% increase/decrease	No.	% increase/decrease	No.	% increase/decrease
Couple-only	28,626	+12	12,819	+43	-960	-19
Couple-with-children	-50,502	-16	23,958	+82	-3,084	-22
1 Parent+Children	-2,280	-4	24,435	+147	-7,668	-58
One-person	30,288	+20	20,661	+57	-1,095	-9
Total	19,740	+20	104,184	+65	-11,052	-17

Source: Statistics New Zealand

Table 3-3 Change in Tenure 1981-2001

Year	Owner Occupation			Rented Properties		
	No	Increase	% of total	No	Increase	% of total
1981	710,202		71.4	284,880		28.6
1986	786,978	+76,776	73.7	280,563	-4,317	26.3
1991	848,010	+61,032	73.8	300,387	+19,824	26.2
1996	858,774	+10,764	70.7	355,386	+54,999	29.3
2001	863,874	+5,100	68.0	406,845	+51,459	32.0

Source: Statistics New Zealand (NB: table data based on proportion of usually resident households)

Section 3

Historic Perspective

Table 3-4 Change in Household Numbers by Ethnicity, 1991-2001

Household Composition	Owner-Occupiers		Private-Rented		Housing NZ	
	No.	%increase/decrease	No.	% increase/decrease	No.	% increase/decrease
European	1,404	0.4	39,696	+24.0	-11,001	-30
Maori	3,447	6.0	20,985	+83.0	-3,108	-17.6
Asian	18,966	122.0	9,429	+123.0	1,131	161.0
Pacific peoples	837	6.0	1,131	+21.0	2,052	20.0

Source: Statistics New Zealand

The rate of European home ownership (74.2%) at the beginning of the period under review was well ahead of all other ethnic groups (Asian 64.8%, Maori 47.9% and Pacific peoples 38.8%) and indeed the gap between European (71.9%) and other ethnic groups' home ownership rates (Asian 58.8%, Maori 44.0% and Pacific peoples 35.5%) has widened over the 1981 to 2001 period⁵⁸.

Table 3-5 Median Sale Prices

Region	1981	1991	1996	2003
Northland	\$38,000	\$85,000	\$119,000	\$169,000
Auckland	\$45,000	\$132,500	\$225,000	\$305,000
Waikato	\$36,000	\$98,000	\$136,000	\$178,500
Bay of Plenty	\$44,000	\$100,000	\$143,000	\$193,000
Gisborne	\$34,000	\$74,000	\$110,000	\$110,000
Hawkes Bay	\$37,825	\$85,500	\$125,000	\$173,000
Taranaki	\$33,000	\$75,000	\$98,100	\$125,000
Manawatu-Wanganui	\$30,500	\$85,000	\$100,000	\$107,000
Wellington	\$37,000	\$130,000	\$150,000	\$231,500
Tasman Nelson Marlborough	\$38,500	\$103,000	\$139,000	\$230,000
West Coast	\$18,000	\$47,000	\$68,250	\$76,000
Canterbury	\$32,000	\$100,000	\$137,000	\$135,000
Otago	\$29,000	\$76,000	\$103,000	\$129,000
Southland	\$31,500	\$58,000	\$72,000	\$76,000

Source: QVNZ

Median house sale prices have experienced significant appreciation since 1981. Care must be taken in interpreting these statistics, as there is no quality adjustment associated with the sales information. For example, the mix of houses sold in 1981 was different from those sold in 2003 in terms of the nature and style of the dwellings⁵⁹.

⁵⁸ ibid

⁵⁹ ibid

Section 4

Current State

4.1 Social and affordable housing in 2007 – supply and demand

Having looked at key historic facts about social and affordable housing in New Zealand, this section explores the current situation for social and affordable housing in 2007. This establishes a baseline from which we can begin to look at the future of social and affordable housing.

A number of issues crystallised in 2007. The state housing portfolio is aging, with demand for housing not necessarily matching the location. Demand is highest in Auckland where most migrants are settling and where there is the highest rate of population increase. There is a significant lack of affordable rural housing and some rural state housing is in poor condition. Housing affordability continues to make headlines across the country and there are a growing number of people in the 20-30s age cohort who, unless circumstances change significantly, may never purchase a house.

Social and affordable housing is delivered by three main groups in New Zealand, listed below from highest to lowest in terms of supply;

- Housing New Zealand Corporation (~66,500 – November 2007)
- Local Authorities (~14,000)
- Community housing organisations (2,100-6,713)

Local authorities generally provide housing for elderly residents, with some providing social and affordable housing for disabled residents. Community housing organisations tend to be targeted in the housing they supply, be it related to a particular need such as disabled accommodation, people with mental health issues who require housing support or Māori or Pacific Island residents. Habitat for Humanity is an example of a community housing organisation, providing housing for people unable to purchase on the open market, and operating through donations and 'sweat equity' whereby the ultimate occupier pays for their new house in part through the exchange of labour. The third sector is limited in the amount of housing they can provide because of access to finance and assets.

4.1.1 Where is New Zealand now?

Table 4-1 provides contextual information about New Zealand in 2007

Table 4-1 New Zealand in 2007

Government	Labour government since 1999.
Population (1)	4,228,300
Number of houses (2)	1,637,982 ⁶⁰
Number of state houses	62,750 ⁶¹
Employment rate (3)	2,086,200 (68.1%)
Unemployment rate (3)	80,700 (3.7%)
(1) Revised population (2) Includes empty dwellings. (3) 2006 data	

⁶⁰ www.stats.govt.nz – QuicksStats Housing 2007

⁶¹ *ibid*

Section 4

Current State

4.1.2 Key social and affordable housing facts

<ul style="list-style-type: none"> The Affordable Housing Enabling Territorial Authorities Bill is introduced. The bill addresses the lack of affordable housing in New Zealand rather than social housing as a whole.
<ul style="list-style-type: none"> There were 245,000 Accommodation Supplement recipients and 58,989 households paying income-related rents.⁶²
<ul style="list-style-type: none"> HNZC houses 195,250 people and increased housing by 7,400 homes since 1999.⁶³
<ul style="list-style-type: none"> The Auckland region has the highest rate of population increase and currently houses 32.4 percent of New Zealand's population. Currently 70 percent of refugees and migrants to New Zealand settle in the Auckland region.⁶⁴
<ul style="list-style-type: none"> It has become evident that the extent of substandard housing is greater than was envisaged at the start of the Rural Housing Programme.
<ul style="list-style-type: none"> There is a significant lack of affordable rental accommodation in rural areas. In urban areas available accommodation is concentrated in certain locations.⁶⁵
<ul style="list-style-type: none"> The Healthy Housing programme, a collaboration between HNZC and district health boards, is successful in improving wellbeing and social outcomes for tenants.⁶⁶
<ul style="list-style-type: none"> Nearly 63 percent of HNZC's housing stock is older than 30 years.⁶⁷
<ul style="list-style-type: none"> The Welcome Home Loan scheme started in September 2003. 3,000 borrowers helped into owner-occupation between 2003 and September 2007.
<ul style="list-style-type: none"> Examples of existing interventions include the Accommodation Supplement (for which Work and Income has responsibility), Rates Rebate Schemes, Welcome Home Loan Scheme, HNZC's Homeownership Education Programme, the Pacific Peoples' Home Ownership Programme and existing Shared Equity schemes.
<ul style="list-style-type: none"> There has been a marginal decline in the average household size over the past ten years, from 2.8 people per household in 1996 to 2.7 people per household in 2006. The proportion of one-person households has increased from 20.7 percent (256,569 households) in 1996 to 23.0 percent (328,299 households) in 2006.⁶⁸
<ul style="list-style-type: none"> The HNZC national total waiting list (all priorities) at 30 June 2006 was 9,955, down from 11,713 a year ago. Approximately half of the people on the waiting list are in Auckland.⁶⁹
<ul style="list-style-type: none"> By 2006, only 29% of renting couples and 2% of renting nonpartnered individuals, with both groups including those people with and without children, could afford to buy a lowerquartile price house in their region, and pay a maximum of 30% of their income in mortgage repayments. The price of rent has broadly moved in line with real income growth⁷⁰.
<ul style="list-style-type: none"> Environmental sustainability concerns (including weather-tightness) have driven a requirement to increase the quality of new housing. Changes to the Building Act and the building code may result in increased cost

⁶² HNZC (July 2007a)

⁶³ HNZC (November 2007a)

⁶⁴ ibid

⁶⁵ The Family Centre Social Policy Research Unit et. al. (October 2006)

⁶⁶ Auckland UniServices Ltd (May 2007)

⁶⁷ HNZC (July 2006)

⁶⁸ www.stats.govt.nz – Census 2006

⁶⁹ HNZC (November 2007a)

⁷⁰ Department of the Prime Minister and Cabinet (2008)

