Affordable Housing: The Community Housing Sector in New Zealand

ACKNOWLEDGEMENTS

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The Community Housing Sector in New Zealand

SGS
Economics & Planning

CapitalStrategy
From concepts to solutions

Table of Contents

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Executive Summary

Purpose and Objectives

The aims of this project were to assess the current size, value and impact of the community housing sector in New Zealand, and to provide solutions based recommendations for the sector making an effective contribution towards improved housing affordability outcomes across the country.

Method

The research involved:

- desk top research and selected interviews with officials regarding the history of the community housing sector in New Zealand;
- a postal survey of known providers to shed light on the housing outcomes delivered by the sector;
- a series of regional workshops to engage directly with a cross section of community housing providers and their representative bodies regarding the strategic issues facing the sector; and
- a synthesis of the foregoing research outputs into an analysis of what needs to happen if the community housing sector is to optimise its potential contribution to improved affordability outcomes in New Zealand.

The initial desk top research phase produced a working definition of 'community housing', as follows:

> *"Non-government, not for dividend providers of generalist or special needs housing to lower and moderate income groups, where below market rents are made possible by capitalised or recurrent subsidies from the State or local government and/or the dedication of private assets at zero or sub-market rates of return and/or the provision of volunteer effort."*

Survey of the Sector

The study team found that there was no comprehensive data or information on development, scale and nature of the sector available from published sources. The purpose of the postal survey was to gather this information.

A key initial task was the compilation of a 'master list' of community housing organisations and addresses from a variety of sources.

The survey strategy included 'casting the net wide' to discover relevant respondents. Some 240 questionnaires were mailed out early in March 2007. The population of relevant entities is estimated to number up to 160. Forty nine survey forms were returned, representing a 30%+ response rate.

The principal findings of the survey are as follows:

1. The sector in New Zealand is relatively small. The sector is estimated to:
   - own 2,100-5,387 units;
   - own an average of 21 units or a median of 9 units per provider entity;
   - manage 1,326 units in addition to owned stock;
   - provide accommodation in 63 hostels with 1,030 beds; and
   - provide 167 housing units for short term (1 week – 3month) transitional or emergency accommodation

2. The sector is "emergent" in character.
   - Many entities are "aspiring" owners, that is, they are trying to attract funding to buy an initial dwelling. The majority of respondents own no houses or a small number of houses.
   - There is a small number of medium sized organisations and only a handful of large organisations.
   - Most respondents report having problems securing operational and capital funding. A wide mix of sources is used, indicating a largely opportunistic approach to entity capitalisation.
   - There is considerable variation in the quality of financial information provided by respondents. It is clear that some entities do not have the required financial management skills and information systems.

3. The sector sees a need for several 'structural' changes in programs designed to support the development of community housing.
   - There is a desire within the sector for more funding and for this to be allocated on a long term basis rather than perpetuating the current annual "scrabble for funds".
   - There is a need for a reduction of bureaucracy in sector programs. Funding processes in particular need to be streamlined.
   - The sector needs to share information more. There is no list of community housing organisations in New Zealand with contact details that identifies individual housing services provided. Community Housing Aotearoa Inc (CHAI) could complete or co-ordinate such a register even though some entities may not be CHAI members.
   - More information is needed to support strategic planning and policy analysis.

Workshops with Community Housing Entities

Workshops with community housing providers were held in Wellington, Christchurch and Auckland during April 2007. These were planned as small facilitated focus group meetings. A cross-section of organisations was invited, including suggestions for attendees from CHAI.

Key issues as identified through the workshops are summarised below.

1. *Current nature and status of the sector*
   - The sector is characterised by many small organisations with very few large, well resourced organisations. The sector is therefore highly fragmented in character and impact. Significant numbers of organisations are niche focused, although there is reasonable representation of broad-spectrum entities (commercial, health, social services, housing). The priority given to housing in multi-faceted organisations tends to shift depending on where funding is obtained.
   - There is a perception in the sector that it is *"funded to survive not to succeed"*. Many organisations are forced to focus on cost-saving and finding the next dollar rather than growth and providing good service.

2. *Barriers to development and opportunities*
   - The common focus on this issue is HNZC, which has been the primary funder of the sector to date. Participants reported varying experiences in attracting funding from HNZC. There is a perception that community housing has a low status/priority within HNZC. There is also a perception that funding is not criteria-based or contestable.
   - Echoing the results of the postal survey, participants emphasised that funding needs to be provided for long term projects, as opposed to being annually focused. Community housing entities need a degree of financial security and certainty in order to properly tackle local housing needs.
   - The Ministry of Social Development should be directly involved with funding the community housing sector to address 'higher needs' clients, for which housing is a core factor that affects health and family issues.

3. *Capacity constraints*
   - Many entities have limited capacity because of their small size. Many confront a lack of specialist management expertise whilst trying to deliver housing as well as a range of other social and health services.
   - Partnerships with other organisations would assist with capacity and achieving economies of scale and scope.
   - The sector needs to more effectively utilise the services of centralised sector bodies like CHAI for best practice, training, advocacy and co-ordination services.

4. *Structural options*
   - An important option is that of major transfers of housing stock from HNZC and local Councils to rapidly build community housing organisations of scale.
   - Governance and management capacity needs to be built in the sector prior to such transfers.
   - There is a range of opinions within the sector regarding the minimum sustainable size of a community housing organisation.

5. *Governance and management*
   - Community housing needs to be developed as a proper professional field. The sector needs to grow within appropriate institutional arrangements so that it attracts qualified professionals to manage sometimes complex portfolios of housing and services.
   - Governing bodies for individual community housing organisations need to be effective and include the full range of core competencies typically found on boards.
   - CHAI's preparation of good practice guides and delivery of training will help develop the sector.
   - There is a need to leverage off relevant existing training programs being delivered by TPK, HNZC, MED, Institute of Management and the New Zealand Institute of Directors.

6. *Vision for the Sector in 5 years*
   - Central government should be setting clear, quantitative national goals to assist the sector in properly managing sustainable community housing at regional and local levels.
   - The sector should be able to work within planning horizons which provide for long-term funding certainty.
   - Community housing should be *"safe, warm, appropriate, accessible and affordable for tenants, with providers operating on a financially sustainable basis".*

Peak Body and Policy Agency Views

The study team also undertook a range of interviews with key officials and observers of the social housing sector in New Zealand. These discussions tended to reaffirm the insights generated by the postal survey and regional workshops. With respect to the profile of community housing in New Zealand, these interviews pointed to;
   - the sector's fragmented, small scale and underdeveloped nature;
   - the sector's dependence on part-time staff and volunteers; and
   - the wide range of housing provider models operating in the sector.

With respect to current policy, funding and administration frameworks, interviewees generally suggested that community housing in New Zealand lacks a coherent overarching institutional structure designed to consult with, support and grow the sector. Most interviewees also felt that current arrangements:
   - are not well aimed at supporting providers in areas of New Zealand with acute shortages of affordable housing;
   - do not adequately support high capacity providers or organisations with an interest in long-term housing provision; and
   - do not adequately address the availability of land (including surplus government land) for affordable housing development by community housing providers.

Finally, these observers saw the creation of CHAI as a positive, but commented that, given the range of levels of capacity between organisations, its job is difficult.

Implications of the UK Experience for New Zealand

The study team's review of experience in the UK indicates that it is essential that the national Government continues to directly provide capital for stock expansion; leveraging of private finance is not a panacea for major shortfalls in affordable housing opportunities across the nation.

Stock transfers were critical to the successful expansion of the Housing Associations sector in the UK. Without similar stock transfers, the community housing sector is unlikely to grow rapidly in New Zealand.

Heavy handed regulation of Housing Associations can stifle grant efficiency and entrepreneurial capacity of the sector.

Based on the UK experience, rapid growth of community housing in New Zealand is also likely to require supplementary funding sources over and above capital investment by Central Government. An important supplementary funding source in this regard would be the proceeds of Inclusionary Zoning.

Implications of the Australian Experience for New Zealand

In Australia, community housing has, to date, played a relatively confined role as an adjunct to the public housing sector. It has focussed on providing 'high needs' tenants with a range of support services as well as housing.

A significant focus of current policy and sector development in Australia is a desired shift towards funding self sufficiency, signifying a potential broadening of the role of community housing to address mainstream affordable housing needs. Attracting private sector investment into community housing is a key issue here. In this regard, Australian studies make it clear that private investment is unlikely to flow without significant government subsidy and appropriate institutional and prudential supervision arrangements.

Australia has recently improved data collection regarding community housing, with comprehensive 'censuses' being regularly undertaken by government bodies. This can provide a suitable template for a similar system in New Zealand.

Forces Shaping Policy Options for the Community Housing Sector

Our analysis points to three factors or trends which promise to have a major bearing on the future of the community housing sector in New Zealand.

The first concerns a ***shift in the role of state housing***. The case for continuing direct Government investment in bricks and mortar for affordable housing is clear. However, this does not mean that the traditional programs for delivering this investment remain the most efficient and effective. Large scale programs operated by a single government agency, like the HNZC, may have been appropriate in an environment of rapid population growth and material and skill shortages in New Zealand as in the early post war period. Today, the continuing relevance of maintaining just one dominant player in the delivery of State funded housing is questionable. The reasons are to do with providing more choice for the users of the housing funded by Government, and promoting innovation via contestability in the right to deploy financial and housing assets made available by Government. A further consideration is that HNZC's role has inevitably narrowed, towards the provision of 'safety net' housing, owing to the need to focus on priority need applicants. These arguments lie behind the promotion of a large scale 'Third Sector' in the delivery of housing assistance in countries like the UK, and more recently, Australia.

The second force shaping potential futures for community housing relates to the fact that ***home ownership is today a more distant dream for working New Zealanders***.

There is mounting evidence of a sharp decline in access to home ownership. Whereas ownership might have once been considered the natural and normal culmination of the housing careers of ordinary New Zealanders, it now seems that the prospect of an extended or indefinite stay in rental housing is rapidly migrating up the income distribution. The home ownership rate in New Zealand was very high by international standards in 1991, at almost 74%. This shrank to less than 68% in 2001 and is expected to fall further to around 62% by 2016.

Analysts increasingly refer to a rapidly growing 'intermediate housing market'. These are working households unable to afford to buy a dwelling at the lower quartile house price. It is reported that the intermediate housing market grew by 239% between 2001 and 2006 in the Auckland region.

Current rental markets in New Zealand are characterised by a preponderance of smaller investors who self manage their properties. Large scale institutional investment in long term rental housing is uncommon. The flow of capital into rental housing is driven mainly by expectations of capital gain over the medium term and tax benefits. Expectations around these factors tend to be volatile, implying that supply side responses to market shifts are not as smooth as they could be. Such concerns are echoed in the New Zealand Housing Strategy, which states…

> *The decline in owner-occupation has been accompanied by increased investment in rental property. This investment may not continue, however, if rental yields fall too far behind house prices. In some regions, rental housing returns are below the cost of capital, and investors may be relying on capital gains and tax advantages to make a return on their investments. This may not be a sustainable basis for ongoing investment that delivers a stable rental market. (p 27)*

The upshot of these dynamics is that the market is not well geared to supplying housing at an affordable price to the intermediate sector. Moreover, it seems unlikely that the current affordability stresses faced by the intermediate sector can be resolved through spontaneous market correction, at least not any time soon. These circumstances point to the need for a new, large scale, player in the housing market, focussed on the delivery of affordable housing on a not for dividend basis.

Finally, the ***sustainability agenda*** will potentially shape the role of community housing in New Zealand. Strategies to deal with the shifts outlined above must address 'sustainability' in its broadest sense, including social, cultural, environmental and economic dimensions. Housing markets 'left to their own devices' can generate a number of challenges in this regard, including:

- *Social polarisation within cities*, with lower income groups forced into distant or fringe locations which are jobs and infrastructure poor.
- *Social dislocation and loss of cultural cohesion*, as younger people, and, perhaps older home owners looking for more compact accommodation, are forced out of their familiar environments and away from support networks of friends and family.
- *Diminished regional economic performance*, as businesses in high cost districts of the city struggle to attract and retain quality staff because of shortages of affordable accommodation.

The sustainability agenda requires housing market players who are adept at forging partnerships and making links to education, jobs, health services and other parallel drivers of household and community well-being. In its current role as a largely 'safety net' provider, HNZC is not well placed to perform these linkage and brokerage functions, at least not exclusively. The private sector in its own right cannot be relied upon to address these issues. The sustainability agenda also points to the need for a large scale 'Third Sector' in the housing market.

As a result of these considerations, this report frames options for the community housing sector in the context of a wider policy shift to accelerate the development of a large scale Third Sector in New Zealand. This assumes that government will wish to support and fund supply of affordable housing by the Third Sector to supplement supply by HNZC.

