

ISSUES PAPER

Future Scenarios for Social and Affordable Housing

Prepared for

Housing New Zealand Corporation

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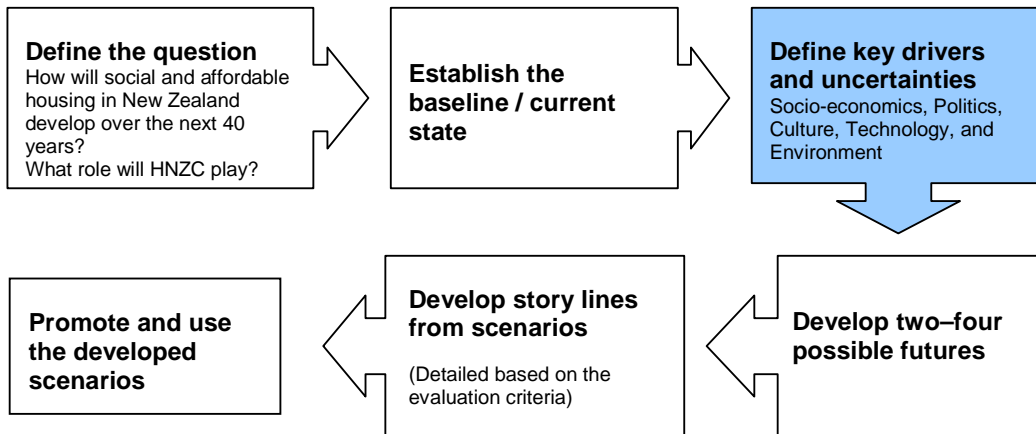
1.1 Purpose of this document

This Issues Paper together with the Environment Scan forms the first deliverable in the Future Scenarios for Social and Affordable Housing project. It synthesises the learning from the literature review and interviews conducted with the participants of the scenario planning process (see Appendix A). The Environment Scan is a companion paper providing details on historic perspective and current state.

The project aims at developing two to four scenarios (extreme possibilities that will be based on the information and views provided by the workshop participants) exploring needs, definitions, delivery methods and their effectiveness for social housing in the context of affordable housing in New Zealand. The scenario planning process will focus on investigating possible answers to the following questions:

- How will social and affordable housing change (needs, scale, delivery methods and effectiveness) over the next 40 years?
- What will it mean for the Corporation in 20 years time, in the context of the next 40 years?
- What role and mandate will the Corporation have in the context of key assets management and climate change?

The project will follow a typical scenario planning process adapted to achieve the objectives outlined above.



The issues paper provides background information to facilitate the Experts Group workshop on 11 April 2008, which will aim at reviewing and prioritising the driving forces associated with social and affordable housing. The key outcome of this workshop will be to map out the key axis (directions) of the scenarios.

The proposed scenarios will be further developed during the workshops with the Sector Experts and Internal Reference Group on the 17 and 18 April 2008.

1.2 Definitions

There are a number of definitions of social and affordable housing. The Environment Scan discusses definitions encountered in the literature review.

Scenario planning participants, interviewed in the first stage of the project, divided the overall housing market (rental and ownership) based on two factors:

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- Who provides the housing
 - private companies or individuals – without state assistance
 - state – fully managed by the Crown, owned or leased from private market
 - local authorities – district and city councils with state assistance
 - not for profit (third sector) – community based with some state assistance
- Who receives the housing
 - social market - not able to fulfil their needs in the private market and eligible for social support (need subsidies, income related rental options, general social support)
 - intermediate market - struggling to fulfil their needs in the private market but not eligible for social support (intermediate housing can be facilitated through subsidised lending, self build, repair and maintenance subsidies, shared ownership, can offer high degree of co-payment, specific stock response)
 - private market - able to fulfil their needs in the private market

Social housing was described in a number of ways:

- housing for people with special needs that are not able to be met by the private market
- housing which is not viable (profitable) in the private market
- housing that is affordable for low income people

It is not necessary to agree on a definition for the purpose of this project. It is though essential to clarify that this project focuses primarily on the state, local authority and non-for-profit providers for social market but within a wider context of the intermediate market. Affordable housing is regarded within the context of social and affordable housing. Private providers are only considered in partnership with others.