Section 4

Current State

<p>of new builds. However, there may also be reduced building operating costs and improved outcomes in terms of comfort and health.</p>
<ul style="list-style-type: none"> Housing applicants and tenants have very high rates of recorded contact with the hospital system; 36 percent for applicants and 30 percent for tenants compared to 22 percent for other New Zealanders⁷¹.
<ul style="list-style-type: none"> Real house prices have increased by 80% since the beginning of 2002. Real prices increased 67% between the 2001 and 2006 Censuses⁷².
<ul style="list-style-type: none"> Supply has responded strongly to population growth, and has exceeded population and household growth in many parts of the country, however, there are signs that shortages have emerged in Auckland. New supply has tended to be at relatively high prices meaning that new supply has not met the needs of all segments of the market, particularly people on lower incomes⁷³.
<ul style="list-style-type: none"> Housing accounts for 22% of average household expenditure for owner-occupied households and 28% of renting households' average household expenditure (Statistics New Zealand, 2007).⁷⁴
<ul style="list-style-type: none"> At current prices and interest rates, the gap between the income of those who cannot afford to buy a lower-quartile-priced house and the income needed to service a mortgage on a lower-quartile-priced house while keeping the payments at or below 30% of income is large. On average, to bridge the gap, a couple would need a deposit of \$122,000, and non-partnered individuals would need a deposit of around \$170,000.⁷⁵

4.2 Measuring up – how is social and affordable housing performing?

The New Zealand Housing Strategy was published in 2005. The Strategy sets out a programme of actions and priorities for the next 10 years for the general housing sector in New Zealand. The Strategy establishes the government's vision for housing:

"All New Zealanders have access to affordable, sustainable, good quality housing appropriate to their needs."

The Housing Strategy identifies seven action areas against which progress will be measured:

- 1) Sustainable housing supply
- 2) Improving housing assistance and affordability
- 3) Improving access to home ownership
- 4) Developing the private rental sector
- 5) Improving housing quality and sustainability
- 6) Building capability in the housing sector
- 7) Meeting diverse housing needs.

Table 4-2 identifies the indicators for action areas 1-6 and establishes how these indicators will be measured. There are currently no indicators for action area 7.

⁷¹ Baker, M et al (2005)

⁷² Department of the Prime Minister and Cabinet (2008)

⁷³ ibid

⁷⁴ ibid

⁷⁵ ibid

Section 4

Current State

Table 4-2 New Zealand Housing Strategy Action Areas

Action Area	Indicator	Measure
Sustainable housing supply	Building activity	Growth in building activity compared to growth in number of households
	Household crowding*	Percentage of population living in crowded households
Housing assistance and affordability	Housing affordability*	Proportion of low-income households paying more than 30 percent of their net income on housing costs
	Accommodation Supplement*	Number of Accommodation Supplement recipients by ethnicity, age, gender, income, region and tenure type
	Income Related Rent*	Number of Housing New Zealand Corporation client's receiving Income Related Rent
	House price to household income*	Ratio of house price (median) to household income (median)
Home ownership	Housing tenure*	Proportion of households that are owner occupied or held in trust versus proportion of households that are in the private rental sector.
Private rental sector	Length at current residence	Length of residence for owner occupiers compared to length of residence for those in the private rental sector
Housing Quality	Average component condition*	
	Incidence of dampness*	
	Incidence of poor insulation*	
Sector Capability	Licensed building practitioners	Number of license building practitioners relative to the number of dwellings in New Zealand
	Job vacancies in the building industry	Change in the number of job vacancies in the building industry.

4.2.1 Measuring progress for social and affordable housing

The New Zealand Housing Strategy Indicators Monitoring Report 2007 was the first measurement against the six action areas (excluding meeting diverse housing needs).

Although the Housing Strategy 2005 indicators are aimed at measuring all housing in New Zealand, there are several indicators relevant for measuring social and affordable housing, identified with a star in Table 4-2. A set of more detailed indicators for measuring the current state of social and affordable housing does not appear to exist at present.

Table 4-3 outlines the current state of social and affordable housing in New Zealand against the selected indicators in the Housing Strategy. Whilst the Housing Strategy Indicators Monitoring Report provides the

Section 4

Current State

basis for measuring the current state of social and affordable housing, other data/comment from the literature review which forms the basis of this Environmental Scan is also included the assessment.

Although 2007 is taken as the current state, for the purposes of Table 4-2 the most recently available data is used. In some cases, this means using information from 2006 or earlier.

4.2.2 Information gaps

There are some gaps in the information collated to date about the historic and current state of social and affordable housing in New Zealand, and the potential trends;

- There is limited information about the needs of elderly and disabled
- There is limited, robust information available on the private-rented market and the impact of this market on the overall property market
- It is apparent from the literature review and interviews that there is insufficient information about the extent of substandard housing and the interventions required to improve this stock

Section 4

Current State

Table 4-3 Measuring Progress

Action Area	Social and affordable Housing Indicator	Measurement	Evaluation	Commentary
Sustainable housing supply	Household crowding	Percentage of population living in crowded households	<p>In 2006 10 percent of New Zealand’s resident population lived in households requiring one or more additional bedrooms to adequately accommodate household members. The overall proportion reduced since 1986, when it was 13 percent. Seventeen percent of children under age of 10 lived in households requiring at least one more bedroom, falling to 15 percent for 10-14 year olds and 9 percent for adults aged 15 and over. Pacific peoples more likely to be living in crowded households than any other ethnic group. In 2006, 43 percent required extra bedrooms.⁷⁶</p> <p>Household crowding varies considerably across the country. In 2006 Auckland had the highest level (15%), Gisborne had 14% and Northland had 11%. All of the South Island regions had lower levels of household crowding than the New Zealand total. This trend is reflective of less</p>	<ul style="list-style-type: none"> Over crowding can occur because tenants are not matched with appropriate properties. There may be multi-generational families living in a property which is too small, or too many children for the number of available bedrooms. This can occur when multi-generational families choose to live in the same house. Failure to match tenants with appropriately sized accommodation could have significant implications for the supply and demand of social and affordable housing. Overcrowding can also occur because different ethnicities have different requirements for housing to accommodate social and cultural activities, including family meetings etc. A concealed household is formed when a family member remains in the main

⁷⁶ Beacon Pathway (2004)

Section 4

Current State

Action Area	Social and affordable Housing Indicator	Measurement	Evaluation	Commentary
			affordable housing in Auckland compared to house prices in southern regions. ⁷⁷	<p>household when they would otherwise have purchased/rented their own property. An example is multi-generational families in one house because either the grandparents or more likely the parents can't afford to live anywhere else. This can lead to overcrowding.</p> <ul style="list-style-type: none"> • Overcrowding was addressed by transferring households to existing HNZA properties, purchasing and extending properties, and building new houses (844 interventions) between January 2001 and December 2006.⁷⁸ • Overcrowding has been linked to a higher incidence of infectious diseases such as colds, influenza and diarrhoea, meningococcal disease, hepatitis and helicobacter pylori. Crowding also has a relationship to poor mental health, social

⁷⁷ ibid

⁷⁸ HNZA (July 2007b)

⁷⁹ Koloto & Associates Ltd et. al. (August 2007)

⁸⁰ Baker, M. et al (2005)

Section 4

Current State

Action Area	Social and affordable Housing Indicator	Measurement	Evaluation	Commentary
				<p>relations within the home, children's ability to study and possibly, family violence (Gray 2000)⁷⁹.</p> <ul style="list-style-type: none"> Additional research⁸⁰ shows that hospitalisations for HNZA tenants and applicants living in crowded households are considerably higher (around 33 percent versus 22 percent for the rest of the population). Many of the hospital admissions were for partially preventable diseases (e.g. most forms of infectious disease). The traditional three bedroom state house is no longer appropriate for the needs of many of the applicants on the waiting list and the Corporation is reconfiguring its portfolio so that it is able to address demand for smaller and larger families requiring state housing.
Housing assistance and affordability	Housing affordability	Proportion of low-income households paying more than 30 percent of their net income on housing costs	In 2004 29 percent of children under 18 years lived in households with housing costs exceeding 30 percent income of age. This is a considerable decline from 2001, but still more than double the proportion in 1988.	<ul style="list-style-type: none"> Whilst house prices have increased significantly over the last 10 years, wage increases have not kept pace. Housing affordability or lack thereof is linked to housing stress. A household is

Section 4

Current State

Action Area	Social and affordable Housing Indicator	Measurement	Evaluation	Commentary
			<p>Housing costs in excess of 30 percent of income are more common in households that include at least one non-European adult. In 2004, 22 percent of New Zealand households with any European adult spent more than 30 percent of their income on housing costs. In the same period 21 percent of households with at least one Māori adult spent more than 30 percent of their income on housing costs. For Pacific peoples and other non-European adults, the proportions were 23 percent and 42 percent respectively.⁸¹</p>	<p>considered to be in housing stress when more than 30 percent of their income goes on housing costs.</p> <ul style="list-style-type: none"> Households spending more than 30 percent of their income on housing costs may find it more difficult to pay for basics such as food and power. This can have flow-on effects for general household health, including for children and young adults. Despite small changes in rents relative to house prices, housing costs for the lowest 20 percent of income earners have increased sharply over the past 20 years, and there are signs of increasing housing stress amongst the lowest income earners, particularly beneficiaries.⁸²

⁸¹ HNZC (July 2007a)