Alternative Visions for Development of Community Housing in New Zealand

Against the background of these forces, the broad choice facing the community housing sector in New Zealand is whether to lead development of a large scale, commercially oriented 'Third Sector', which will address the affordable housing needs of the intermediate market as well as those requiring 'safety net housing', or, focus on playing a supplementary role within the social housing sector, that is, taking care of largely very low income groups with special needs.

Vision 1: Community Housing as a Niche Social Housing Provider

Under Vision 1, there would be a large scale Third Sector in New Zealand but this would not be driven by the community housing sector. Rather, it will be led by entirely new not for dividend businesses, seeded under purpose designed legislation. Some of the larger, more commercially minded, community housing groups currently in operation may seek to transfer to this new legislative environment, but in the main, the community housing sector as observed today would continue to work as specialist providers within the social housing sector.

As specialist providers, their focus would be on low income and disadvantaged groups whose special requirements are not readily reconciled with the routine rent operations of HNZC. Such groups might include tenants with disabilities, the aged, youth, ex-prisoners, refugees and Maori and Islander communities, particularly in regional locations.

The driving principles behind the culture and purpose of community housing under this model will be tenant development and support, with financial entrepreneurship important but of a second order. Housing portfolios and management costs per tenant may be quite high but nonetheless acceptable given the broader personal and community benefits delivered by the service in question.

The great majority of community housing providers in this option would remain dependent on Government capital grants and recurrent funding for their ongoing viability. In effect, they would operate as contracted providers of (acknowledged) high cost human services. In a sense, their role would be to act as 'sub-contractors' to the mainstream public housing providers (HNZC) albeit that they may have direct funding streams and accountabilities to Central Government.

In terms of institutional arrangements to support this vision for the community housing sector, the emphasis would be on embellishing current structures. These include a 'capacity building' organisation within the sector (CHAI) and a diverse set of program rules for monitoring effective use of government resources. CHAI's role and resources would be boosted over time, in line with the greater specialist role taken on by the community housing sector. Because of the over-riding importance of crafting services to suit observed needs, it is unlikely that a centralised registration and supervision system for community housing providers would be appropriate. Successful delivery of the desired service outcomes would be audited on a program by program basis. Ultimately, CHAI would become the principal source of sector wide intelligence on service performance, and this information would be collected largely through voluntary means as part of a self initiated sector development process.

In short, this vision is for 'more of the same', but operated with additional resources to enable providers to learn from, and support, each other.

Vision 2: Community Housing as the Mainstay of the Third Sector

In this vision, the community housing sector diversifies aggressively into two new fields, whilst retaining its function as a provider of specialist social housing services. The two new fields would include:

- Provision of *mainstream* social housing services, potentially in competition with HNZC; and
- Provision of housing services for the intermediate market, including affordable rental housing for moderate and lower income working households, and various forms of subsidised and unsubsidised home ownership products targeted at moderate income groups that would otherwise struggle to move into this tenure.

Whilst a proportion of current community housing organisations may choose to retain a narrow focus on groups with special needs, the majority would seek registration as 'affordable housing

providers (AHP's)' and adopt business development strategies to rapidly commence or expand activities in the above two fields.

For some community housing providers making this choice, a significant change in organisational culture and direction will be required. The necessary business model, as illustrated in the table below, will demand a much greater emphasis on mainstream financial and business management skills, aimed at pushing the organisation to a self-sustaining footing as quickly as possible. For the two new areas of business, the imperative will be for economies of scale and innovative property development to capture value and recycle it into affordable housing.

	The 'Social Housing' view of community housing	The 'Third Sector' view of community housing
Target Group		
Mainstream social housing clients		✓
Social housing clients with special needs	✓	✓
Moderate income, working households		✓
Scale	Typically fewer than 50 dwellings in rental portfolio	No fewer than 300 dwellings in rental portfolio, preferably up to 5,000
Funding		
Government subsidies (capital and/or recurrent)	✓	✓
Community / philanthropy	✓	✓
Aligned businesses / value capture		✓
Services		
Rental housing at sub-market rentals (with Gov't subsidy)	✓	✓
Rental housing at sub-market rentals (self funded subsidy)		✓
Innovative home loans & shared equity		✓
Tenancy support	✓	✓
Rental Stock		
Head leased from Government	✓	
Head leased from private sector	✓	✓
Owned (unencumbered by Government)		✓
Owned (encumbered by Government)	✓	

Cultural change is likely to flow from the jump in portfolio size if nothing else. Successful 'Third Sector' providers will need to aspire to rental rolls of at least several hundreds, if not thousands.

Community housing providers in this model will still be contracted to provide various subsidised services, and can expect significant capital and recurrent funding from Government to this end. However, in some contrast to Vision 1, providers are likely to hold unencumbered title to their housing assets (including those provided by Government) and will be expected to leverage these in attracting further (private) capital into the provision of affordable housing. Supplementary funding

sources could also be harnessed under this vision, including mandatory development contributions for affordable housing.

The institutional arrangements for the community housing sector under this vision are likely to feature a new prudential / supervisory body at the national level. This would be responsible for:

- Registering AHP's;
- Making capital allocations to AHP's according to Government funding guidelines;
- Auditing the financial performance of the AHP's to safeguard the Government investment in these organisations;
- Monitor the overall performance of the Third Sector in meeting the Government's affordable housing objectives.

CHAI would remain as a capacity building resource within the sector, though its focus may change along with the more commercial orientation of most providers.

Recommended Strategy

This report recommends pursuit of Vision 2 for the community housing in New Zealand, principally because it provides a reasonable existing platform for the much needed development of a large scale 'Third Sector'.

Initially (say up to 12 months), the implementation strategy for this vision should concentrate on two priorities:

- Resolving institutional arrangements for the registration and prudential supervision of 'Third Sector' providers; and
- Capacity building within the sector, including;
    - o the accelerated growth of a handful of community housing entities through priority funding, and provision of additional targeted support to boost governance, management and systems capability; and
    - o the expanded resourcing of CHAI to provide enhanced professional development services for the sector, especially in financial management and corporate governance issues.

1 Introduction

1.1 Objectives

This paper has been prepared to fulfil a brief developed by the Centre for Housing Research Aotearoa New Zeeland (CHRANZ).

The objectives set by CHRANZ for the research were to:

- *Produce an up to date and accurate assessment of the current size, value, contribution and impact of the community housing sector in New Zealand towards addressing housing affordability issues, including:*
    - o *A clear definition of the community housing sector in New Zeeland*
    - o *Community housing organisation details (governance, management structure, coverage, etc)*
    - o *The nature and range of housing services and products being provided*
    - o *The number and type of housing units provided*
    - o *The nature of the housing tenure provided (homeownership, head leasing, group homes, rental, independent supported living)*
    - o *The geographical location, number and characteristics of people being housed (mental health, disabled people, elderly, low income, Maori, Pacific Island etc)*
    - o *Estimated value and condition of housing stock owned by community housing providers*
    - o *Small community housing organizations that are just starting to connect with local housing forums and networks*
    - o *Estimated overall impact and effectiveness of the community housing sectors*
    - o *Assess the contribution towards addressing affordable housing issues and meeting diverse housing needs*

- *Consider options for capturing the nature and scale of the community housing sector as it develops and grows in the future.*

- *Assess the barriers and opportunities for the community housing sector to make an effective contribution towards addressing housing affordability problems in New Zealand.*
    - o *Assess selected overseas models of community housing provision of affordable housing and whether their experiences are applicable in New Zealand*

- *Consider:*
    - o *The potential or otherwise for growth*
    - o *The scale of community housing portfolios*
    - o *The size of the community housing sector in the "social" and general housing markets (regional and national)*
    - o *The management capability of community housing organisations/sector and access to specialist skilled support (e.g. legal, residential planning, etc)*

- o *Funding levels and sources (e.g. The Housing Innovation Fund, major philanthropic donations, etc)*
  - o *The diversity of social housing needs (mental health, disability, low income, Maori, Pacific Island etc)*
  - o *The match (current and future) between demand for housing support (location, social diversity and numbers) and the supply of community housing*
  - o *Any other limitations and constraints the community housing sector faces (e.g. building supply and land costs, regulatory constraints, etc)*
  - o *Partnerships and links (formal and in-formal) with central and local government and other groups (e.g. community social service agencies, churches, iwi organisations, private sector, etc)*
  - o *Any other opportunities the community housing sector faces.*

- *Assess the implications of the results of the above for relevant government (central and local) housing policy's and programs.*

- *Provide solutions based recommendations for the community housing sector making an effective contribution towards addressing housing affordability problems in New Zealand.*

1.2   Method

The research was undertaken in four stages as set out in Figure 1. In Stage One the focus was on gaining a sound understanding of the history of the community housing sector in New Zealand and the various policy initiatives which have sustained its development to date. As anticipated, this Stage of the research pointed to a great deal of diversity in the sector in terms of housing portfolio sizes, geographic spread, targeted tenants, management models and arrangements for the custody of housing titles. Relationships with other housing programs, most notably those operated by Housing New Zealand Corporation (HNZC) were also documented.

The research during this initial Stage was carried out primarily as a desk top exercise, though selected interviews were undertaken with senior observers of the New Zealand social housing context, both current and past.

The outcome from Stage 1 was a set of working definitions of 'community housing' and associated decision rules that could be applied during the field research phase of the project (Stage 2). This comprised two research tasks. Firstly, a consolidated inventory of community housing providers was compiled from various Government and corporate data bases. This proved a challenging exercise, partly because of the extensive range of programs, both in place now and historically, which have spawned community housing groups.

Secondly, in Stage 2, a postal survey of known providers was undertaken to shed light on the housing outcomes delivered by community housing, that is, how many, and what type of households are offered accommodation each year, in what locations and to what quality standard?

Having developed an appreciation of the scale and structure of the sector, and its impact on housing needs to date, the research moved to engage directly with a cross section of community

housing providers and their representative bodies regarding the strategic issues facing the sector. The primary vehicle for collecting these insights was a series of regional workshops organized to a largely common format.

Figure 1   Overview of Method
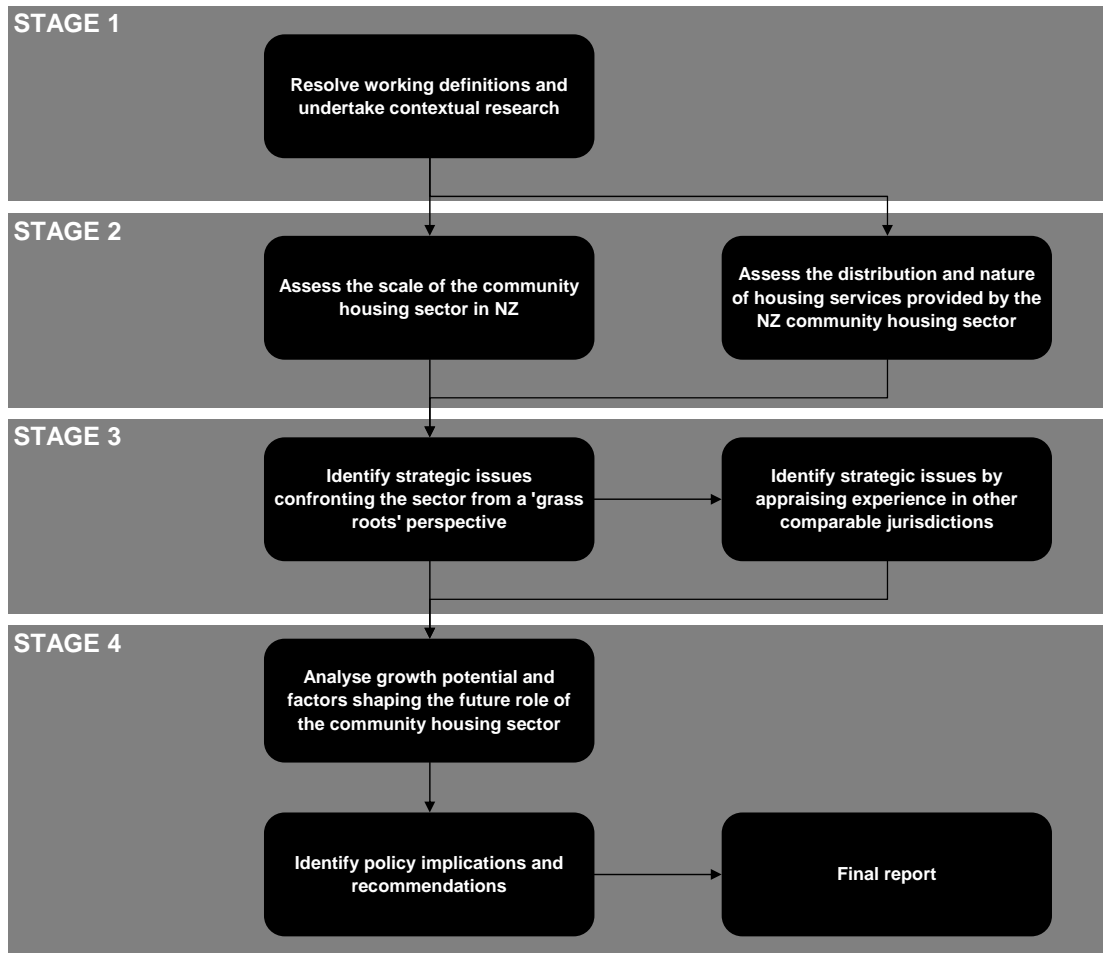
To complement this 'grass-roots' view of the strategic issues facing the community housing sector, the SGS/CS team examined experience and issues in other jurisdictions, in particular, Australia and the UK, to assess the likely lessons for New Zealand.