1.3 Summary of the historic perspective and current state

The purpose of social housing in New Zealand originally focused on housing for low-income workers unable to purchase on the open market. Social housing was originally 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. Those able to access social housing services have gradually reduced to the 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 to housing market is a global issue, influenced by a complex arrangement of factors.

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

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different mechanisms (loans) and a different agency. The average state housing family is two parents with two children.

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.

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. Ideological differences and overseas debt contribute to the sell-off of State assets, including housing.

In the 1990s, the nuclear family declines significantly in state housing. Housing affordability continues to decline significantly. Owner occupancy of properties declines for Māori and non-Māori. Housing stress increases.

The 2000s are a period of change for delivery of state housing. The Government amalgamates several housing delivery organisations into the Housing New Zealand Corporation. 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.

1.4 Key driving forces

The following key driving forces were identified during the interviews with the scenario planning participants. The Experts Group will review and amend the below list during the workshop on the 11th April. They will also select the drivers that are likely to have the highest implications for the future of social and affordable housing and agree on what scenarios (which direction of the selected forces) is the most challenging, most interesting for further investigation.

Their direction will guide the detailed scenario development that will be undertaken by the Sector Experts and Internal Reference Group during the workshops on 17 and 18 April 2008. The driving forces identified during the interviews were divided into 3 groups:

- Tier one – drivers that could be considered as social and affordable housing outcomes
- Tier two – drivers with direct impact on the outcomes
- Tier three – wider drivers that look beyond the immediate housing market. These will be used to construct the scenarios and derive possible outcomes.

Tier one drivers

- size of social housing: below 4 percent of housing stock vs. over 10 percent of housing stock
- type of providers: private vs. state vs. community vs. local authority
- size of housing portfolios: centralised vs. fragmented vs. small number of large providers
- levels of house ownership: below 30 percent of households vs. over 70 percent households
- location of social and affordable housing: disconnected suburbs vs. connected suburbs vs. urban villages vs. town centres
- characteristics of population in need of social housing

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Tier two drivers

- housing supply (for sale and rental), location and type (building industry capacity, profitability of building, housing demand, existing stock performance, rental profitability)
- housing demand, location and type (population size, household structure, population distribution, job distribution, state of the economy, access to transport)
- state of economy (employment, interest rates, incomes)
- attractiveness of housing investment (taxes, attractiveness of other investment, capital gains, cost of credit, level of rental income, housing supply)
- cost of housing (building costs, land costs, maintenance costs, stock availability, credit costs, rental costs, regulation costs, energy costs)

Tier three drivers

Economic and political drivers

- ruling economic paradigm: market economy vs. welfare state vs. eco-economy (including externalities)
- choice of instruments: direct provision of housing vs. accommodation subsidy vs. regulation vs. taxation
- state delegation of responsibilities: nationalised vs. localised
- dominating cultural politics and values: Maori and Pacific vs. Asian vs. Anglo-Saxon
- urban vs. rural focus (percent of population vs. percent of investment)
- income distribution: high income gap, equitable distribution, majority well-off, majority struggling
- government funds availability: rich welfare state, rich market economy, poor welfare state, poor market economy
- level of employment: low unemployment vs. high unemployment
- economy basis: affordable/low skill economy vs. high value/high pay economy
- availability of credit: cheap vs. expensive
- private rental market: mum & dad investors vs. facility managers

Social attitudes

- environmental attitudes: decisive action vs. business as usual vs. insufficient action
- saving behaviours: no savings culture vs. superannuation vs. housing investment vs. investment markets
- banking culture: risk-averse vs. profit focused vs. social responsibility vs. risk prone
- Prevalent occupancy models: individual private, state or community ownership, partnerships, shared equity and co-ownership, private rental
- community cohesiveness: integrated mixed communities, tense mixed communities, gated communities, ghettos
- life values: generating intergenerational wealth, saving for later in life, efficiency, enjoying life now