⁸² Department of the Prime Minister and Cabinet (2008)

Section 4

Current State

Action Area	Social and affordable Housing Indicator	Measurement	Evaluation	Commentary
				<ul style="list-style-type: none"> Proportionately, housing stress is greater for renting households than for owner-occupied households with similar incomes. In 2004, 35% of renting households spent more than 30 percent of their income on housing,⁸³ compared with 15% of home owners.
	Accommodation Supplement	Number of Accommodation Supplement recipients by ethnicity, age, gender, income, region and tenure type	<p>In March 2007, there were 245,400 Accommodation Supplement (AS) recipients. Nearly half of all AS recipients are single, with single parents accounting for 39 percent of recipients. Māori recipients account for 27 percent of Accommodation Supplement assistance, amounting to \$238 million a year. Over the past 5 years, the number of Māori recipients of the Accommodation Supplement has declined by almost 10 percent. By comparison, the number of non-Māori recipients has remained stable. The reasons for the decline are not clear.⁸⁴</p> <p>As at April 2007, HNZC had almost 19,000 Māori tenants, accounting for 29 percent of all tenants.</p>	<ul style="list-style-type: none"> The AS is not available to occupants of properties rented from or provided by HNZC, with the exception of boarders in HNZC properties. Recipients are accessing housing in the open market and using the Accommodation Supplement to supplement their existing income, whether it is from a benefit or other sources, to pay their housing costs. Accommodation Supplement recipients represent about 6 percent of New Zealand's total population. It is likely that more New Zealanders may remain in private rental accommodation throughout their lifetimes. Even if house prices do stabilise over the next few years, a

⁸³ ibid

⁸⁴ The Family Centre Social Policy Research Unit et. al. (October 2006)

Section 4

Current State

Action Area	Social and affordable Housing Indicator	Measurement	Evaluation	Commentary
			In addition, Māori made up 28 percent of all applicants for state housing. ⁸⁵	<p>large number of households are likely to need continuing government assistance if they are to access and sustain home ownership, or attain greater security of tenure in the private rental market.</p> <ul style="list-style-type: none"> The number of renters receiving the maximum Accommodation Supplement has increased from around 40,000 in 2005 to 60,000 in 2007.⁸⁶
	Income Related Rent	Number of Housing New Zealand Corporation client's receiving Income Related Rent	In March 2007, 58,989 households were paying income-related rents ⁸⁷ . Most of the Corporation's tenants are receiving an income-related rent subsidy.	<ul style="list-style-type: none"> The increase in the proportion of Corporation tenants getting income-related rents means a decrease in the number paying market rents.⁸⁸ Many of the tenants who are currently paying market rent have applied for income related rent and been turned down because they are living in areas where the income related rent would be greater than the

⁸⁵ HNZC (July 2007a)

⁸⁶ Department of the Prime Minister and Cabinet (2008)

⁸⁷ ibid

⁸⁸ HNZC (July 2007a)

Section 4

Current State

Action Area	Social and affordable Housing Indicator	Measurement	Evaluation	Commentary
				market rent.
	House price to household income	Ratio of house price (median) to household income (median)	<p>Between 1991 and 2006 affordability (ratio of income to house prices) has increased from around 3.00 to between 5.00 and 7.00 times the average income.⁸⁹</p> <p>The ratio of household income to house sale price varied from 5.32 in Dunedin City to 7.16 in Queenstown Lakes in 2006. The ratio of household income to house sale price increased from 4.55 in 2001 to 5.88 in 2006⁹⁰.</p> <p>The national home ownership rate decreased from 74 percent in 1991 to 67 percent in 2006. Average house prices have increased by 75 percent since 2003, whereas incomes have increased by 24 percent.⁹¹</p>	<ul style="list-style-type: none"> In the UK an affordable house is considered to be in the range of 3 times the average income. In New Zealand house prices are in excess of 5-6 times incomes in some areas. This trend is not present across the entire country. However, it is significant in areas of either high population demand, such as Auckland, or high lifestyle demand, such as the Bay of Plenty. A return to house price to household income ratios of close to their historical average of around 3.5 would either require household disposable income to increase by 80% or house prices to fall by over 40%. In the absence of an economic shock, adjustment to house prices is likely to be gradual.⁹²

⁸⁹ ibid

⁹⁰ HNZA (2005)

⁹¹ HNZA (November 2007a)

⁹² Department of the Prime Minister and Cabinet (2008)

Section 4

Current State

Action Area	Social and affordable Housing Indicator	Measurement	Evaluation	Commentary
				<ul style="list-style-type: none"> Higher housing costs mean more households rely on the private housing market to provide accommodation. There is potentially also an increase in the number of households requiring government assistance, either through the Accommodation Supplement or by renting properties from HNZC or another social and affordable housing provider. The New Zealand private rental sector lacks substantial, large-scale, rental property providers; many landlords have one or two properties as an investment. As these landlords age, there is a risk that properties will be sold to realise capital gains and lost to the rental market altogether. New Zealand's historical experience suggests that prices tend to be 'sticky' on the downside. A more dramatic fall in prices is only likely to occur if there was a sharp slowdown in economic activity that saw job losses and forced house sales, or a prolonged period of negative net migration, with subsequent falls in the demand for

⁹³ ibid

Section 4

Current State

Action Area	Social and affordable Housing Indicator	Measurement	Evaluation	Commentary
				housing. ⁹³
Home ownership and private rental sector	Housing tenure	Proportion of households that are owner occupied or held in trust versus proportion of households that are in the private rental sector.	<p>In 2006, 67 percent of NZ households were owner occupied or held in trust. About 51 percent of all owner occupied houses are owned with a mortgage⁹⁴.</p> <p>In 2006 just over 35,000 or about 67 percent of Pacific households were renting. Of these, about 43 percent had private sector landlords, and 37percent rented through Housing New Zealand.⁹⁵</p> <p>Māori home ownership rates are lower than non-Māori across all income levels. For example, Māori with incomes between \$70,000–\$100,000 in 2006 had a home ownership rate of 55 percent. For non-Māori in the same income bracket, the comparable figure was 75 percent. [The younger age structure of the Māori population does not in itself account for</p>	<ul style="list-style-type: none"> The private rental market in New Zealand is dominated by small-scale investors with short-term horizons and there is an absence of larger, professional and institutional investors. The underlying instability of investment in the private rental sector limits the supply of affordable and secure housing for long-term tenants. Consequently low-income life-time renting households will be faced with variable housing costs and long term housing insecurity.⁹⁷ High rental rates for Māori, Pacific peoples and MELAA (Middle Eastern, Latin American, African) ethnic groups combined with generally lower incomes potentially creates a greater demand for social and affordable housing. This is supported by the statistics for applicant waiting lists for social

⁹⁴ Beacon Pathway (2004)

⁹⁵ Koloto & Associates Ltd et. al. (August 2007)

Section 4

Current State

Action Area	Social and affordable Housing Indicator	Measurement	Evaluation	Commentary
			disparities between Māori and non-Māori home ownership. ⁹⁶	<p>housing. A large proportion of Māori and Pacific people are currently state housing tenants or applicants, a trend which is expected to continue.⁹⁸</p> <ul style="list-style-type: none"> <li data-bbox="1409 626 1953 971">• New Zealand's population is aging and household composition is changing towards more single person households or one parent families. However, one parent families have low levels of owner occupiers or dwellings held in trust, compared to all other household types.⁹⁹ As a consequence the private rental market will be expected to provide housing. There are issues associated with security of tenure and non-institutional landlord preferences for particular rental groups. <li data-bbox="1409 992 1927 1075">• There are regional differences in levels of owner occupied dwellings, for example Auckland has the lowest level of owner

⁹⁶ HNZC (2007b)

⁹⁷ HNZC (July 2006)

⁹⁸ HNZC (November 2007a)

⁹⁹ HNZC (July 2007a)

Section 4

Current State

Action Area	Social and affordable Housing Indicator	Measurement	Evaluation	Commentary
				occupiers. The Auckland region has the highest population growth and greatest demand for housing. All these factors place pressure on social and affordable housing providers to match demand to supply. Rising land and build costs make providing new build properties more challenging, as does competing with private market developers and public perceptions about mixing social and market housing.
Housing Quality		Average component condition	<p>Since 2001, HNZC completed approximately 1,800 interventions in owner-occupied dwellings in Northland, the East Coast and Eastern Bay of Plenty areas. This work is estimated to account for only about 20% of the substandard housing within these regions. The number nationally is unclear.</p> <p>The majority of housing interventions address housing related conditions and involve insulation (2169 interventions), ventilation (3340 interventions), and heating between January 2001 and December 2006¹⁰⁰</p>	<ul style="list-style-type: none"> It is apparent from the literature review that there is insufficient information about the extent of substandard social housing and the interventions required to improve this stock. This is a particular issue in rural areas, where a reversal of the urban-rural exodus results in people re-occupying previously empty properties, many of which are sub-standard. None of the active sustainability related retrofit programmes in New Zealand deal with water, materials/waste, or health to any

¹⁰⁰ HNZC (July 2007b)

¹⁰¹ HNZC (November 2007a)