The study then entered into its final stage where the various streams of data gathering set out above were synthesized into an analysis of what needs to happen if the community housing sector is to properly fulfil the role set out for it in the New Zealand Housing Strategy. A wide range of challenges and opportunities arose in this context, including questions of capacity building in tenancy and asset management, balance sheet consolidation, risk sharing between government, community housing providers and private investors, optimizing capital raising potential and harmonizing tenant targeting policies across the spectrum of social housing programs including any emergent Housing Association programs.

With these issues in mind, policy options were proposed and evaluated leading to a series of recommendations for developing the community housing sector in New Zealand.

The policy options were framed via a two stage process. The first stage considered the overarching strategy which might be adopted for the development of the community housing sector in New Zealand. The spectrum of opportunities here ranges from confining the sector to a niche role targeted at people with special needs, but operating with improved scale efficiencies and institutional support, through to cultivation of the sector as a mainstream rental option for low to moderate income households (as is being pursued in Australia, after the UK model.)

The second stage of the option identification process considered more specific policy design issues within each overarching strategy, for example,

- what groups of households will be targeted?
- what will be the preferred geography for the development of this sector?
- what institutional arrangements are required to support development of the sector?

2 Context and History of Community Housing in New Zealand

2.1 Defining the Community Housing Sector

There is no officially endorsed definition of 'community housing' in the New Zealand context. Within Government's policy and planning documentation, it is frequently referred to as the 'third sector', defined by Housing New Zealand Corporation (HNZC) as follows:

> *"Located between the state and market sectors, third sector housing organisations use public and private sector resources to deliver housing. They provide an opportunity to help groups whose needs cannot be met by the state and who have difficulty functioning in the private sector"* (HNZC 2003: 46).

Defining 'community housing' in the New Zealand context is difficult, partly because the sector is small and in its infancy. It is currently characterised by a number of diverse organisations including community organisations and health-based organisations; small-scale housing providers such as eco villages, housing co-operatives etc; church-based organisations and charitable trusts; Maori / Iwi and Pacific Island Groups; 'self-build' providers and other 'construction-driven' groups; transitional and emergency accommodation providers. Some of these organisations have made a significant contribution to capacity building and are focused on contributing to a sustainable future for the sector. In contrast, housing is not the main focus or long-term interest of other organisations currently involved in the provision of community housing. Consultation conducted as part of this study has indicated that a number of organisations involved in 'community housing' are community based or health sector organisations that have provided housing in response to funding and policy arrangements.

Community Housing Aotearoa Incorporated (CHAI), the national umbrella organisation for the not-for-profit community housing sector in New Zealand, recognises the diverse nature of community housing organisations and offers two categories of membership:

i) Full members: These are Iwi, Maori and Pacific Island and community-based or voluntary housing organisations and groups which are either:
   a) Providers of community-based housing, or
   b) Groups intending or seeking to become providers of community-based housing, or
   c) Groups of residents/tenants of community-based housing, or
   d) Groups which advocate for community-based housing or residents of community-based housing as part of their work.
ii) Associate members: Individuals, groups and organisations that share an interest in community-based housing (CHAI 2006a).

2.1.1 'Social Housing' versus 'Third Sector Housing'

Taking a cue from the abovementioned HNZC (2003) definition, community housing could be defined in terms of the sources of funding assistance for those groups who struggle to secure affordable and appropriate housing from the open market. Thus, community housing might comprise…

> *"Non-government, not for dividend providers of generalist or special needs housing to lower and moderate income groups, where below market rents are made possible by capitalised or recurrent subsidies from the State or local government and/or the dedication of private assets at zero or sub-market rates of return and/or the provision of volunteer effort."*

However, such a definition masks some underlying debates about the role of community housing within the wider housing assistance system and market. One view, which tended to prevail in Australasia till the end of the 1990's and is still current in some policy circles today, characterises community housing as a sub-set of 'social' (primarily State funded) housing. In this view, the principal role of community housing is to deal with tenants with 'special needs' and, at the margin, draw in some 'off-budget' finance to supplement Government outlays for housing assistance to lower income groups[1]. Here, community housing is seen as an adjunct to 'mainstream' Government programs such as the asset and tenancy management operations of the HNZC. It is certainly not seen as a competitor to these mainstream providers of State funded housing.

This model, where community housing is embedded in the 'social housing sector' and has a strong welfare focus, is illustrated in Figure 2. Community housing, in turn, is broadly divided into two categories. In **co-operative housing**, tenants are responsible for tenancy management (rent collection, dispute resolution, inspections etc) and may also undertake some or all aspects of asset management (acquisition and disposal, maintenance and repair etc) depending on the ownership of the housing assets in question. In **Housing Associations**, on the other hand, tenancy management and relevant aspects of asset management are carried out by professional staff and volunteers, with no necessary involvement from tenants.

Because of the focus on 'tenants with special needs' and the development of locally sensitive housing solutions, this view of community housing inclines policy designers to small scale, niche driven business models, which are heavily dependent on capital or recurrent funding from Central Government. The portfolios of stock under management tend to be small and, based on purely financial measures of performance; the unit cost of housing assistance is generally very high compared to mainstream programs. This cost penalty is justified on the basis of collateral, non-financial benefits, including capacity building amongst the targeted tenancy groups and saved welfare costs (e.g. greater engagement in employment and training, less involvement of the law enforcement / judicial system, better health etc).

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[1] 'Off budget' finance refers to strategies to attract private capital into programs traditionally funded directly by Government.

Figure 2   The 'Social Housing Perspective' on Community Housing
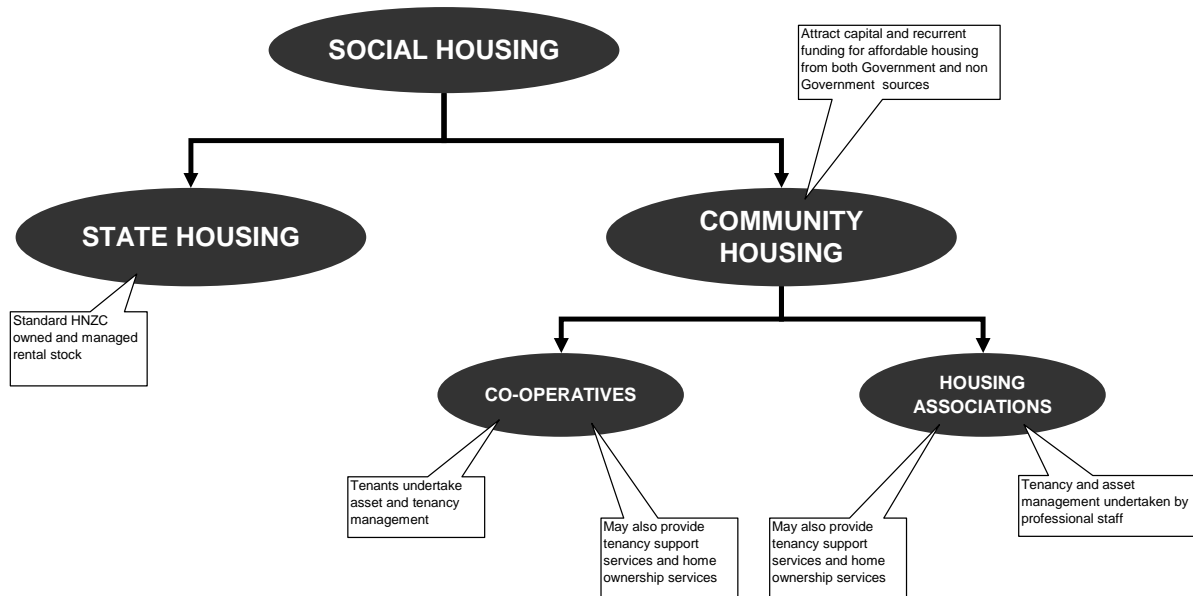
There is an emergent, alternative conceptualisation of community housing which, in its most 'extreme' form, sees the sector as a peer of, and competitor to, mainstream social housing providers such as HNZC. In our view, this model of community housing is more in keeping with the broad brush label of 'Third Sector' housing.

Third Sector housing entities may be involved in contracts to deliver housing assistance to tenants with special needs, but they are just as likely to vie for the right to deploy Central Government subsidies to deliver assistance to the 'mainstream' clientele of social housing. Moreover, these entities may garner non-Central Government resources, including profits from aligned businesses (for example, land development activities) to provide affordable and 'good value' housing to groups ordinarily well outside the eligibility limits for social housing, for example, police officers, nurses, teachers, public transport operatives and other 'key workers' requiring accommodation in high value sub-markets. Indeed, these entities might provide a range of non-subsidised home ownership products including low documentation loans and shared equity schemes.

The business model for 'Third Sector' entities tends to be larger scale, with a minimum of some thousands of dwellings under management. There is also a greater focus on applying conventional financial performance disciplines (as distinct from prioritising tenancy support per se).

This view of community housing as part of the 'Third Sector' is illustrated in Figure 3. Table 1 further contrasts these two views of community housing.

Which view presents the 'correct' definition of community housing very much depends on the strategic direction in New Zealand housing assistance policy. We return to this issue in Section 5 of this paper. In the meantime the definition set out at the head of this sub-section of the report (2.1.1) will be used for the purposes of profiling the community housing sector, that is…"*Non-government, not for dividend providers of generalist or special needs housing to lower and*

moderate income groups, where below market rents are made possible by capitalised or recurrent subsidies from the State or local government and/or the dedication of private assets at zero or sub-market rates of return and/or the provision of volunteer effort."

Figure 3   The 'Third Sector' Perspective on Community Housing
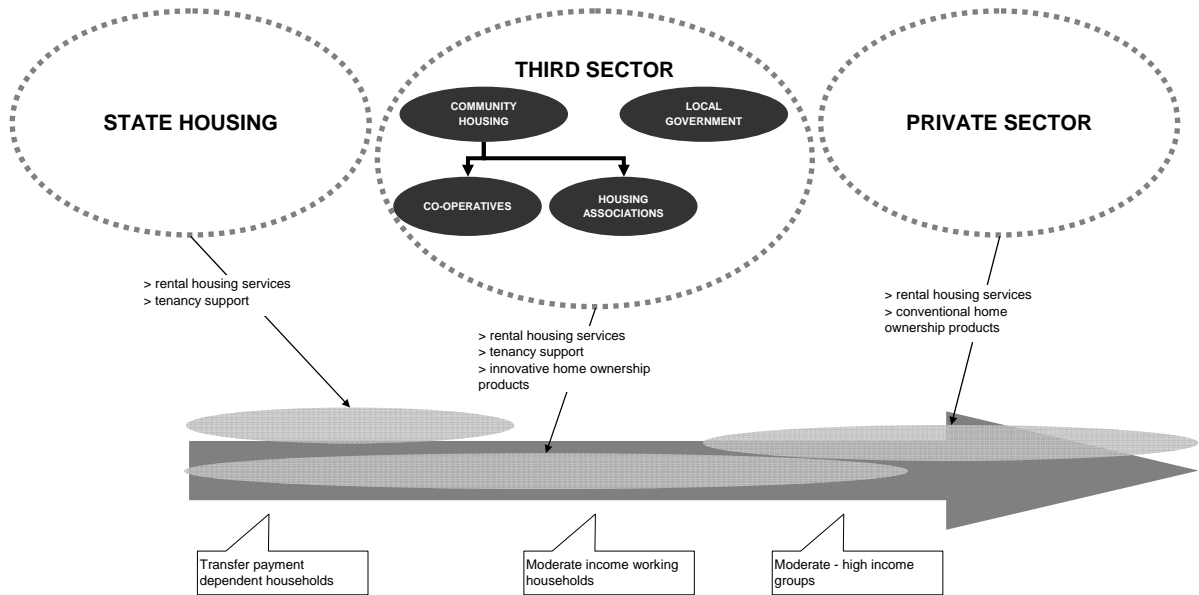
Table 1   Contrasting Views of Community Housing

	The 'Social Housing' view of community housing	The 'Third Sector' view of community housing
Target Group		
Mainstream social housing clients		✓
Social housing clients with special needs	✓	✓
Moderate income, working households		✓
Scale	Typically fewer than 50 dwellings in rental portfolio	No fewer than 300 dwellings in rental portfolio, preferably up to 5,000
Funding		
Government subsidies (capital and/or recurrent)	✓	✓
Community / philanthropy	✓	✓
Aligned businesses / value capture		✓
Services		
Rental housing at sub-market rentals (with Gov't subsidy)	✓	✓
Rental housing at sub-market rentals (self funded subsidy)		✓
Innovative home loans & shared equity		✓
Tenancy support	✓	✓
Rental Stock		
Head leased from Government	✓	
Head leased from private sector	✓	✓
Owned (unencumbered by Government)		✓
Owned (encumbered by Government)	✓	

2.2   Policy Context

Over the past 100 years, governments have developed a range of housing policies, assets and institutions. Successive governments have placed differing emphases on particular housing interventions. All have relied on a mix of interventions that included regulation, assistance with housing costs, provision of state housing, lending, and support for other social housing providers (HNZC 2005b).