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- employers' responsibility: employer-staff conflict, market based relationships, social responsibility (including housing outcomes)
- tolerance for poverty: high vs. low
- perception of social services: only weak, sick or stupid need it (stigmatised) vs. anybody needs it at some point in life (normalised with progression to independence), basic right for life (normalised with intergenerational dependence)
- housing aspirations: own quarter acre section vs. rented urban apartment (outdoor living aspirations: in a large private garden, small deck overlooked by neighbours, public amenities (reserves, parks, play areas))
- house performance expectations: low ("put on more clothes") vs. high
- social support reliance (who will you turn to for help): state agencies, neighbourhoods, ethnic communities, whanau, marae
- social relationships: family based, ethnicity based, internet based, neighbourhood based, work or education based, value based

Social pressures

- elasticity of housing prices: flexible to increase, sticky to fall
- population mobility: settled vs. mobile within region, mobile nationally, mobile internationally
- population health: good vs. bad
- population changes due to migration: more young skilled people vs. more intergenerational families with lack of skills
- population distribution and growth: high growth concentrated in the cities vs. high growth equitably distributed vs. high growth concentrated in the rural areas vs. low growth
- prevalent housing composition: nuclear family, aged couples, aged singles, young singles, young couples, intergenerational families, friends based households, whanau networks, divorced parents networks, international families, menial seasonal workers.
- crime levels

Environmental pressures

- energy availability: based on fossil fuels vs. based on renewables vs. based on energy efficiency vs. insufficient
- impacts of climate change: extreme vs. manageable
- coastal management: defence in urban/ retreat in rural, total retreat, total defence
- response to river flooding: housing design, relocation, no response
- response to extreme events: national response/state responsibility, communities self-defence, community conflict
- water management: water use efficiency and rain harvesting, mismanagement and shortages, regulation, water charges
- waste management

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- performance of existing housing stock and infrastructure in the changed climate (higher temperatures, more extreme events, higher rain and wind strength, higher tides, higher energy and water prices): need for costly up-grades, sufficient performance
- overall NZ position on climate change: global leader image, global leader reality, laggard

Housing technology, skills and community design

- percentage of market savvy population: majority has skills and culture matching market economy vs. majority has skills and culture matching welfare state
- technology (IT) adaptation: uniform vs. fragmented
- prevalence of sustainable house solutions: low improvement changes widespread, leading edge technology widespread, no changes, changes for the rich, changes for the poor
- level of skills and quality of residential construction
- home maintenance skills: DIY culture, contractor culture, deferred maintenance culture, level of skills: low vs. high
- vertical construction: high rise, one storey, up to 4 floors
- residential construction materials: wood, steel, concrete, new low maintenance high durability material
- IT role in houses: communication and remote work, home management, social support, entertainment
- tenancy management: high tenant involvement vs. low tenant involvement
- prevalent house design: for wealthy nuclear family vs. diverse designs including cultural, ability and income circumstances
- capacity of the building industry: enough building professionals vs. shortage
- development of public transport and urban planning in New Zealand: widespread vs. fragmentary vs. non-existent
- intensification: successful urban infill, unsuccessful urban infill, urban sprawl

1.5 Initial input for detailed scenario development

The following section summarises answers from the participants of the scenario planning process, which will be used during the detailed development of the scenarios at the workshops on 17 and 18 April 2008.

1.5.1 Certainties

The following developments were considered certain. Those certainties will be reviewed at the workshop with the Experts Group to build the framework for the detailed scenarios.

- need for social housing, existence of people who are not able to be served in the private market
- diversity of delivery models
- increasing income gap
- increased Maori and Pacific participation
- aging and death of baby boomers

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- of the existing 1.6 million houses 1.4 million will still be in use in 30 years
- growth will continue
- technology will offer new solutions
- economy is reaching a tipping point and will be affected by externalities
- development of collective responsibility
- house prices will be driven down on the margins – reduce need for social housing.
- HNZC part of catalyst process for changing ways we think about land use, cities, urban design.