Section 4

Current State

Action Area	Social and affordable Housing Indicator	Measurement	Evaluation	Commentary
			<p>State housing requires modernisation to avoid obsolescence. The ongoing maintenance, modernisation and energy efficiency retrofitting of state housing will ensure that the state housing stock meets present and future tenants' needs. Expenditure on maintenance and modernisation over the last five years has been \$759.5 million and \$123.1 million, respectively.¹⁰¹</p>	<p>significant extent¹⁰²</p> <ul style="list-style-type: none"> New Zealand homes are on average 6°C below World Health Organization recommended minimum temperatures in winter; 45 percent of all New Zealand homes are mouldy; New Zealand has the second highest rate of asthma in the world and an excess winter mortality rate of 1600 not seen in other OECD countries; 300,000 New Zealand homes have an unflued gas heater; the air inside New Zealand homes can be more polluted than outdoor air; and cold damp homes pose serious health risks, particularly for the most vulnerable groups in the community who spend the most time at home (the young, elderly, infirm, and unemployed).¹⁰³ These are all issues for the supply of social and affordable housing. Local authorities have a particular issue as much of the housing they provide is for

¹⁰² Beacon Pathway (2004)

¹⁰³ Beacon Pathway (2007)

¹⁰⁴ HNZA (November 2007a)

¹⁰⁵ Buchan, Diane et. al. (May 2007)

Section 4

Current State

Action Area	Social and affordable Housing Indicator	Measurement	Evaluation	Commentary
				<p>elderly people or those with disabilities.</p> <ul style="list-style-type: none"> • Substandard housing is a significant issue in New Zealand. It is particularly prevalent in rural areas where inadequate infrastructure often exacerbates the problem.¹⁰⁴ • The effectiveness of measures to improve liveability and reducing heating costs can be compromised by tenants' lack of understanding on how to maximise the benefits of the measures.¹⁰⁵ There is a need to educate and support tenants to achieve the greatest benefits. • Currently the key source of information on housing quality is a housing survey undertaken by BRANZ. However, this survey looks at housing generally and does not specify the quality of social and affordable housing. • The Rural Housing Programme is a 'whole of government' programme; it does not just focus of social housing, but on housing in generally. The data about interventions associated with this programme, therefore, cannot be reliably used for just social and affordable housing.

Section 4

Current State

Action Area	Social and affordable Housing Indicator	Measurement	Evaluation	Commentary
				<ul style="list-style-type: none"> There appear to be a number of initiatives implemented by HNZC to address housing quality and occupancy, such as the Healthy Housing programme, but these do not currently appear to be providing a national assessment of the degree of asset management required. There does not appear to be information available about the quality of local authority housing and that provided by community organisations.
		Incidence of dampness	There is no specific information available about incidences of dampness in social housing.	<ul style="list-style-type: none"> Research shows that maternal depression and incidence of asthma are significantly related to damp and cold housing.^{106 107} <p>The lack of information about how social housing performs in this regard is a significant gap in understanding the social and affordable housing asset.</p>
		Incidence of poor insulation	There is no specific information available about incidences of poor insulation in social housing.	<ul style="list-style-type: none"> Given the age of much social housing stock, i.e. built before 1978 when insulation became mandatory in New Zealand homes,

¹⁰⁶ Butler et al (2003) quoted in Koloto & Associates Ltd et. al. (August 2007)

¹⁰⁷ Baker, M. et al (2005)

Section 4

Current State

Action Area	Social and affordable Housing Indicator	Measurement	Evaluation	Commentary
				<p>it is reasonable to assume that much of the social housing asset has either poor or no insulation. This has implications for healthy living, heating costs and general occupier well-being.</p> <ul style="list-style-type: none"> • Research from the Wellington School of Medicine and Health Sciences demonstrates that when homes are properly insulated there are significant health gains (Howden Chapman et al., 2007 quoted in Department of Prime Minister and Cabinet (2008)). The study found insulation resulted in: <ul style="list-style-type: none"> – A 30% reduction in the frequency with which occupants were exposed to temperatures below 10°C. – A 3.8% fall in mean relative humidity causing dampness. – Decreased energy consumption, with insulated houses using 81% of the energy of noninsulated houses. This may also result in greater disposable income, which can be spent on food and clothes. • These results show significant

Section 4

Current State

Action Area	Social and affordable Housing Indicator	Measurement	Evaluation	Commentary
				<p>improvements (10%–11%) in the health and quality of life of the occupants due to insulation. The research also found that:</p> <ul style="list-style-type: none"> – Adults and children occupying well insulated homes have reduced wheezing, colds and respiratory problems (40%–50% reduction). – People living in insulated houses are less likely to take days off work and school (40-50 percent reduction) than people in houses without insulation. – People living in insulated homes had fewer visits to general practitioners and fewer hospital admissions for respiratory conditions. – People living in warm houses were less likely to shift houses, which the research suggested had positive benefits for children's education. <ul style="list-style-type: none"> • The lack of information about how social housing performs in this regard is a significant gap in understanding the social housing asset.

Section 5

Driving Forces

Driving forces are what will drive change in social and affordable housing and will affect whether objectives for social and affordable housing are achieved. Another way of thinking about driving forces is as trends. Is New Zealand's population projected to decrease or increase? Where are people projected to be living and how? How strongly will these trends affect the future of social housing?

Identification of driving forces is derived from a PEEST analysis, looking at Political, Economic, Environmental, Social and Technological factors. The interviews with HNZA staff and other stakeholders identified driving forces around social and affordable housing, which are listed below. The outcomes from the interviews are supported by data and statistics from the literature review.

The driving forces identified by the interviewees are listed, without any analysis. The driving forces are grouped for consistency between the results of the interviews and the outcomes from the literature review.

Categorisation of driving forces along the lines of a PEEST analysis is a way of making sense of the facts and issues gathered from the interviews and the literature review. Some of the driving forces span more than one category, for example, issues around the ability of Kiwisaver to assist in first home ownership is a political, economic and to some extent a social driving force.

5.1 Political driving forces

Interviewees identified the following political drivers around social and affordable housing. **Table 5-1** identifies political trends from the literature review.

- preference for subsidy for housing stock (cost efficient, targeted support for tenants) vs. housing supplements (more options available if the level of supplement is sufficient but if low can lead to recipients being pushed to city fringes without appropriate access to services and infrastructure)
- willingness to invest into social housing – need for a business case (driver for the economy, quality of life). Ability to slow down housing market by introducing cheaper government stock into the market (developer SOE). Perception of housing costs within the “growth” budgets
- size of state housing - percentage of population living in social housing (4-20% of housing stock)
- fragmentation of social housing – how many organisations with what size portfolio? (size of housing portfolio managed by one organisation should be between 3,000 to 10,000); one national provider, small fragmented providers, medium size regional providers?
- level of involvement of the third sector (more innovative, close link to community, tax benefits for charities)
- middle class political views (the highest voting power) – housing not widely debated
- housing typology – quarter acre section not practical anymore, need to develop high densities and different lifestyles to achieve wider outcomes
- balance of power between national and local authorities and agencies (national: better resources, lower overall costs, tend to focus overly on Auckland, local: more flexible and responsive to local needs), availability of regulatory tools for Territorial Local Authorities to efficiently work on affordable housing and infrastructure
- immigration policy – how many allowed and where they settle
- level of participation of Pacific peoples (focus on educational outcomes and skills development) and Maori in the government
- development of Treaty claims and changes in Maori involvement in housing

Section 5

Driving Forces

- response to environmental pressures – protection of environment, focus on supporting main urban centres, focus on supporting influential part of the society
- higher level of regulation (Resource Management Act and Building Code) – higher building costs (possibility of two standards - minimum for the poor and higher for the rich)
- property taxes (capital gains tax for real estate investment – second home, tax rebates on mortgage interest related to the primary property)
- level of focus on urban vs. rural housing
- level of integration of housing policy with transport, infrastructure and urban planning
- urban planning focus – hubs, spines, more holistic approach
- level of environmental regulation
- role of Maori Women Welfare League and the New Zealand Maori council in advocacy for housing
- balance of power between the market economy and the welfare state

Table 5-1 Political Drivers from the Literature Review

- Changes to local authority politics along party lines could affect delivery of social housing by Territorial Local Authorities as it would be driven by politics of government rather than community.
- Deposit assistance available through Kiwisaver (not until 2010) dependant on cross-party political support for Kiwisaver as a scheme.
- Schemes such as the Community Renewal programme operate within a national bureaucracy which may conflict with a community's way of working. Potential clash of ideas and timescales. Potential lack of flexibility in responding to new issues because of continual restructuring, over-emphasis on compliance reporting and annualised and tightly specified nature of purchase. All work against multi-agency cooperation.¹⁰⁸
- Corporation working with Māori to address issues of affordability, access and security; development of a lending product for land in multiple ownership; and developing joint ventures with Māori organisations. Treaty settlement process creates opportunities for iwi to address issues of affordability and sustainable communities.¹⁰⁹ Access to Treaty settlement monies depends on tribal affiliation and identification. Māori with no tribal affiliation will not access monies and hence may still require assistance from HNZC or other organisations. Capacity building required.
- Access to affordable housing is a significant issue as house prices and private rents increase and interest rates rise. Access to affordable housing is identified as an issue even for those who have satisfactory housing.¹¹⁰
- There is debate over whether town and city growth should occur on Greenfield urban extensions or by intensifying the use of land within the existing boundary. The inadequacy or otherwise of infrastructure is an issue.
- It is accepted that local authorities are inherently involved in the dynamics of the housing market. The debate now is the more effective means of promoting affordable/social housing in each area.¹¹¹ There is considerable debate about the role of councils in providing social/affordable housing and whether they should actively facilitate access to affordable and/or social housing or whether this is a central government responsibility. International trends show there is a move away from local government focusing primarily on