In the 1930s, the Government first started building state houses for the public to rent. By 1939, 5,000 State houses had been built. Many more State houses were built by the Central government during the period of state housing expansion following World War II. In the early 1960s, the Government continued to build up a substantial stock of rental housing, which forms the basis of HNZC's current portfolio (HNZC 2005b).

In the 1970s, the state housing portfolio was further expanded. The Government first introduced the Accommodation Benefit at this time (the forerunner to the Accommodation Supplement). The Accommodation Benefit was a cash supplement to help low-income households rent privately, own their own homes, or board with others (HNZC 2005b).

During the 1980s, the Accommodation Benefit was continued. Other government-provided housing assistance at this time included income-related rents for state housing and 'peppercorn rentals' for community-based organisations. Subsidised interest rates for home ownership were also available to households, community-based organisations and local government (HNZC 2005b)

During the 1990s, a dramatic shift in house policy occurred. All low-income households were given access to housing assistance through a cash benefit (the Accommodation Supplement and subsidised State housing). In 1991, the Housing Corporation of New Zealand was restructured into four separate agencies – Housing New Zealand Limited (to manage state houses at a market rent); Housing Corporation New Zealand (to manage the loan portfolio); Community Housing Limited (to manage the community housing portfolio); and Ministry of Housing (to provide housing policy advice, tenancy services and bond administration). Between 1991 and 2000 around 12,500 state houses were sold to tenants and private sector buyers (HNZC 2005b).

When the New Labour Government came into power in the late 1990s there were changes to housing assistance and Central government housing agencies. In 2000, low-income state housing tenants became eligible for an income-related rent. The Accommodation Supplement remains available for low-income private tenants, boarders and home-owners in the private sector. In 2001, Housing New Zealand Corporation (HNZC) was formed, by combining Housing New Zealand Limited, Community Housing Limited, and the housing policy unit from the Ministry of Social Policy. In 2004, the Ministry of Housing, which retained the Tenancy Service and Bond administration functions, was restructured into the Department of Building and Housing (HNZC 2005b).

HNZC is currently the core provider of housing policy solutions. State housing, provided by HNZC is currently the largest form of social housing in New Zealand. Today, the Central government provides over 66,500 State rental properties through HNZC and is the largest provider of social housing (HNZC 2005b).

Local authorities are currently the second largest provider of public housing stock holding around 14,000 dwellings in 2005. Most local government owned social housing was developed in partnership with central government, which provided subsidised finance and cash grants from 1950 until 1991, when the Accommodation Supplement became the primary source of government housing assistance (New Zealand Government 2002).

The future of local authority housing units remains uncertain. The quality of this housing is now very mixed, partly because maintenance and modernisation programs have been deferred and partly because much of the stock (bed-sits) is ill-suited to current needs. A number of local authorities have recently expressed a desire to divest themselves of social housing stock, with some seeing the provision of social housing as outside their "core business" (see Table 2) (DTZ 2004a; HNZC 2005a; McKinlay Douglas 2004).

Table 2   Local Authority Involvement in Housing, Case Study Examples

Local Authority	Housing Provision
Wellington City Council	• Wellington City Council owns and manages 2,355 units (the third largest social housing portfolio in the country). • Housing provided to a range of groups in terms of age and need. • Council has investigated the establishment of an at-arms-length management structure.
Dunedin City Council	• Council owns and manages 1,000 units, primarily for the elderly. • Council has also been active in the provision of student accommodation. DCC facilitated the formation of the Tertiary Accommodation Trust as a four way partnership between the council, the University of Otago, the Dunedin College of Education and Otago Polytechnic.
North Shore City Council	• Council owns and manages 458 units for the elderly.
New Plymouth District Council	• Council owns and manages 156 units, majority for the elderly. • Council looking to sell some of its units.
Western Bay of Plenty District Council	• Council owns and manages 70 units for the elderly. • Housing is not considered to be a core function for Council. • Council is looking to exit, particularly from the management of housing stock.

Source: McKinlay Douglas (2004)

A 2004 study by DTZ (2004a) includes a time-series analysis of Census data showing major trends in Central and local government social housing stock from the early 1980s to 2001 (Figure 4)[2]. This indicates the significant decline in government-provided housing stock during the 1990s.

Outside of Central and Local government-provided social housing stock, the community housing sector is small and fragmented (New Zealand Government 2002). Direct policy intervention relating to the community sector has primarily emerged since 1999. Prior to this time there was no overarching and cohesive policy guiding the Sector and organisations worked together on a project by project basis (DTZ 2004b; HNZC 2005a). Government has placed increasing emphasis on developing the capacity of the sector. Partnerships between the Central government, community-based Maori / Iwi organisations have been increasingly seen as a way to provide locally based housing solutions in the area where the State or the market was unable to meet demand (DTZ 2004b; HNZC 2005a).

HNZC's Housing Partnerships Group was established in July 2001 to focus on developing a policy framework that sets out principles to guide the development of partnerships between HNZC, local

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[2] This has been updated by SGS to include 2006 Census figures. Statistics New Zealand advises that "*There is an undercount of households renting from Housing New Zealand Corporation (HNZC) and other agencies.*

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. Only households that responded yes to question 11 'does this household pay rent' and gave valid responses for both sections of question 12 'how much rent does this household pay' can be included in the subject population."

government and non-government housing organisations, including community housing providers (HNZC 2002a).

Figure 4   State and Local Government Housing, 1981-2006

	1981	1986	1991	1996	2001	2006
HNZC	56,979	56,091	63,552	52,671	52,500	49,422
Local Govt	16,158	16,653	15,420	14,781	14,115	11,007
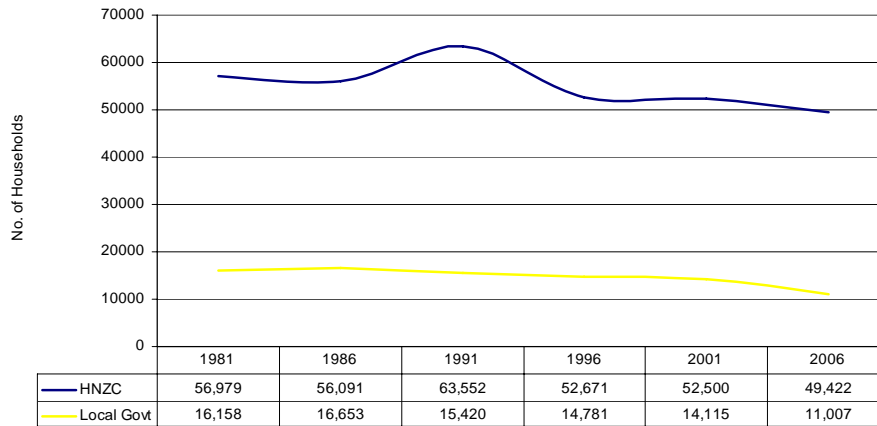
Source: Statistics New Zealand .

Over 2002-2003, HNZC developed partnerships with individual community organisations with the establishment of formal relationships through Memoranda of Understanding, documented protocols and written contracts. These partnerships were developed with twenty-four Iwi, local community and service providers (HNZC 2003).

In 2003, the Housing Innovation Fund (HIF) was introduced. A four-year, $63 million funding package administered by HNZC, the Fund aims to increase the availability of rental housing and home ownership opportunities for lower income households including, but not limited to, people with special needs, by creating partnerships between Central and local government and the community sector. There are two arms to this funding:

i)   *Third sector and Iwi funding*. This funding aims to encourage not-for-profit, non-government community groups, iwi and Maori (i.e., housing trusts, cooperative and associations) to increase their involvement in providing social housing. There is capital funding for demonstration projects, and support for developing proposals.

ii) *Local government funding*. This funding aims to encourage local government authorities to retain and increase their existing rental housing, by helping them purchase new stock and/or improve existing stock (HNZC 2004; CHAI website, 2007).

The specific targets for assistance under the HIF include; families in need of emergency housing; low and modest-income households unable to access state housing or home ownership that are struggling to meet their housing needs with Accommodation Supplement as the only form of assistance; iwi/Māori and Pacific groups wishing to have greater participation in the provision of housing to low-income members of their communities; and other communities of interest seeking to meet the specialised housing needs of their vulnerable members. Whilst this represents a relatively broad spectrum within the community, most HIF projects have focussed on meeting

specialist housing need. This, however, is more likely to be a reflection of the current base of the community housing sector and should not necessarily be taken as an indication of where the HIF is intended to be directed in the long-term.

Table 3 shows the funding allocation for HIF since its introduction. Between 2004 and 2006, community-based projects received 80 percent of HIF's capital funding. In 2006, the fund was extended for a further year, with 60 percent of the funding allocation to go to local government, and 40 percent to community providers.

Table 3   HIF Funding Allocation, 2003-2006

	Community-Based Organisations			Local Government		Total (Community-based and Local Govt)	
	Additional Units Funded	No. of Grants for Capacity Building	Total Value of Loans ($million)	Additional Local Government Units	Total Value of Loans ($million)	Additional Units Funded Through HIF	Total Value of Loans ($million)
2002/03[*]	9	0	3.7	0	0		
2003/04[**]	51	0	10.74	0	0		
2004/05	90	29	8.7	36	2.04		
2005/06[***]	na	na	na	na	na	220	15.14

* Provided through earlier community programs
** As reported in HNZC (2005)
*** $2.33 million in conditional grants provided to 11 community-based organisations to further subsidise capital lending to ensure housing development projects are sustainable.

Source: Source: HNZC 2003, 2004, 2005a, 2006

In 2003-04, HNZC funded a Steering Committee to look at the feasibility of establishing a national body for community-based housing organisations (HNZC 2004) and Community Housing Aotearoa (CHAI) was established in 2004 as a national non-profit organisation to support the community housing sector.

CHAI is governed by a national council of nine members (including three Maori Council seats) from different regions of New Zealand. CHAI's 'mission' is: "*to broker relationships, resources, and sector capability necessary to deliver community driven housing alternatives for people in need of good quality, affordable and secure housing. We do this through expanding the community housing stock, increasing the visibility and credibility of the sector and by developing the capacity of the sector to provide viable, long term housing solutions*" (CHAI 2006b: 2).

CHAI aims to create "*a network of member organisations offering mutual support and encouragement, sharing different models of community-based housing and best practice adopted by each of the members so that each can learn from the others*" (CHAI 2006b: 2). The following key priority areas are identified BY CHAI:
* *To provide leadership to the community-based housing sector;*
* *To advocate nationally and regionally for community-based housing, promoting the work of community-based housing organisations among other sectors, Housing New Zealand Corporation, Local Government and Central Government;*
* *To provide support to members and their employees in their work and increase the capacity of member organisations and their workforce;*

- *To advocate for and develop standards that member organisations will be encouraged to exceed; and*
- *To conduct and/or commission research in the field of community-based housing* (CHAI 2006b: 2)*.*

It was highlighted through consultation carried out for this study that the diverse nature of the organisations that currently make up the sector, combined with their geographical spread, range of resources and capacity poses a significant challenge for CHAI.

CHAI is currently dependent on direct funding by HNZC. Continued funding has been confirmed for 2007-08. However, this singular source of income limits CHAI's level of service, skills and potential for growth. As such, CHAI is currently looking to introduce a separate funding program (potential grants and sponsorship) to meet its goals (CHAI 2007).

In 2005 the launch of the *New Zealand Housing Strategy* further confirmed the Central Government's interest in developing partnerships with the community housing sector. The *New Zealand Housing Strategy* sets out priorities for housing and a cross-government program of action for the next 10 years. It is based on the vision that "*All New Zealanders have access to affordable, sustainable, good quality housing appropriate to their needs*" (HNZC 2005c: 7). An initiative within the strategy is to: "*Explore opportunities to foster large-scale, third sector housing providers*" albeit that this is stated as a medium to long term priority (Area 2: Assistance and Affordability) (HNZC 2005c: 28).