1.5.2 Threats and Opportunities

Scenario planning participants identified the following threats and opportunities. These ideas will be used to prioritise the driving forces.

| Threats | Opportunities |
|---|---|
| <ul style="list-style-type: none"> - housing affordability - availability of funding for social housing/lack of political will - climate change and energy crises - widening social gap and stigmatisation of social housing - land availability - application of RMA (different rules for social and private housing) - lack of focus on non-shelter outcomes, lack of integration between social agencies and functions - creation of ghettos and gated communities - social housing focused on Auckland at the cost of other regions - HNZC demand for housing from the private sector increases prices and home unaffordability - disconnect between national policy and local needs - need for partnerships to achieve the outcomes and inability to form and maintain the partnerships - pressure to sell social housing in more expensive areas - mismatch between housing needs and stock - intergenerational dependency | <ul style="list-style-type: none"> - transit oriented development and intensification - new models of subsidising housing (horizontal liquidity, accommodation allowances, supply side, Kiwisaver) - diversification of poor areas – strategic selling to encourage private “do ups” - public/private partnership e.g. participation of private sector in provision of housing in co-operation with social agencies - crown land in central areas - brownfield development - income from rental stock and accumulated experience – HNZC to take a role of an enabler rather than provider - partnerships with local authorities - changing perceptions and expectations – acceptance of denser living - more community involvement in social housing - high quality successful social housing changing the negative perception - tenant management to be outsourced to a third party - focus on improving life circumstances of the tenants, reducing expectations that social housing is for life - quality housing generating important health and educational outcomes – opportunity to regulate - stronger government involvement in the housing |

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| | |
|---|--|
| <ul style="list-style-type: none"> - aging stock and quality of housing - changes on the population composition having negative impact on the economy - extreme events suddenly increasing demand for social housing - recession - continued focus on economic growth at the expense of social responsiveness - housing typologies required to address need for 350,000 houses in 'intermediate' market | <p>market</p> <ul style="list-style-type: none"> - releasing Māori land belonging to old people without destroying their connection to it - papakainga, shared equity models of Maori housing - asset base creation – stock transfers - use housing to make cities better – link sustainability environment and affordable housing |
|---|--|

1.5.3 Fears and Hopes

The fears and hopes will help understand the implications of the generated scenarios. What hopes and fears become realities?

| Fears | Hopes |
|---|---|
| <ul style="list-style-type: none"> - divided society in social conflict - failed response to climate change - extreme poverty - political gains prioritised over societal needs - HNZC becomes a political football - application of overseas models that don't work for NZ - that HNZC will forget about social obligation to women and children - lack of political will to implement changes | <ul style="list-style-type: none"> - lower need for social housing and more equitable society - increased proportion in normalised social housing - communities develop own solutions and take care of their own - every New Zealander can achieve the dream of their own house - development of sustainable communities with walkable access to all amenities - creation of strong and flexible structural base that is able to meet housing needs - HNZC mandate is expanded to social services - Māori housing independence from the Crown - that people learn new skills of how to take care of their houses - addressing the intermediate housing market |

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1.5.4 Future Changing Events and People

The ideas for future changing people and events will be used to build the story line of the scenarios.

| Future Changing: event | Future Changing: people |
|--|--|
| <ul style="list-style-type: none"> - government policy (support for partnerships with private sector, movement of disabled people from social housing to institutions, state involvement in social housing stopped or reduced, government taking on a role of a developer) - strong social movement – communities getting together and sorting it out for themselves - natural disaster – extreme events destroying large parts of housing stock - economic turn leading to high inflation and house price increases - economic recession with high levels of unemployment - peak-oil and increase in transport, energy and materials costs - large environmental refugees migration from the pacific (concentrated in time) - social unrest - dramatic demographic change - collapse of housing market - meltdown in mortgage market – negative equity, mortgagee sales - health epidemic – e.g. flu, diabetes – funding diverted away from housing | <ul style="list-style-type: none"> - visionary, articulate politician using new media - innovative organisation coming up with a new model of social housing - social movement, grass root leaders – either intellectuals or tenants or past tenants - financial entrepreneur (bank economists) or organisation coming up with a new financing model - Kiwis coming back from overseas with new ideas, skills and expectations - Māori and other cultural leaders - religious groups (providing land or loan schemes) - immigration support specialists - developers - visionary council prepared to try something new and take risks - politicians |

1.6 Desired outcomes and proposed indicators

The scenario planning participants were asked to describe what they believe to be “good social housing”.