¹⁰⁸ Buchan, Diane et. al. (May 2007)

¹⁰⁹ HNZC (2007b)

¹¹⁰ CHRANZ (August 2007)

¹¹¹ ibid

Section 5

Driving Forces

the provision of council housing. There is a critical lack of information, knowledge and capacity to address affordable housing issues by councils.¹¹²

- Widespread perception among councils that affordability is a significant problem within their communities. This is a bigger problem than job layoffs/employment, crime or a polluted environment.¹¹³
- A number of local authorities are planning on exiting the provision of housing or stopping further investment. There is a high level of interest amongst community organisations for new housing projects.
- Some local authorities are philosophically opposed to council involvement in providing housing and in using ratepayer's funds to do so.
- A significant role exists for Government to drive the necessary upgrade of the existing housing stock to a higher standard of sustainability as well as substantially raise minimum standards in the Building Code for new houses.¹¹⁴
- There is a strong case for intervention around improvements in energy efficiency – currently the subject of a range of Government programmes in development by the Energy Efficiency and Conservation Authority (EECA). However the value case exists for a much higher standard of retrofit – for insulation, space and water heating – than is currently undertaken as part of EECA supported voluntary programmes.¹¹⁵
- The Government can create an environment conducive to more environmentally sustainable housing. It can:
 - lead and communicate the case for change with stakeholders involved in all areas of the research, design, supply, construction, regulation, and use of the residential built environment;
 - develop and implement appropriate policy frameworks and associated regulations to ensure that consumers face the full environmental and other costs and benefits of their decisions;
 - provide assistance to households to retrofit their existing houses to a High Standard of Sustainability;
 - effect change through its direct ownership of approximately 80,000 household units and related property maintenance and purchase decisions;
 - regulate to mandate the installation or use of particular technologies;
 - communicate and provide information to inform consumer choices and explain the case for change; and
 - set performance levels to improve both owner-occupied and rental housing stock, e.g. through regulation of performance standards for houses at point of sale and at point of rental.¹¹⁶

¹¹² *ibid*

¹¹³ *ibid*

¹¹⁴ Beacon Pathway (2007)

¹¹⁵ *ibid*

¹¹⁶ *ibid*

Section 5

Driving Forces

5.2 Economic driving forces

Interviewees identified the following economic drivers around social and affordable housing. **Table 5-2** identified the economic driving forces from the literature review.

- Impact of the global market
- Level of employment influencing need for social housing
- Prevalent economic models: neoclassic vs. appearance of new economic models rejecting fast growth and accounting for environmental and social externalities (slow growing but stable economy could have higher levels of employment than fast growing)
- Increase in energy costs will lead to reduction of disposable income and higher need for social housing (renovating houses to use less energy is a way of hedging against this risk)
- Private housing offering a good investment option vs. poor investment option (when people focused on investment poor decisions in terms of living environment and location) availability of other better investment options (e.g. Kiwisaver), willingness of Government to limit the ability to invest into housing and treat it as a main savings mechanism
- Volatility of the housing market (subprime market) – willingness of banks to walk away from the negative equity, and Government to protect people from homelessness
- Supply of housing – amount, type and location (too many houses of one type and not enough of other)
- Demand for housing – amount, type (size, design) and location (match between work and accommodation)
- Different ownership models (individual private, housing trusts, shared equity, co-ownership, community ownership, state ownership, licence to occupy until the end of life, partnership agreements and shared finances)
- Elasticity of housing price (flexible to increase, sticky to fall down – fixed by government valuation, importance of houses as shelters, mortgage repayments costs, real estate promotion – at least 5 years for prices to get down to “real” value from expected value)
- Level of private rents (dependant on mortgage rates/ driven by levels of home ownership and number of rental properties on the market, higher rents making housing investment more attractive)
- Fragmentation of the private rental market (Mum and Dad investors vs. property managers)
- Housing ownership costs and level of income gap in the society (increased by housing costs, initial price, interest rates and maintenance) growing faster than wages – from house price being four times the wage to six or seven) - two wages required for the house purchase create a barrier to home ownership for young couples
- Price of rent influencing location choices
- Second mortgages
- Profits and incomes in the economy - level of government income - availability of funds in the government to invest in social housing.
- Speed of housing value increases – higher rents could replace capital gains as a driver for investment into social housing when the price growth slows down
- More expensive (successful areas) exclude social housing, less expensive often have stronger community and loyalty

Section 5

Driving Forces

- Land costs and availability
- Cost of materials (international demand) and level of sourcing in NZ (80% at the moment)
- Level of interest rates – government access to lower rates
- Return on investment from house build or renovation – decisions about size, location, environmental technology installed
- Average income: low income economy vs. smart economy (services, high value, high pay)
- Employers participation in housing market as a form of support/benefit for employees
- Long term need for affordable housing

Table 5-2 Economic Drivers for Literature Review

<ul style="list-style-type: none"> • Housing is a major capital asset with a replacement value of approximately \$150 billion (in 2001 NZ dollars).¹¹⁷ • Significant lack of qualified tradespeople, including carpenters and joiners, across New Zealand affects ability to build new housing. • There is always a lag between identifying a need/demand for housing and supply of appropriate housing. In the meantime the market may change again. Supply of social and affordable housing affected by house prices for purchase and land/build costs for construction. Lack of construction professionals affects costs and timeliness of building new houses. Social housing providers could benefit significantly from a downturn in house prices provided resources were available to purchase properties. However, lower prices may result in less demand for social housing. • Granting building consents doesn't necessarily translate to building houses. Building consents are valid for two years after which they expire. If there are no tradespeople available to construct houses building consents are valueless and housing is not delivered. • Although the escalation in land values has been the dominant driver in increased costs other key components have also had an impact on the cost of the land and building package. These include: <ul style="list-style-type: none"> – construction and building material and increased in cost – infrastructure installation including roading, water reticulation, power, gas, sewage and storm water systems have all typically increased in cost – cost of obtaining subdivision and building consents and subsequent compliance costs have increased – development contributions have also increased.¹¹⁸ • Investment driven private rental market significantly affected by volatility in New Zealand and international markets. Many investors are looking for capital gains to fund retirement rather than long-term supply of rental accommodation. Significant increases in interest rates reduces capital gains and increases vulnerability of small investors, potentially leading to en masse sales of investment properties. • Private rental market dominated by small-scale investors with short-term horizons. Lack of larger, professional and institutional investors. Underlying instability of investment in the sector limits the supply of affordable and secure housing for long-term tenants. • Doubt over Kiwisaver's ability to promote homeownership. Not realistic to see it as an alternative to specific policies for homeownership for modest income New Zealanders because of growing gap between income and house prices and the limited incentive offered by Kiwisaver. Also a time delay between Kiwisaver starting and when contributors can access the home loan incentive.¹¹⁹
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¹¹⁷ Bengtsson, J. et al (2007)

¹¹⁸ DTZ Research (September 2006)

¹¹⁹ The Salvation Army (June 2007)