The strategy also includes a number of initiatives aimed at "meeting diverse needs" (Area 7), including those of older people, women, disability and mental health, children and young people, Maori, Pacific people and ethnic communities. Some Ministries are in the process of incorporating these aims into policy and strategy.

A number of other strategies and policies have involved partnerships with the community housing sector. These policies and strategies include those summarised below:

- Community Group Housing;
- The Rural Housing Program;
- Special Housing Action Zones; and
- Home Ownership Assistance.

A number of ad hoc policy initiatives have also supported the growth of organisations operating in the sector. For example, IHC used government-provided low interest loans and funding for provision of normal residential housing in the mid 1980s to increase the number of housing units managed by the organisation.

Community Group Housing

The Community Group Housing service of HNZC aims to ensure that community groups and iwi working with people with specialist housing needs gain access to appropriate housing. The service's primary activity is securing access to suitable tenancies, but it also includes:
- assisting and advising groups to achieve their own sustainable housing solution;
- if necessary, resourcing groups to ensure the project succeeds;

- working with community partners to create housing solutions;
- leasing stock, which HNZC manages for the community group; and
- purchasing properties, where the strategies above cannot fully assist the group (New Zealand Government 2002).

The focus of CGH activity in the past has been to expand the community housing stock by supporting the de-institutionalisation of mental health facilities (New Zealand Government 2002). In 2001, HNZC owned approximately 1,500 CGH properties in total. Figure 5 shows the Community Group Housing stock added between 2001and 2006 (though HNZC reporting is not clear regarding the extent of any stock disposals/withdrawals over the same period).

Figure 5   Additional Community Group Housing Stock, 2001-2006
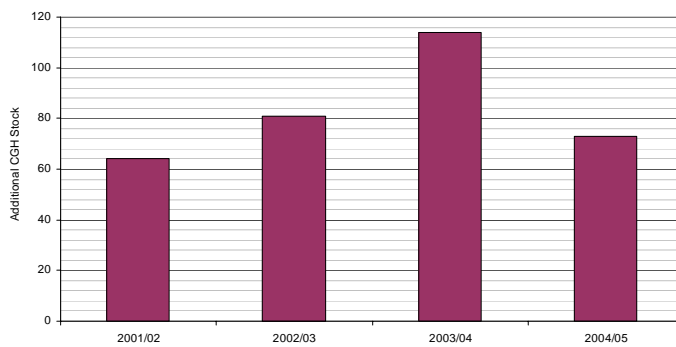
Source: HNZC 2002b, 2003, 2004, 2005b

Community groups are eligible to become CGH providers if they have a government contract for the service they provide, as well as registration as an incorporated society or a charitable trust. As shown in Figure 6 the organisations renting community group housing primarily cater for people with mental illness and intellectual disabilities, as well as children and families in need and women seeking refuge. CGH also caters for youth at-risk and emergency accommodation (HNZC 2002b; 2003; 2004; 2005b).

Figure 6   Residential Services, Community Group Housing Stock, 2002*
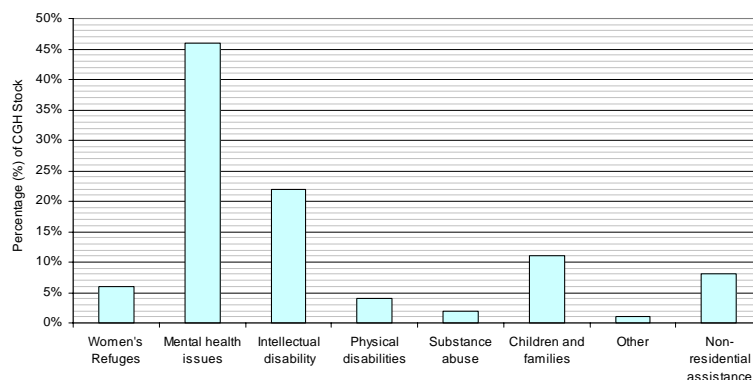
* Consistent with breakdown of residential services, 2001-2005.

Source: HNZC 2002b, 2003, 2004, 2005b

Most of the groups on the Community Group Housing program are funded by the Ministry of Health or Child, Youth and Family (HNZC website, 2007)[3]. HNZC supports CGH by providing assistance with alterations, maintenance and fire safety to their properties. Rental assistance is also provided by HNZC through the Rent Relief Fund. Organisations that are not able to meet the costs of market rents through community grants, residents' accommodation supplement payments, rental income, and fundraising are eligible for Rent Relief funding. As shown in Figure 7, the level of Rent Relief funding distributed by HNZC has been stable at around 70 percent over the past five years (HNZC 2004, 2005b).

Figure 7   **Proportion of CGH Tenants Receiving Rent Relief, 2002-2005**
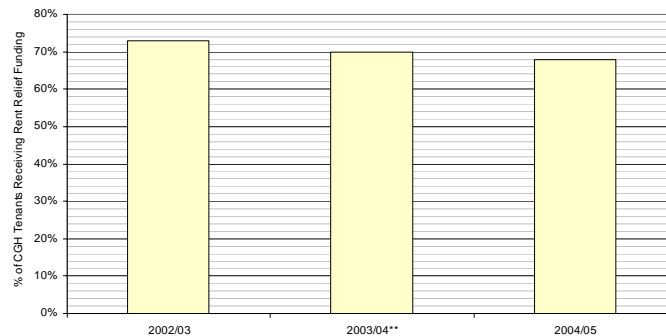
** As reported in HNZC (2005)

Source: HNZC 2002b, 2003, 2004, 2005b

Rural Housing Program

In 2001, the Rural Housing Program was introduced to address substandard housing for low-income rural families, particularly Maori. The Rural Housing Program was first introduced to reduce substandard housing in Northland, East Coast and eastern Bay of Plenty. In 2004 the program was extended to include areas beyond these regions (Waldegrave et al 2006).

HNZC works with groups including communities, Iwi social service providers, the New Zealand Fire Service, Te Puni Kōkiri, Community Employment Group and Skill New Zealand to improve the quality of housing in the target areas with the aim of increasing the supply of affordable, quality houses, and to assist communities to manage their own housing needs (HNZC website, 2006). For example, in 2001, HNZC funded Ngaitai Iwi Authority (NIA) to build 20 houses in partnership with Habitat for Humanity for Ngaitai Whanau on a rent to buy basis. Other projects have included the completion of another two houses as part of the Opotiki self-build project and two houses in Kaitaia also with Habitat for Humanity (HNZC 2002b; Waldegrave et al 2006).

Special Housing Action Zones

Introduced in 2000, Special Housing Action Zones (SHAZ) are located in urban and rural areas identified as having high housing need such as Northland, the East Coast and urban South

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[3] http://www.hnzc.co.nz/hnzc/web/councils-&-community-organisations/community-groups/community-group-housing/community-group-housing_home.htm

Auckland. The program aims to fund community initiatives to help improve housing in these areas (TPK 2000; DTZ 2004a). The program is funding by HNZC and administered by Te Puni Kokiri.

Home Ownership Assistance

HNZC has operated a few small home ownership programs since 2000. These programs are tightly targeted and designed to address particular issues for Maori and low-income rural families. They include the Low Deposit Rural Lending (LDRL) scheme that is aimed at assisting low-income families (particularly Maori) in rural areas into home ownership and Papakainga lending that is available for building or buying housing on Maori land held in multiple ownership. Under the scheme, owners' work input can be substituted for cash. The Kapa Hanga Kainga (group self-build) program also aims to assist groups to use their labour as equity (New Zealand Government 2002).

3 Scale and Impact of Community Housing – Survey Results

3.1 Previous Profiles of the New Zealand Community Housing Sector

Literature relating to the community housing sector in New Zealand generally indicates that the sector is small and in its infancy. However there is little evidence of its scale and geography, nor a comprehensive understanding of the models or organisations that make up the sector. Little data is available to quantify the contribution of the community housing sector[4].

The following sources of information provide some insight into the scale and nature of community housing in New Zealand.

- A survey of voluntary and community sector organisations and their role in housing provision conducted by CRESA in 2001; and
- A survey of community based organisations for an evaluation of the Housing Innovation Fund conducted by HNZC in 2006.

These studies indicate that the sector is characterised by a number of diverse providers, the majority of which have been involved in housing for a relatively short amount time and for whom the direct delivery of housing is not their main focus.

3.1.1 2001 CRESA Survey

Of the almost 500 community sector organisations surveyed in the 2001 CRESA survey (Saville-Smith 2001), just over 20 percent (102 organisations) were involved in housing-related activities.

Number and type of housing units provided
Most providers surveyed delivered housing services focused on rental accommodation rather than home ownership. Saville-Smith's study highlighted the diversity in scale of contribution by community service providers in the delivery of rental accommodation. The bulk of providers surveyed managed only one or two properties. Three of the organisations surveyed managed 150, 218 and 540 properties respectively (Saville-Smith 2001).

Nature and range of housing services and products being provided

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[4] A review of statistical housing data by Leung Wai and Nana (2003) reported that both primary raw data and secondary data useful in the field of housing research are sparse in New Zealand. Leung Wai and Nana (2003) did not identify any official statistics specific to the community housing sector. Consultation carried out for this study confirmed that aside from data relating to HNZC's Community Group Housing stock, comprehensive data specific to the sector is not available from Government agencies (including Statistics New Zealand) or CHAI.

The majority of respondents delivered multiple housing-related services with the provision of advice and information (39 organisations) and advocacy (29 organisations) being the main services offered (Figure 8) (Saville-Smith 2001).

Figure 8   Housing-Related Services Delivered by Volunteer or Community Service Providers, 2001
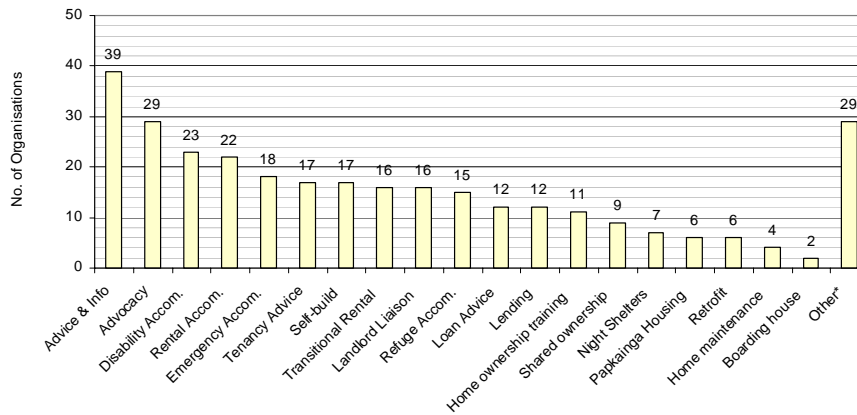
Source: Saville-Smith, 2001; SGS.
* 'Other' included the provision of training; accommodation for abused and disadvantaged children; accommodation for people with a mental illness; student accommodation; foster homes; and accommodation for ex-prisoners.

Target Groups

Low-income families, single people, women and Maori were the main client groups targeted for housing-related services (Figure 9) (Saville-Smith 2001).

Figure 9   Client Groups Targeted for Housing-Related Services
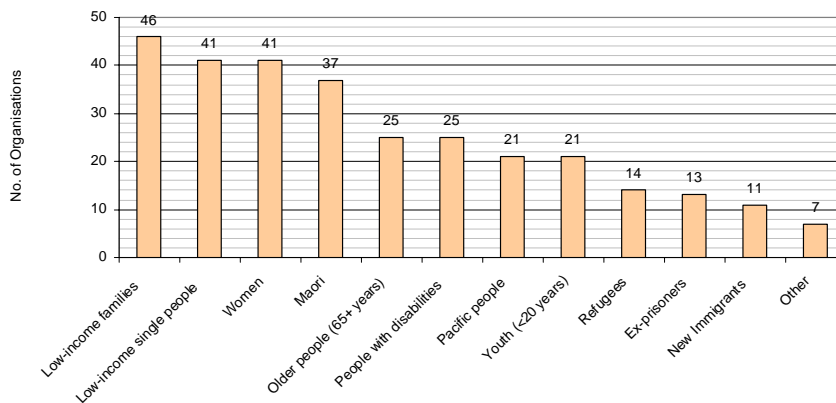
Source: Saville-Smith, 2001

Sources of funding

Central Government was the primary source of funding for housing related activities with 61 percent (53 of the 87 respondents) receiving some form of funding from the Central Government. Private sector donations and trusts were identified as the second most important source of funding, funding 49 percent (43) organisations respectively (Figure 10). The majority of respondents had multiple sources of funding (Saville-Smith 2001).