The following desired outcomes were identified by the scenario planning participants:

- provision of adequate shelter (health, hygiene, safety, security, weather tightness, warmth)
- meeting diverse needs through a variety of stock type and design (stock matched with diversity of needs related to culture, family/household type, age, state of health, dependency on carers, provision of choice)
- elimination of social housing (reducing need and dependency on welfare state to zero)
- normalisation of social housing (use of social housing by wider section of society - not just excluded/disadvantaged people (residual social housing) but includes intermediate people with skills (work and social) and experience; change in social attitudes: “social housing is for people that are temporarily in need” (due to age, lack of skills, incidents, health, culture) rather than for people seen

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as not able to contribute to the society (e.g. “lazy, stupid or permanently ill”), no shame associated with receiving social housing, acceptance of interdependence)

- efficient asset management (maintenance of quality, lasting stock, no corruption, good financial management)
- ensuring adequate provision of other social support (access to required social services, integration with other social services, appropriate level of engagement (relationship) with tenants aligned with their needs (due to disabilities, level of skills, family circumstances, culture)
- environmental sustainability (resource and energy efficiency, low impact or positive impact on the environment)
- provision of good access (located in areas with good transport connections to services (hospitals, social services, child care, child and adult education), jobs, amenities (shops, entertainment, sport and recreation), walkable to everyday destinations)
- encouragement of sustainable sound communities (sense of belonging, relationship with neighbours, ability to participate and contribute, access to services, diversity of backgrounds and skills, located among diversity of housing types – not identifiable as social housing)
- ensuring improvement of life situation during the length of residence (progression to better health, economic, work situation, progression towards more independence e.g. private market housing, not creating inter-generational dependency)
- provision of long term accommodation security
- reflecting regional context (managed and planned at the local level)
- choice of social housing reflecting cultural or community values independently from the Crown (e.g. Maori run housing)
- affordable (proportion of disposable income spent on housing costs).

In summary outcomes of social and affordable housing can be divided into two groups:

- Tenant outcomes (demand side) – adequate shelter, wellbeing, community, access, affordability, learning and progression, choice
- Provider outcomes (supply side) – level of need, size of social sector, efficiency, environmental sustainability, provider type, size and mandate.

The following indicators are proposed for the scenario planning project to account for the above desired outcomes and using where possible the Housing Strategy indicators:

- housing affordability - percent of low-income households paying more than 30 percent of income on housing costs
- housing quality – number of incidents of dampness, number of incidents of indoor temperatures below WHO recommendations, percent of hospital admissions for respiratory diseases from social housing tenants
- length at current residence - ratio of length for social or affordable tenants vs. owner occupiers
- household crowding – percentage of population living in crowded conditions
- accommodation supplement – no. of recipients by ethnicity, gender, age, location, region, tenure
- social housing size - percent of population housed by social providers
- meeting demand for social housing – no. of people on social housing waiting lists against an acceptable level

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- asset management effectiveness – costs of building and maintenance of social stock as compared with private stock
- access to adequate social services - percent of social tenants actively receiving other social support
- environmental sustainability – percent of social and affordable housing households achieving High Standard of Sustainability or similar
- access – time required to access essential services by public transport or walking using the Community Resource Access Index
- stock diversity - percent of stock adapted for elderly, disabled, non-nuclear families compared with national demographic statistics
- types of social providers - percent of stock owned or managed by state, local authorities, non-profit, private-social partnerships
- percent of income spent on housing vs. income spent on other social services.

For a number of those proposed indicators we will not be able to collect specific data. For the purpose of scenario planning a description of participants' understanding of their status will be sufficient.

Section 2

Limitations

URS New Zealand Limited (URS) has 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 conditions encountered and 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

Scenario planning participants

Appendix A**Scenario planning participants*****Experts Group***

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Kevin Mara, General Manager, HNZC
Penny Pirrit, Auckland City Council
Stephen McArthur, General Manager, HNZC
Geoff Short, Te Puni Kokiri

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Colin Tukuitonga, CEO, Ministry of Pacific Island Affairs
John Duncan, Board Secretary, Building Research
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Appendix A

Scenario planning participants

Blair Badcock, Chief Advisor Housing Sector Policy, HNZC

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