Section 5

Driving Forces

- Until recently credit was very easy to obtain. Pressure to enter housing market – get the foot on the first rung of the ladder – leads to first-time homebuyers over-extending, either with 100 percent mortgages, self-certification mortgages or sub-prime mortgages when the main banks won't lend. Deposits have decreased and interest rates increased. Generally significantly less equity in house to start off with, sustained on the basis that house prices will rise sufficiently to provide the cushion. Days of at least a 30 percent deposit are gone. Banks still imposing low deposit high risk fees where deposits are less than 20 percent.
- Housing is a growing component of household balance sheets, on both the asset and liability side. The gross value of housing accounts for a significant share of the asset side of a household's balance sheet. In 2004, housing as a share of total assets reached 74 percent, in contrast to the long run average from 1978 to 2000 of 62 percent.¹²⁰
- Since 2001 house prices have risen at five to six times the rate of wages and salaries. This trend has tended to drive reports of deteriorating housing affordability. Over the same period however rents have tended to rise at the same rate as wages suggesting that there is not necessarily a deteriorating affordability problem for tenants. What makes the prospect of rapidly rising house prices and fairly stable rents feasible is the phenomenon of falling investment yields for residential property investors.¹²¹
- Looking forward, the New Zealand Institute of Economic Research's projections of growth in regional gross domestic product (GDP) from 2004 to 2021 suggest that the greatest housing pressures will continue to be felt in Auckland and the Bay of Plenty.¹²² By contrast, growth is likely to be modest in the central North Island and lower South Island.
- Non-government social housing sector (local government and community based housing providers) is small and under-resourced. Additional support is required. Mass stock transfer potentially a way forward as finance can be leveraged off assets. Without more substantial assets the non-government social housing sector struggles to gain momentum.
- The Government is providing only limited additional capital for acquisition of more houses for the social housing portfolio. UK experience shows that leveraging private finance to provide additional social housing is not the solution. Central Government contribution is critical to provide capital for stock expansion. Stock transfers are also critical for expansion of the non government social housing sector. Growth of this sector also relies on supplementary funding sources in addition to central government. Heavy handed regulation stifles grant efficiency and entrepreneurial capacity.¹²³
- Māori with traditional roots in coastal areas potentially disadvantaged by high costs of coastal properties. Difficulty for iwi organisations in accessing finance. Lower work-force participation rates for Māori compared to non-Māori. Lower representation in higher income brackets. If projected growth in number of Māori within key working age groups (an increase of 118,000 or 68 percent by 2021) is not accompanied by improved labour market outcomes, then demand for housing assistance may further increase.¹²⁴
- Per capita wage and salary rates for Pacific people are projected to converge towards the New Zealand average over the next 10 to 15 years but the rate of convergence is uncertain.¹²⁵
- More costly to have a house empty than underutilised. The cost of any empty house is typically 5 to 10 times than of under-utilisation by one bedroom.¹²⁶ Need to correctly match applicants/tenants with housing stock is a key issue. Already issues with mis-match of tenants. Also issue of suitability of long-term accommodation. As tenants' needs change do the houses change as well? Potential resistance to changing accommodation, particularly if it involves changing communities.

¹²⁰ Ibid

¹²¹ Ibid

¹²² NZIER (March 2005)

¹²³ Capital Strategy et. al. (September 2007)

¹²⁴ HNZC (November 2007b)

¹²⁵ Ibid

¹²⁶ Deloitte (November 2007)

Section 5

Driving Forces

- Constructing 2, 3 or 6 bedroom houses is the most cost-effective. One or four bedroom houses the least cost-effective. Stocks of 1 and 4 bedroom houses should match demand as closely as possible. Leasing is the most cost-effective way for HNZC to acquire a house, followed by building a new house and then buying an existing house.¹²⁷
- Housing markets operating without intervention can result in social polarisation, social dislocation and loss of cultural cohesion and diminished regional economic performance.¹²⁸

5.3 Environmental driving forces

Interviewees identified the following environmental drivers around social and affordable housing.

Table 5-3 identifies the environmental driving forces from the literature review.

- Local impacts of climate change – importance of local solutions in response to extreme events
- Availability of oil and other energy sources – increasing costs of transport, location could become an important factor in the level of the disposable income as transport costs increase
- Availability of water
- Sea level rise – decisions what will be defended and what left to be eroded, costs of these decisions. Impact of sea level rise on infrastructure (especially storm water and water supply)
- Flooding – current location of many houses on flood plains
- More dramatic environmental changes, with direct negative impact on large section of the population could lead to higher acceptance of stricter regulation, acceptance of costs and more investment into green technologies – possibility for social landlords to lead the way
- Resource availability impacts on housing costs – responses have to be location specific
- Doomsday attitudes – focus on now not tomorrow vs. act now to save tomorrow
- Responses to extreme events – pull together to build again vs. fall apart and everyone for themselves
- Positive impact housing (regenerative sustainability) – no resource use, positive impact on biodiversity
- Waste management
- Level of govt response to environmental issues
- Level of adaptability of the old stock to climate change (higher temperatures, more extreme rainfall and wind, energy and water prices)
- Population growth and urbanisation
- Contaminated land and brown field developments
- New Zealand perceived role as a leader in sustainability and responsibility to provide support to Pacific Islands

¹²⁷ NZIER (May 2007)

¹²⁸ ibid

Section 5

Driving Forces

Table 5-3 Environmental Drivers for the Literature Review

<ul style="list-style-type: none"> • HNZC has a programme of improving the energy efficiency of housing. • During the 21st century, New Zealand's climate is "virtually certain" [more than 99% probability] to be warmer, with noticeable changes in extreme events: <ul style="list-style-type: none"> – Heat waves and fire risk are virtually certain to increase in intensity and frequency. – Floods, landslides, droughts, and storm surges are very likely to become more frequent and intense, and snow and frost are likely to become less frequent. – Large areas of eastern New Zealand are likely to have less soil moisture, although western New Zealand is likely to receive more rain. Ongoing coastal development is very likely to exacerbate the future risk to lives and property from sea-level rise and storms: – Sea level is virtually certain to rise. – By 2050, there is very likely to be increasing loss of high-value land, faster road deterioration, degraded beaches, and loss of landmarks of cultural significance. Risks to major infrastructure are likely to increase markedly. These risks include failure of flood protection and urban drainage/sewerage systems, and more storm damage to buildings. The present design criteria for extreme events are very likely to be exceeded more frequently by 2030. Risks to large structures such as dams and bridges will need reassessment in light of future climate threats.¹²⁹ • The main identified physical vulnerabilities to climate change in the built environment are: indoor overheating; inland flooding; coastal hazards; droughts and fire.¹³⁰ • What is an extreme rainfall in today's rainfall climate is projected to occur about twice as often by the end of the 21st century. In general, changes in frequency of flood events are expected to follow a similar pattern to extreme rainfall i.e. doubling by the end of the century. The water table is expected to increase in response to rising sea-levels. In areas with an existing high water table, surface flooding may become more frequent, leading to damage to foundations and walls. Unbalanced or changing ground-water pressure could damage foundations. Sewerage and stormwater systems may also be damaged or rendered inoperable by rising sea-levels (Mosley 1990), possibly causing flooding well inland in low-lying areas. Sea-level rise is potentially a big impact of climate change for vulnerable, low-lying areas of New Zealand.¹³¹ • The total climate change adaptation cost calculated for the existing housing stock is approximately \$2.3 billion, which represents about 1.3% of the value of the housing stock. The expected benefit by the 2080s is estimated to at least \$4 billion in present value dollars.¹³² • An ageing population highlights key social impacts: this population increasingly remaining in their own homes could result in a rise in age-related vulnerabilities within housing. Research indicates other groups may be equally or more vulnerable such as: children; low income households; people with health problems or disabilities; and Maori or Pacific Island communities. Combinations of these variables with older age results in higher vulnerabilities.¹³³ • Sector dynamics limit adaptation: housing as a business sector, as a householder investment, and as a key site for private consumption is highly vulnerable to external influences such as: global economic factors; the cost of capital; tax on capital gains; insurance sector policy in relation to housing; and local authority regulation. This means the sector's ability to develop a self-determined, coherent response to the social impacts of climate change may be limited.¹³⁴
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¹²⁹ NIWA (April 2007)

¹³⁰ Brengtsson, J et al (2007)

¹³¹ Brengtsson, J. et al (2007)

¹³² ibid

¹³³ ibid

¹³⁴ ibid

Section 5

Driving Forces

5.4 Social driving forces

Interviewees identified the following social drivers around social and affordable housing. **Table 5-4** identifies the social driving forces from the literature review.

- Social attitudes: low tolerance to extreme poverty e.g. visible homelessness vs. more concern about mainstream comfort i.e. home ownership, perception of social housing and social support, perception of social housing as a solution for life or just at one stage in life until things get under control
- Acceptability of mixed neighbourhood vs. gated communities (school zones, need of new migrants to cluster together for social support and for how long?, ethnic tensions when ethnic group close up together, young families together, retirees on their own)
- Availability of skills to live in more dense urban environments (post intensification – how far should we intensify), acceptance of intensification vs. NZ dream quarter acre section, acceptance of apartment living with public open spaces, size of the house (cost drive to build bigger to reduce cost per sq.m. – bedrooms are cheaper than bathrooms and kitchens)
- Availability of skills to perform in free market economy (private housing market) – savings culture, value placed on quality of life (short term enjoyment of life) vs. savings (long-term security), availability of educational programmes matching culture with economy
- Views on home ownership – how much of an aspiration is it, how acceptable (popular) is renting for life option
- Mobility of population – impact on building communities, impact on demand on flexible housing arrangements – easy to move
- Role of the church land – could be released for the non-for profit social housing providers
- Population mix – increased Maori, Pacific Islander and Asian – cultural needs in housing, Asian population more likely to use private market, Pacific Island population more accepting/reliant on social housing and more compassionate
- Level of health – number of people with social needs e.g. disabilities (physical and mental), later pregnancies – increased risk of disabilities, older parents
- Kiwis coming back from the overseas bringing new skills and expectations of higher social support (also with more normalised view of social housing)
- Age profile of the population – older so need for smaller housing with care provided (prices of big houses going down, prices of small houses on a flat section going up), younger so cheaper houses for families
- Household composition – single, nuclear, extended, other (e.g. friends), divorced families – need to keep in touch for children (location)
- Size and composition of immigration (young singles vs. families, skilled vs. unskilled, Anglo-Saxon vs. other cultures and religions, level of links with families back home)
- Size and composition of emigration (young skilled workers – will they come back, when?)
- Special requirements of the residual social housing tenants – how will they provide the support, how closely this will be linked with housing
- Maori housing part of mainstream vs. singled out, managed by iwi and founded by the Crown (Maori land, tenure mixture – iwi or private, availability of skills in iwi to undertake facilities management), level of government support (devolve responsibilities and resources, provide subsidies, implement appropriate policies, support large scale test)