Figure 10   Sources of Funding for Housing-Related Activities
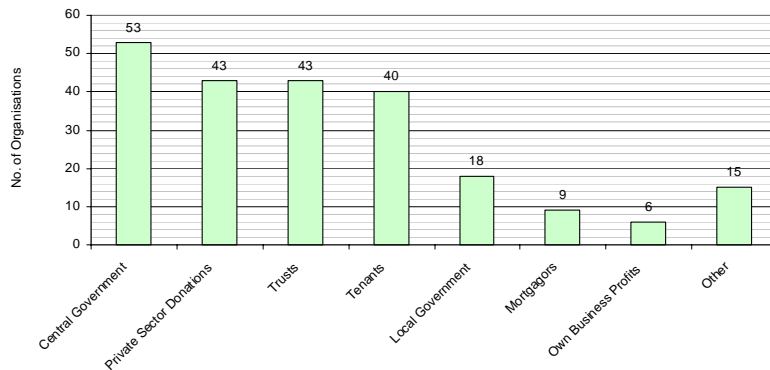
Source: Saville-Smith, 2001

A high number of providers 60 percent (or 54 organisations) partnered with Local Welfare Services; 51 percent (46 organisations) partnered with local government and non-government social service providers; while 50 percent (or 45 organisations reported working with Central Government-Housing (Figure 11). This included a mix of formal and informal partnerships (Saville-Smith 2001).

Figure 11   Organisations with Whom Housing Providers Work
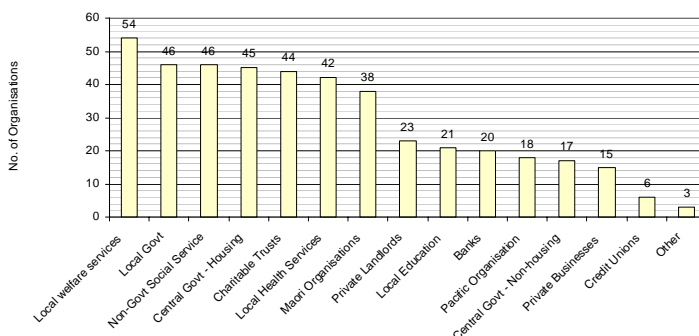
Source: Saville-Smith, 2001

3.1.2   2006 HNZC Survey

In 2006, a survey of community based organisations that have not been recipients of funding from the Housing Innovation Fund or are potential applicants of the fund was undertaken by HNZC (van

Aalst & Daly 2006). A sample of 91 Community based organisations were identified as potential respondents and responses were received from 41 of these organisations.

Number and type of housing units provided

The 2006 survey found that housing providers ranged from very small to large. Table 4 shows the numbers of units and bedrooms provided by the community organisations surveyed.

Table 4　　　Number of units and Bedrooms Provided by Community Organisations

	Number of Units			Number of Bedrooms		
Type of Housing	Min	Max	Average	Min	Max	Average
Detached Houses	1	442	36.1	1	2,057	132.1
Apartments / Flats	1	340	62.5	2	316	50.2
Bedsits / Shared facilities	4	23	13.5	4	27	15.5
Total units / bedrooms	1	17	10.8	24	894	317.0
			1,568			**4,046**

Nature and range of housing services and products being provided

The community organisations surveyed offered a range of services including both supported and emergency accommodation, various other support services and/or a social work role, housing services such as home care/support, housing advocacy and assistance in finding housing solutions, and/or a more general advocacy role (van Aalst & Daly 2006).

Target Groups

The community organisations often provided a range of services and described more than one target client group for their services. The target clients for organisations that provided direct housing assistance were most frequently people with mental illnesses or special needs (13 organisations), the elderly (11 organisations), low income households generally (10 organisations), people with physical disabilities (7 organisations) and Maori (6 organisations). Three organisations targeted Pacific people and two organisations targeted the homeless and people released from prison (2 organisations) (van Aalst & Daly 2006).

Length of time as a provider of community housing

The community organisations surveyed had most commonly been involved in providing housing for less than 5 years (7 organisations). Five organisations had been involved in providing housing for 11-19 years and 3 organisations for over 60 years (Figure 12) (van Aalst & Daly 2006).

Figure 12   No. of Years Involved in Providing Housing
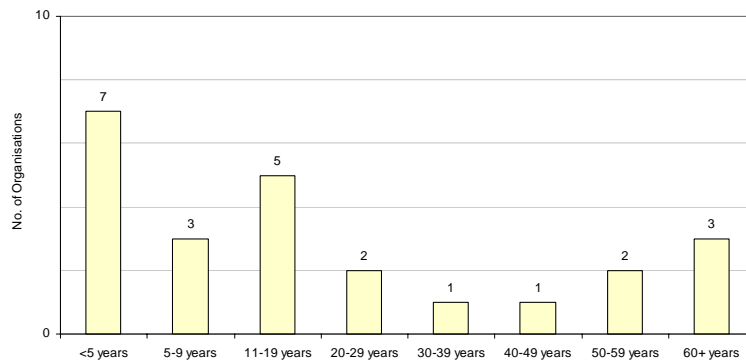
Source: van Aalst & Daly, 2006

3.2   2007 SGS / Capital Strategy Survey of Community Housing Providers

This sub-section of the report outlines the results of a survey/questionnaire that was distributed to the community housing sector in New Zealand as part of the current study. This survey did not incorporate the Local Government sector as this was the subject of a separate study funded by CHRANZ in 2007.

It was apparent from desk research and contact with key agencies, that there was no comprehensive data or information relating to the development, scale and nature of the sector available. The purpose of the survey was to gather this information.

The survey asked a wide range of questions on subjects including organisation form, services provided and number of units owned or managed. The survey also sought financial information such as funding sources and operating costs.

3.2.1   Methodology

Who to send the survey to

It was identified that there was no comprehensive list of community housing organisations and addresses in existence.

The sources of information for the "targets" for the survey mailing list included the membership list for CHAI, desk research to identify relevant social service and housing organisations, recipients of HIF funding, the addressee list for a survey being conducted for HNZC on HIF, and personal

referrals from key informants. In addition, the study team searched the New Zealand Companies Office registries[5] for registered trusts and incorporated societies that were involved in housing.

As is often the case many addresses available conflicted between lists, or despite searching official records, directories, etc the addresses of some organisations were not available. Many organisations had also not registered as a trust or charity, and if they had many had not maintained their registered addresses as current.

Two hundred and forty survey questionnaires were distributed in early March 2007 using a consolidated address list from all the above sources. This large mail-out was a deliberate and initial endeavour to cast the "net" wide to capture relevant organisations.

Without information on what many of the individual organisations did it was anticipated that a number of these would be irrelevant to this study. District Health Boards were also contacted as it was initially unclear whether or which ones may be involved either directly or indirectly in community housing activities, or whether they could generate additional organisations to contact.

Excluding those who were not valid recipients (based on returns to sender, those who informed us the survey was irrelevant to them, or others excluded based on further research, etc), and also excluding the DHBs from the survey, the adjusted survey population size was 160.

Forty nine survey forms were returned, and this corresponds to a response rate of 30%.

Despite support received from CHAI and other organisations advocating that their members complete the survey/questionnaire the response rate was disappointing but nonetheless was in line with typical experience with such surveys.

We consider the survey responses received provide a representative sample of the sector, both geographically and in terms of organisation scale. Figure 13 shows the regional distribution of owned and managed housing stock throughout New Zealand for respondent organisations. This highlights that the survey participants were from all parts of the country.

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[5] http://www.companies.govt.nz/cms

Figure 13 **Number of houses owned and managed incorporating number of bedrooms[6]**
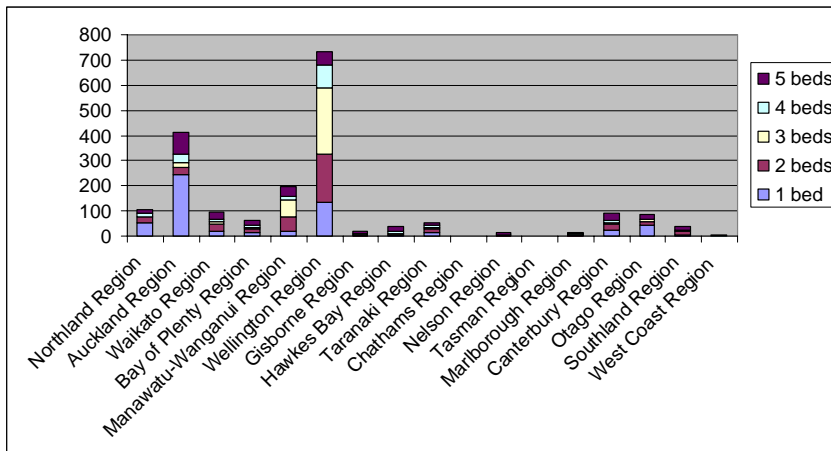
CHAI's assistance in sending the survey on to members where addresses were not otherwise available was important to the success of the survey. Through its newsletter, CHAI also helpfully asked its members to contact SGS-Capital Strategy if they had not received a survey.

The survey format

A draft survey/questionnaire was formulated based on desk research and key informant interviews, and identification of information required to address the scope of the study.

The draft was provided for comment and feedback to CHAI and HNZC, and many helpful suggestions were received and incorporated. The final questionnaire is shown at Appendix A.

The information provided by survey respondents was treated as confidential. Individual responses are not available to any external organisations nor are they disclosed in this report in a form that would reveal the identity of individual organisations.

3.2.2   Results

Organisation form

Most organisations have been set up as Trusts (58.2%) or as Incorporated Societies (18.4%). Eight point two percent were constituted as companies.

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[6] The graph incorporates the geographic location of housing units for those organisations that provided this information. The raw numbers have not been scaled up to estimate the national stock levels by region.

In addition, some respondent organisations identified themselves as either Community Service Organisations (8.2%), Maori organisations (8.2%) or other (4.1%). The "other" category included informal networks and charitable associations. No organisations identified themselves as a 'housing co-operative' or a 'housing association'.

Status of organisation

Sixty one point two percent of organisations stated they were "Not-for-profit", 2% for profit and 44.9% as registered charitable organisations. Not for profit (and in some cases "for profit" depending on their purpose and founding documents) can also be registered charitable organisations.

The median period that the organisations had been in existence was 6.5 years. 80% of organisations had a single office, and 18.6% had other offices in New Zealand.

Most organisations were stand-alone (55.1%) and the minority had formed partnerships or joint ventures (18.4%). If it is assumed that the organisations which did not complete the questions were stand-alone, then this proportion would increase to 81.6%. For those that had formed joint ventures or partnerships, the other organisations included:

- Churches and church bodies
- local government
- HNZC
- social service organisations

Governance and staff

The average number of trustees was 9 (median 8) among the trusts and 4 directors for the companies. The range however was large:

        Trusts: 1-22 trustees
        Companies: 1-10 directors

At either end of this spectrum, there is likely to be ineffective governance with 1 or 10 directors, or 1 or 22 trustees. Ideally a governing body would have 4-8 trustees or directors to provide a diversity of skill and experience, to ensure adequate numbers attend meetings in case of absence, to enable constructive and informed debate to occur, and to support effective decision making and strategic direction setting for the organisation. Too many or too few people tend to compromise effective governance.

The median number of paid full-time-equivalent (FTE) staff was 3, and the median number of volunteers per organisation was 3. This was after removing two large outlier organisations. Thirty seven percent of organisations had only 1 employee and in 13% of organisations there was only a part-time (<1 FTE) employee.

Target Client Groups

The organisations were requested to indicate up to 3 main client groups that they targeted. The results are shown in the following graph. This graph highlights that the top 3 areas of focus are on low income families and individuals, and mental health clients.

Figure 14   Key client groups targeted
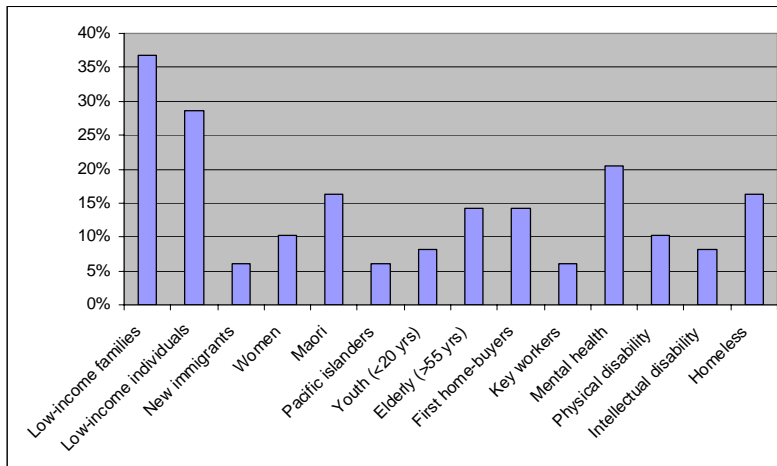
Other services identified by respondents in the survey included:

- high and complex needs;
- children 11-16 years old;
- services to students; and
- community health organizations.