Section 5

Driving Forces

- Level of support to Maori housing – Papakainga revolution vs. mainstream, shared housing, Maori social housing providers
- Menial jobs filled in by New Zealand or by seasonal (three year contract) workers from overseas – no access to housing
- Family planning education and policy – lower income with more children widens the social gap
- Population growth and distribution – rate, Auckland vs. more uniform growth across the country
- Health problems as a result of poor quality housing
- Level of expectations towards the house – “put on some more clothes” vs. warm, healthy home
- Availability of skilled labour
- Availability of education
- Renovator culture and perception of old style housing: problematic vs. romantic
- Marae role in emergency housing, development of partnership with local housing
- Role of technology – enhances communication among all parts of society or excludes parts of it
- Development of whanau (200-300 people) and their responsibility and skill in managing housing. Building strength to reduce dependency on the government
- Migration out of the cities with families for quality of life
- Gang development and role in neighbourhoods

Table 5-4 Social Drivers from Literature Review

- New Zealand population projected to reach 4.5 million by 2021 and five million by 2041. These are conservative estimates. Population is aging and disability rates will increase substantially as a consequence over the next 10-20 years.
- The number of households in 2016 is projected to rise from just under 195,000 now to 1,747,500. Can expect to provide an additional 20,000 dwellings per year. Tenure projections give an indication of the impact of deteriorating affordability and the decline in home ownership. Only 43,000 additional home owners are expected by 2016, but there will be almost 152,000 additional renting households, or 78 percent of the total increase.¹³⁵
- The home ownership rate is projected to fall by 5.0 percentage points to 61.9% between 2006 and 2016. The decline in the home ownership rate is driven by the aging of the younger aged cohorts with their structurally lower home ownership rates.¹³⁶
- The Auckland region accounts for the highest rate of population increase, and currently houses 32.4 percent of New Zealand's population. In Auckland alone, projected population increases indicate a need for 80 percent more housing in the region within the next 25 years. It is predicted that an extra 320,000 homes will be needed in Auckland by 2031 to meet housing demand.¹³⁷

¹³⁵ DTZ Research (2007)

¹³⁶ ibid

¹³⁷ HNZA (November 2007a)

Section 5

Driving Forces

- Currently 70 percent of refugees and migrants to New Zealand settle in the Auckland region.
- Population concentration trending towards top part of the North Island, in Auckland, Waikato, Northland and Bay of Plenty. Increased from 46 in 1986 to 51% in 2001. By 2016 Auckland projected to have over 1/3 of total NZ population. Declines in proportions anticipated in most other regions. Growth management strategies are key – Auckland region has imposed the Metropolitan Urban Limit to control growth while Tauranga has a 50 year Smartgrowth Strategy. Higher density developments and more efficient use of land versus uncontrolled expansion using Greenfield sites. Higher density housing is not necessarily suitable for children or larger families. Good design is imperative and introduction of a masterplanning approach to housing, transport, open space and employment/community facilities.
- Growing rental demand from older population to 2021 and significantly higher proportion of Māori and Pacific people (doubling expected). Estimated between 2001 and 2021 there will be an additional 61,400 older people requiring rental accommodation. By 2051 nearly 1.06m older people will live in private dwellings. Approx 860,000 to be homeowners, 27,500 will rent from a TLA, 33,300 from HNZN and 138,000 from private landlords.¹³⁸ There is a potential shortfall in housing stock for the elderly over the next 20 to 50 years.
- The trend towards renting will be strongest in the Auckland region but also in the Canterbury, Bay of Plenty, Wellington and Waikato urban districts. Projections indicate that as home ownership rates decline, renting will increase and may become the dominant form of tenure in the medium term.
- Lifelong renting has implications for social and health outcomes, security in old age, aging in place, retirement income, aggregate household savings, growth in Accommodation Supplement outlays and investment in social housing.¹³⁹
- Houses in rural areas abandoned because occupants sought better work opportunities in urban areas. Basic maintenance deferred. Lack of available housing in rural areas when people return has led to occupation of previously abandoned houses, which may not have power, water supply or adequate sanitation facilities. There is also a lack of infrastructure.
- Difficulties in developing ancestral land in multiple ownership. Loans are difficult and the agreement of all owners is required.
- Iwi governance authorities are seeking strengthened opportunities and capacity for greater strategic engagement, such as partnerships and joint ventures such as hapu-driven collective housing developments.
- The meaning that an individual holds about housing will shape their housing experiences. Contrast the western view of housing primarily as a material resource with the Māori view of landownership which recognises a social, spiritual and emotional value associated with land.
- In some smaller communities, the age profile of Māori is quite distinct from Māori in urban areas. Compared to Māori in urban areas, some smaller Māori communities have: a high proportion of children under 15 years, a lower proportion of youth at key tertiary ages (15-24 years), a lower proportion in the 25-44 years age group (particularly men), a higher concentration of kaumatua (particularly women). This creates high dependency ratios – that is fewer people at core working ages to support both the youth and the kaumatua populations. Despite a trend towards childbearing at older ages, half of Māori women giving birth in 2001-2003 were younger than 26 years. This is about 5 years younger than the median age of non-Māori mothers.

¹³⁸ HNZN (July 2006)

¹³⁹ *ibid*

Section 5

Driving Forces

- Growth in size of Māori population aged over 65 years could impact heavily on housing in rural areas if Māori choose to return to their tribal regions in retirement years.¹⁴⁰ Rapid growth in number of kaumatua over next 20 years (from 20,000 to 57,000) will have implications for social service provision. Research suggests it is likely that a large proportion of older Māori will have little or no savings of assets, with New Zealand Superannuation being their sole source of income. There will be a sizeable increase in the number of kaumatua experiencing housing stress and potentially requiring assistance. Anecdotal evidence suggests that kaumatua in urban areas, who are in need of care and support, are more likely to live with whanau than reside in retirement villages or rest homes.¹⁴¹
- Issue of returning migration for Māori living overseas? Huge numbers living in Australia.
- The population of Pacific people is projected to grow at a faster rate than the population as a whole, with its share of the total growing from under 7 percent in 2006 to 9 percent in 2021. The Pacific population is projected to have a median age of 24 in 2021, still well below the median age (41) for the population as a whole. This will be reflected in an increase in the population share of all territorial local authorities, with the possible exception of Auckland City, where the Asian population is projected to grow most rapidly. Over the period 2006 to 2021, the Asian population is projected to rise from about 7 percent to 13 percent.¹⁴²
- Nearly 70 percent of HNZC tenants are women, as are the applicants. Trend towards more female headed house-holds? Single people living alone? Location and house design implications.
- Existing housing stock was designed around the housing needs of different ethnic groups to those who now occupy the housing. The Corporation needs housing designs which are adaptable to meet needs of changing ethnic groups. Will further changes arise from changing immigration stats or demographic profiles?
- Differing house needs of tenant and applicant population. High proportions of single parents, and single people (including older tenants and those with mental health issues) results in potential differing requirements for housing. Differences in tenant and applicant profiles, e.g. older tenant profile to applicants, has implications for responding to future housing needs. There is a mismatch between existing stock and applicant profiles, nationally and regionally and particularly in central and south Auckland.
- Correlation between HNZC tenants and benefit recipients. High HNZC stock = low income area.
- Differences between HNZC stock and market stock. Market housing trending towards larger (4 plus bedroom) homes whereas over 90 percent of HNZC stock is three bedroom or less. Higher proportion of HNZC properties are flats or semi-detached houses compared to New Zealand averages. Much smaller proportion of single dwellings. It is currently possible to identify HNZC housing from its design compared to the New Zealand norm. HNZC housing is older, which high and on-going maintenance costs.
- The Pacific population in New Zealand is, on average, younger, poorer and growing faster than for New Zealand as a whole. Many Pacific households include extended family members and Pacific households are significantly larger than average.
- The population of Pacific people is projected to grow at a faster rate than the population as a whole, with its share of the total growing from under 7 percent in 2006 to 9 percent in 2021. As at the 2006 Census, 266,000 people of Pacific ethnicity lived in New Zealand, making up 6.6 percent of the population, compared with 6.2 percent in 2001.¹⁴³

¹⁴⁰ HNZC (2007b)

¹⁴¹ ibid

¹⁴² Koloto & Associates Ltd et. al. (August 2007)

¹⁴³ ibid

Section 5

Driving Forces

- Lack of suitable accommodation existing and projected for people with mobility and sensory difficulties. Retrospective modification of homes will not satisfy the expected demand.¹⁴⁴

5.5 Technological driving forces

Interviewees identified the following technological drivers around social and affordable housing. Technological driving forces include issues around constructability of houses and the construction industry but also the behavioural aspects related to technology. **Table 5-5** identifies the technological driving forces from the literature review.

- Management of resources at the community level – zero lot lines (still design for privacy and sun maximisation), new type of design for intensification
- Location of social housing – current and desired land ownership
- Intensification (double storey houses) leads to higher building costs
- Vertical construction – timber can be up to 4 floors – lowers cost of land (careful with social costs of tower blocks)
- Information to streamline asset management
- Level of asset management skills and social support skills among the private and social rental landlords, need for cross education between social workers and asset manager, level of focus in housing: asset management vs. people management
- Development of environmental technology, energy and water efficiency, energy generation (heating, appliances, master switch, insulation) – future proofing against energy costs – green rating schemes driving new build and renovations
- Developments with weathertightness
- Use of wood in houses – will continue or stop
- Level of skills in the building industry
- Home working technology (what kind of work can be done at home – not usual work for social housing – would this be a new exclusion for social housing [people living in social housing not expected to work from home]?), wireless network
- Transportation technology developments – electric cars vs. public transport
- Smart homes for elderly and people with disabilities
- Level of involvement of tenants in the management of the housing
- Level of house maintenance vs. deferred maintenance – skills of occupants and inclination (or lack thereof) to maintain their property
- Design for community development (encourages interaction) and diverse neighbourhood – good access for elderly and secure outdoor spaces for children
- Community technology e.g. community heating and gardens vs. individual house technology

¹⁴⁴ CHRANZ (May 2007)

Section 5

Driving Forces

- Management of infrastructure – non infrastructure (distributed generation, site water management, independent houses/communities) – city level, public infrastructure
- Modular housing technology, kit houses, low maintenance cladding, nanotechnology, biotechnology – cheaper
- Technological choices and skills of the occupiers
- Maori technologies for water management
- Development of on-line Maori community e.g. cyber tangi

Table 5-5 Technological Drivers from the Literature Review

- The effectiveness of measures to improve liveability of HNZC houses and reducing heating costs is hampered by tenants' lack of understanding on how to maximise the benefits of the measures.¹⁴⁵
- House sizes are increasing, rising from an average of 133 square metres in 1990 to over 180 square metres in 2005.¹⁴⁶
- Internationally, interventions in the retrofit area are extremely modest, by comparison with those directed towards new buildings. Interventions in the energy sector far outnumber those in all other areas of sustainability intervention. Intervention types include energy, materials, water and health sectors, tools include regulatory instruments, economic instruments, information tools and 'other' interventions (such as 'green' purchasing programmes).¹⁴⁷
- Twelve percent of the construction industry's labour force is nearing retirement age. If the industry does not appear attractive to new entrants in the next 10 years, the number of experienced people will be significantly diminished by 2030.¹⁴⁸
- The use of rating systems, such as the New Zealand Green Building Council Green Star system and Beacon Pathway's High Standard of Sustainability, to determine the sustainability of housing is increasing.
- Issues such as insulation, energy use and generation and weathertightness are prominent in discussions around housing sustainability and technology. Of particular issue is the quality of older housing stock. From the analysis of the existing building stock it was noted that approximately 390,000 or 51 percent of homes built prior to 1978 had not been fitted with any or sufficient insulation (this includes homes that have been retrofitted). Concrete floor slab constructions are used in 92 percent of all new detached housings but only represent 27 percent of the total stock. Prior to the 1980s most (73 percent) new houses were constructed on a suspended timber floor. Ceiling insulation data for Wellington, Auckland and Christchurch reveal that 45–65 percent of pre-1980 housings have 50 mm or less insulation.¹⁴⁹
- There is an increasing focus on streamlining construction practices, in terms of the materials chosen, construction waste generation and the use of off-site manufactured construction systems. Overseas examples include Space4, a system used by Persimmon Homes Ltd in the UK for social affordable housing and the Debut range promoted by Redrow Homes UK.
- Building overheating from increases in frequency and severity of summer temperature extremes can be avoided by passive design and retrofit.¹⁵⁰

¹⁴⁵ Buchan, Diane et. al. (May 2007)

¹⁴⁶ Koloto & Associates Ltd et. al. (August 2007)

¹⁴⁷ Beacon Pathway (2004)

¹⁴⁸ Scion and BRANZ (February 2006)

¹⁴⁹ Brengtsson, J et all (2007)

¹⁵⁰ ibid

Section 6

Limitations

URS New Zealand prepared this report in accordance with the usual care and thoroughness of the consulting profession for the use of Housing New Zealand Corporation and only those third parties who have been authorised in writing by URS to rely on the report. It is based on generally accepted practices and standards at the time it was prepared. No other warranty, expressed or implied, is made as to the professional advice included in this report. It is prepared in accordance with the scope of work and for the purpose outlined in the Proposal dated 19 October 2007.

The methodology adopted and sources of information used by URS are outlined in this report. URS has made no independent verification of this information beyond the agreed scope of works and URS assumes no responsibility for any inaccuracies or omissions. No indications were found during our investigations that information contained in this report as provided to URS was false.

This report was prepared between October 2007 and April 2008 and is based on the information reviewed at the time of preparation. URS disclaims responsibility for any changes that may have occurred after this time.

This report should be read in full. No responsibility is accepted for use of any part of this report in any other context or for any other purpose or by third parties. This report does not purport to give legal advice. Legal advice can only be given by qualified legal practitioners.

Appendix A

Documents Reviewed for Environmental Scan

Appendix A

Documents Reviewed for Environmental Scan

Auckland UniServices Limited (August 2005) The Healthy Housing Programme: Report of the Outcomes Evaluation (Year One), prepared for Housing New Zealand Corporation

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Appendix A

Documents Reviewed for Environmental Scan

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Appendix B

List of Interviewees

Appendix B

List of Interviewees

Experts Group

Judy Glackin, General Manager, HNZC
Andrew Wilson, Chair, CHAI
Kevin Mara, General Manager, HNZC
Penny Pirrit, Auckland City Council
Stephen McArthur, General Manager, HNZC
Geoff Short, Te Puni Kokiri

Sector Experts

Scott Figenshow, Senior Policy and Planning Analyst, QLDC
Colin Tukuitonga, CEO, Ministry of Pacific Island Affairs
John Duncan, Board Secretary, Building Research
Brian Donnelly, Executive Director, New Zealand Housing Foundation
Nick Collins, General Manager, Beacon Pathways Ltd
Bob Greenbury, Construction Manager, GJ Garden Homes (developer)
Geoff Bertram, Victoria University of Wellington
Phillipa Howden-Chapman, Associate Professor, He Kainga Oranga: Housing and Health Research Programme, Otago University Wellington
Jan Wright, Commissioner, PCE
Neville Travers, Clendon Resident's Group
Kay Saville-Smith, Research Director, CRESA
Martin Evans, President, New Zealand Property Investors Federation
Ralph Chapman, Associate Professor, Director of Environmental Studies, Victoria University
Stephen Dunstan, Department of Labour
Christine Jones, Tauranga City Council
Hillmarie Schultz, Te Puni Kokiri
Jacqui Te Kani, Maori Women's Welfare League
Larry Murphy, University of Auckland

Internal Reference Group

Pia Searancke, Regional Manager-Waikato/Coromandel/King Country
Amos Forrester, Regional Manager for East Cape/Hawkes Bay Region, HNZC
Shane Matthews, Strategic Planner, HNZC

Appendix B

List of Interviewees

Paul Bennett, Design Manager, HNZA

Shane Chisholm, Regional Manager Southern, HNZA

Blair Badcock, Chief Advisor Housing Sector Policy, HNZA

Mark Cox, Principal Advisor Economic, HNZA

Appendix C

Glossary of Terms

Appendix C

Glossary of Terms

Accommodation Supplement	A non-taxable benefit that provides financial assistance with housing costs to low income earners and families. The criteria for eligibility include: receipt of benefits, income, geographic location, family size, living situation or tenure, cash assets and certain domestic situations. A person does not have to be receiving a benefit to qualify for Accommodation Supplement. The Accommodation Supplement is managed through Work and Income New Zealand (WINZ). The Accommodation Supplement is not available to occupants of properties owned or managed by Housing New Zealand, or a property let by or on behalf of Housing New Zealand. AS is tenure neutral available to meet costs of rent, board or owner-occupation. Available to people in work and in receipt of a benefit.
Housing Innovation Fund	The Housing Innovation Fund provides loans and development grants for council, community group and Māori housing projects.
Housing stress	Housing stress occurs when housing costs account for more than 30% of a household's income.
Income-related rent	If your income is below a set amount, your rent will be no more than 25 percent of your income. If your income is above the set amount, the most you would pay for your home is the market rent.
MELAA	Middle Eastern, Latin American, African
Outgoings-to-Income ratios	<p>Outgoings-to-income (OTI) ratios describe the proportion of income consumed by housing costs. It is calculated as either:</p> $\frac{\text{housing cost} - \text{housing assistance}}{\text{net income, excluding housing assistance}}$ <p>or:</p> $\frac{\text{housing cost}}{\text{net income, including housing assistance}}$
Residual Income	Residual income is the amount of money left after housing costs have been paid.