Types of housing related services provided

Organisations in the sector provide a diverse range of housing-related services as indicated in the graph below. The average number of services provided by the organisations was 4 (median 2) suggesting most are relatively focused on specific activity areas. However, 15% of the organisations that responded undertook a broad range of activities (e.g. providing between 9-11 services of the 24 services identified in the graph below).

Figure 15   Main housing related services provided
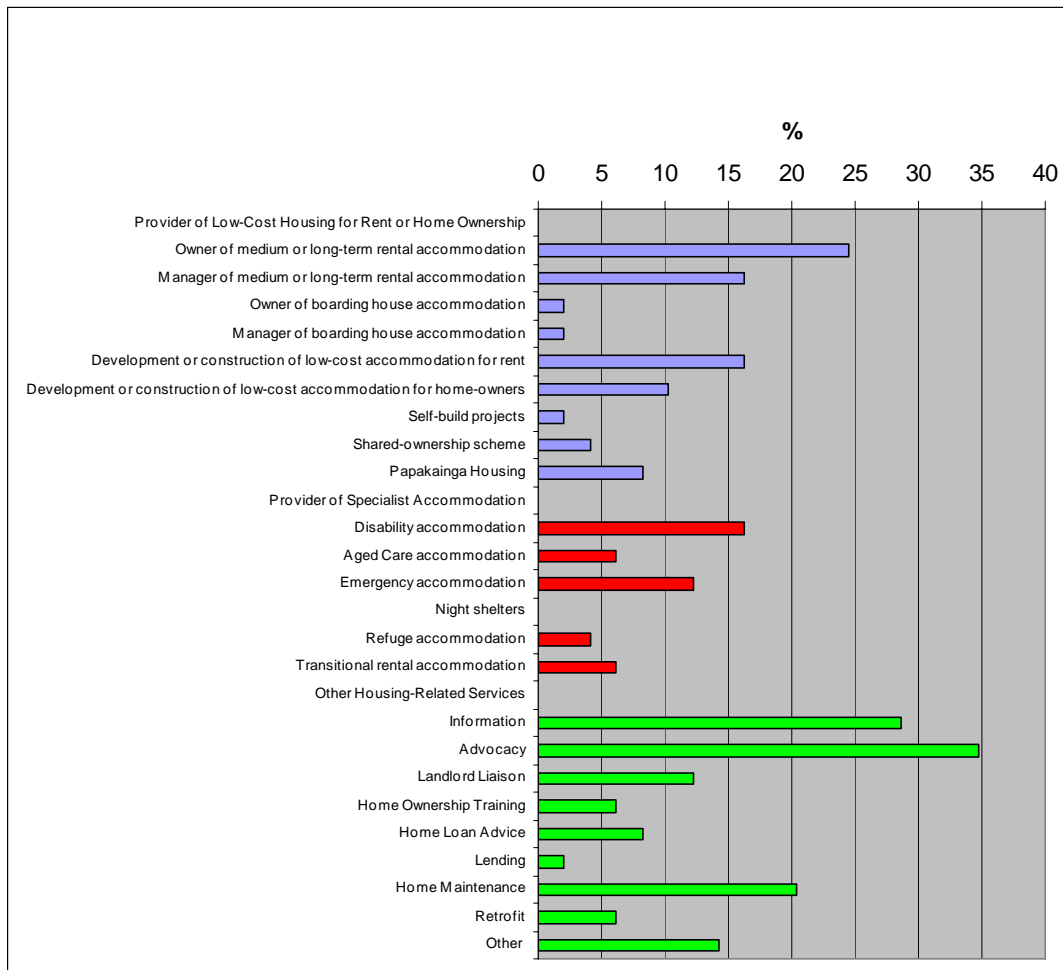
The "other" housing services provided that were identified included:

- Asset and tenancy management services;
- Research;
- Regional forums;
- Youth accommodation; and
- Transition service for people moving from supported accommodation into the community.

3.2.3   Owner and manager of low cost housing

Size of the sector

30.6% of the organisations that responded to the survey owned housing, with a combined total of 1616 housing units. The average holding was 124 units, and the median number of houses owned was 21 units. Excluding 3 organisations that owned more than 100 units brings the average down

to 21 units (median 9 units). A number of respondents to the survey managed housing units rather than owning them.

12.2% of the organisations declared themselves in their survey responses as being "aspiring" owners. The majority that responded to the survey either owned no houses or only a small numbers of houses as illustrated in Figure 16.

Figure 16   Numbers of housing units owned by organisations
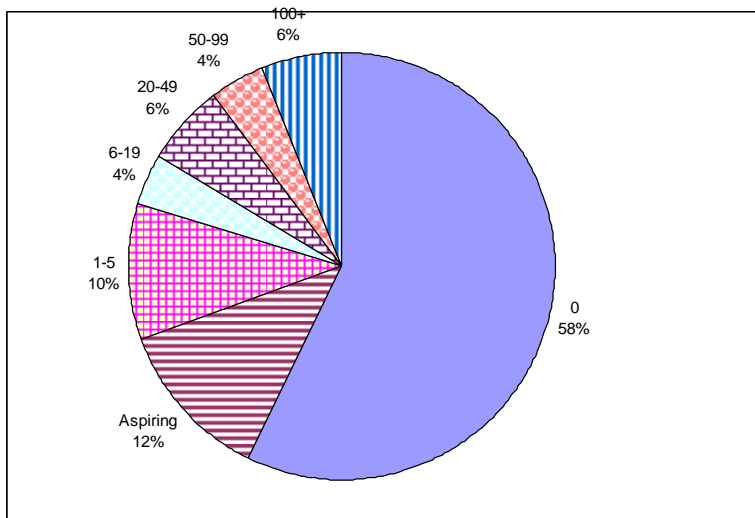
Extrapolating the stock holding level of the sample from the survey of 1616, based on a 30% response rate, implies the national housing stock of community housing organisations in New Zealand numbers 5,387 units. However, extrapolating from the balance of the sample, after first deducting the housing stock of the three largest organisations, a more conservative estimate would be of the order of 2,100 units[7] (noting that the stock of the large organisation's is added back on to the extrapolated result).

Therefore the stock owned by the community housing sector in New Zealand is estimated to be in the range of 2,100-5,400 units. It is considered that the lower end of the range would be more reflective of the general size of the sector based on the median stock numbers in the survey after excluding these large organisations, and because of the low number of such large organisations currently in New Zealand (based on desk research and interviews with key stakeholders).

Seventy seven percent of the housing stock was purchased as existing "i.e. used" houses and 22.5% were new housing units built by the organisations. There were no new housing units bought, and 0.5% of new housing stock came from donations.

Less than 2% of the stock owned by the organisations surveyed is leased out to other organisations. Where stock is leased the recipients include HNZC, and contracted service providers (generally for those with disabilities).

Funding sources

The primary sources of capital funding for the purchase of housing units owned by the organisation is shown in Figure 17.

Figure 17   Proportion of organisations using these sources for capital funding for purchase of housing stock
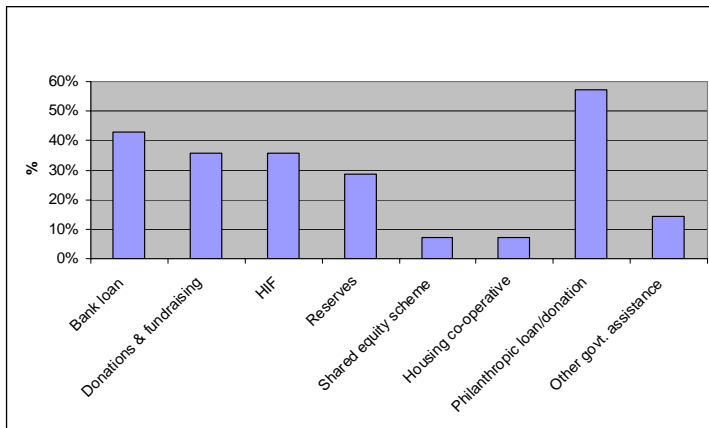
Respondent organisations did not specify the nature of the "Other government assistance."

The proportion that these sources provide towards the purchase of housing stock is shown in the next graph, when the organisation has used that particular funding source.

Figure 18   Percentage of funding source used for purchase of housing stock *(when that source was used for the purchase)*
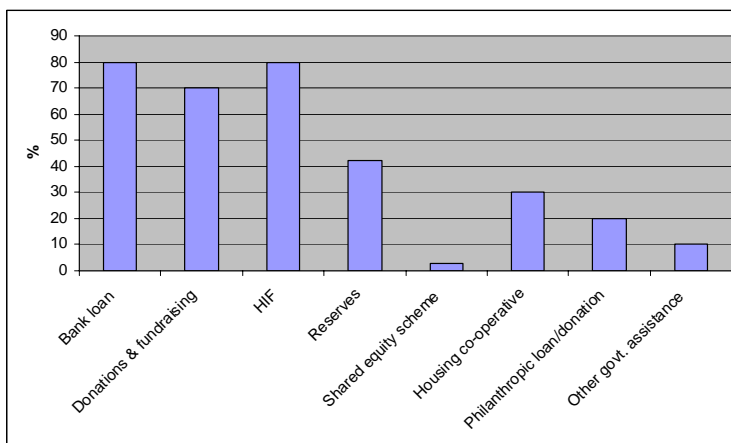
Figure 18 indicates the significant reliance on bank loans, donations and fundraising and the Housing Innovation Fund towards purchase of housing stock, when these sources are used.

Donations and fund-raising are not a sustainable source of funding with which to grow the size of the housing stock owned by the community housing sector in New Zealand. It is suggested that this also applies to reliance on philanthropic loans to grow stock levels.

The following graph illustrates the considerable variety of funding mix employed by different community housing organisations to purchase their housing stock. This graph has been produced using a sample of the funding mix used by 10 different organisations.

Figure 19   Sample composition of funding mix to purchase housing stock
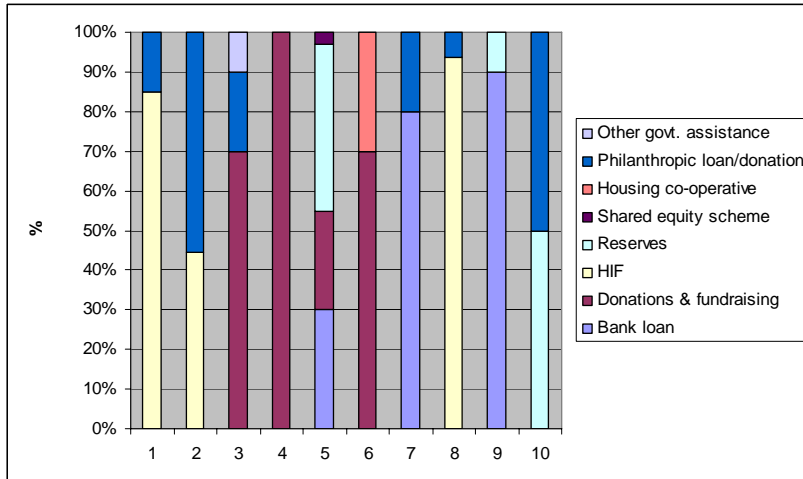
The source of funding to carry out construction or major alterations of housing stock is shown in the next graph, which again highlights the diverse range of funding accessed by community housing organisations in New Zealand.

Figure 20   Sample composition of funding mix to construct or carry out major alterations
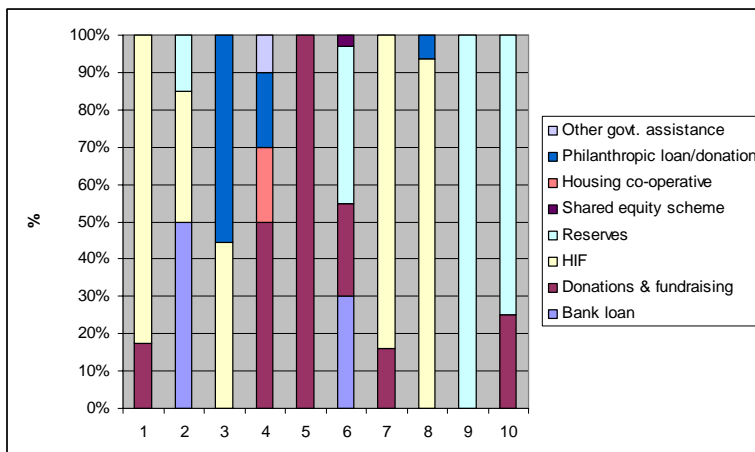
Condition of the housing stock

It was identified that 67.8% of the housing stock owned by organisations surveyed is in 'good condition', 32% is in 'fair condition', and 0.2% is in 'poor condition'.

In relation to the design of the housing stock, the following table identifies the proportion of owned stock that is accessible for people in a wheelchair.

Table 5   **Wheelchair accessibility**

Wheelchair accessibility (%)			
Purpose built fully accessible	Fully adapted	Partly adapted	Not accessible
6.4%	32.0%	6.9%	54.6%

Operating costs

About half the organisations that responded to the survey provided financial information. It should be noted that a number of the organisations do not currently have housing stock (or are aspiring to have stock). Thirty percent of those that own or manage housing did not provide information on revenue, assets, or costs. Therefore the analysis below only provides a general guide to cost structure.

While the overall picture of operating costs shown in the following graph reflects the median cost structure of the sample, this is distorted by the proportion of organisations that own their stock outright or have low debt levels (44%). Figure 23 provides a more typical cost structure.

Figure 21   Indicative operating costs for the whole sector as a % of total revenue
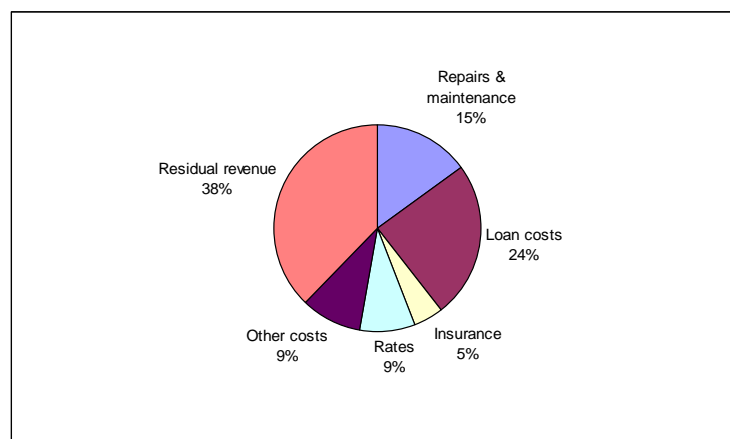
The following graphs show the median cost structure for the organisations with no or low debt (44%), and for the other 56% of organisations who had more typical debt levels. The first group are in the fortunate position to be able to build up reserves for capital spending. To grow the sector in future, loan financing would be a conventional approach in conjunction with government funding for the majority of community housing organisations.

Figure 22   Operating cost structure for organisations with no or low debt
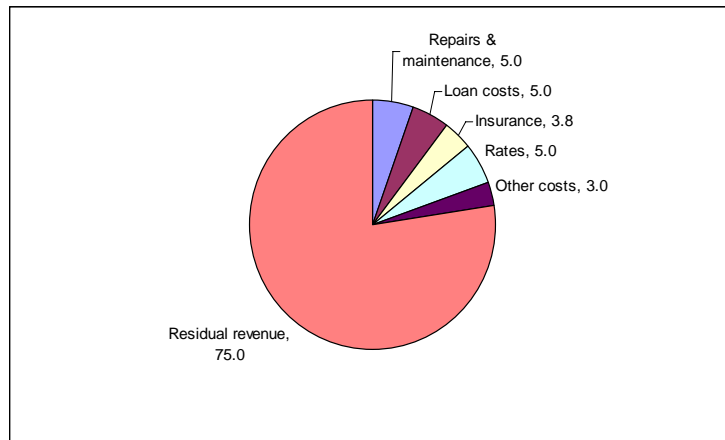
Figure 23   Operating cost structure for remaining organisations with more conventional levels of debt
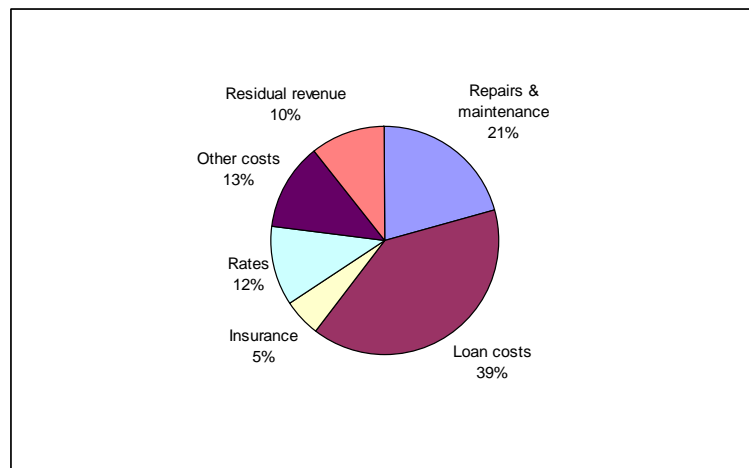
3.2.4   Managers of low-cost housing

Numbers of housing units under management

In addition to the housing units owned by the organisations surveyed, there were a further 398 units that were managed under lease from other organisations. This implies, at a response rate for the survey of 30%, that there are approximately 1,326 units managed in New Zealand by community housing organisations under lease arrangements, in addition to the stock that they own. The average number of leased units managed by individual organisations is 33 units (median 12 units).

The occupancy rate across all managed stock (owned and leased) was 82% at the time of the survey.

The organisations surveyed also provided 19 hostels with 309 beds. This implies a national stock of hostel accommodation of 63, with 1030 beds. The occupancy rate was 84%.

50 housing units for short term (1 week – 3month) transitional or emergency accommodation was available for tenants in 2006. This implies that the stock of such accommodation in New Zealand would be approximately 167 units.

Thirty eight point nine percent of the units were leased from HNZC (community group housing), 0.8% from (HNZC (other), 10% from local government authorities, and 50.4% from private landlords.

Stock condition and accessibility

The condition of the tenancy units managed by the organisations was assessed to be 80.4% in 'good condition', 15.1% in 'fair condition', and 4.5% in 'poor condition'. Seven point three percent of the units managed are purpose-built units for wheelchair accessibility, 61% have been fully adapted for wheelchair access, and 10.7% are partly adapted. Therefore 21% of units managed are not wheelchair accessible. The accessibility statistics are likely to unreliable as only a few organisations answered this question, and included in the ones who did is a large organisation that specialises in services to the disabled[8].

Tenancy and rent setting policy

Most organisations used a policy of selecting tenants based on their target client group, followed by a point based selection process based on housing need.

The rent setting policy used was either a percentage of income (average 28%), or a proportion of market rent (average 70%). Other policies used were:

- Health related assessment;
- Match with available rooms;
- Priority based;

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[8] Research completed by CRESA in 2007 on housing and disability *Housing and Disability: Future Proofing New Zealand's Housing Stock for an Inclusive Society* found that community housing providers have some recognition of disability but are primarily concerned with older people, and that they focus almost entirely on addressing affordability problems and generally do not give prominence to access issues. This research was jointly funded by CHRANZ and the Office for Disability Issues (Ministry of Social Development)

- Specific tenants such as Mental Health clients who are not eligible for accommodation supplement;
- Relocations, homeless, overcrowding; and
- Referral from Mental Health support organisations.

Financial Information

About half the organisations that responded provided financial information. It should be noted that a number of the organisations do not currently have housing stock (or are aspiring to have stock). Thirty percent of those that own or manage housing did not provide information on revenue, assets, or costs. The information from the respondents is summarised in Table 6. The totals have not been extrapolated to estimate values for national housing stock.

Table 6   Summary financial information

$	Revenue for Housing services	Assets	Term Liabilities	Admin costs
Total	22,225,273	283,699,296	63,465,302	4,113,776
Average	1,010,240	21,823,023	6,346,530	186,990
Median	102,900	1,900,000	817,413	53,578

The difference between the average and median in the above table highlights the scale difference between the handful of large organisations, and those which are mid-sized or small.

Only one organisation identified that it contracted out services (property and tenancy management) for an annual cost of $30,000.

Only four organisations identified resources committed for research and advocacy. In these cases the median staffing was 0.6 FTE.

The following graph illustrates the diversity of sources of operational funding, for those organisations that responded, and excluding those where the sources of operational funding did not add up to 100%.

Figure 24   Source of operational funding
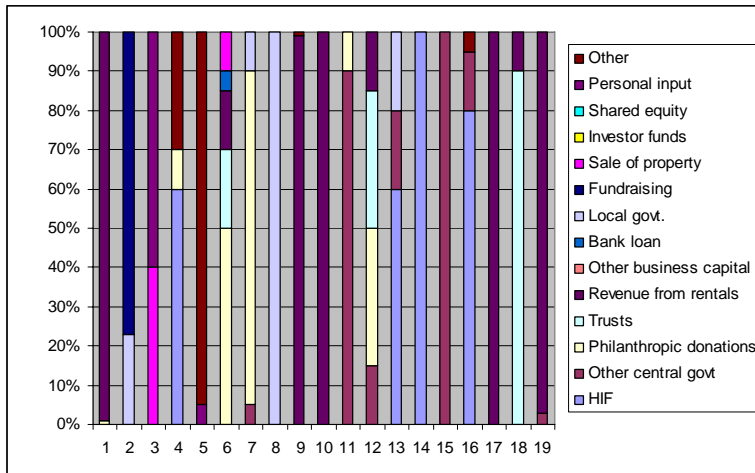
The other category includes lottery grants.

Figure 25 identifies the source of capital funding. Few organisations completed this table. This is probably symptomatic of the uncertainty of capital funding, and this is highlighted by the proportion of respondents where the "unknown" source features prominently.

Figure 25   Source of capital funding
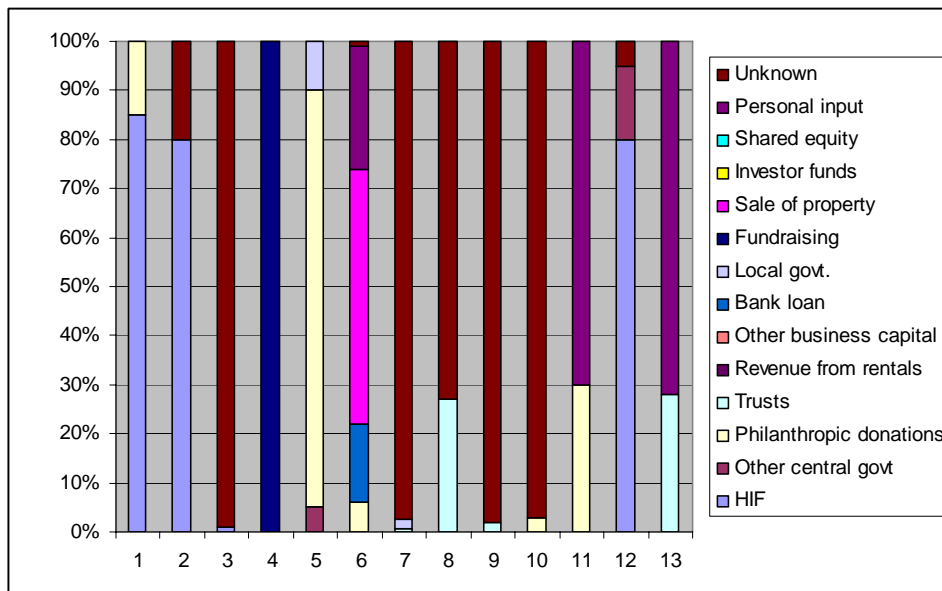
3.2.5   Additional comments received

A range of comments were received from the survey respondents. Some typical comments are included below, grouped under common themes.

Scope, range and development of the sector

- There are many different models of ownership/management housing services that cannot be carved up into little boxes. The sector is new and what counts as community housing is still under debate within the sector. The sector is also slow to develop its own support structure…."

- Some Community Housing Organisations are adequately established with community support and advocacy and others are aspiring for housing provision with little or no community support caused mainly by lack of capacity and connectedness with other providers and agencies…."

- If we could attain a shift in HNZC thinking so that the community sector took on more housing projects, because of [the] community sector's greater efficiency, this would be the greatest achievement. [There needs to be] greater appreciation by local government of the input of the community sector…."

- New/aspiring organisations provide housing related services *only* rather than housing to get started then consider housing ownership/management for future growth.

- There is a need for affordable plus "accessible" housing.

- Greatest need is for future housing of aged in low to middle incomes.

- More emergency accommodation needed for low income families in need.

Opportunities to improve Community Housing

- Community Housing newsletter to be initiated and circulated in the local communities.

- More funding is required

- Streamline processes. Improved and innovative funding packages.

- More support for providers that care for youth between 11 – 16 years old.

Desires

- Want to own housing in partnership with HNZC for the future.

- It is in our strategic plan to own housing however we are currently not a housing provider.

- We want to expand our accommodation but because of low end rental, we cannot fully finance additional capital projects borrowing at 100% market rates.

- Not a housing provider though seeking to be for the future in terms of elderly accommodation.

Obstacles

- More emergency accommodation funding and resources needed.

- Housing Innovation Fund process is time consuming, e.g. HNZC purchased a house over 2.5 years ago and after renovations is only available for residing purposes March 2007.

Partnerships

- Multiple partnerships have formed and work well with more experienced partners, including sharing administration costs.

- Partnerships have created money to be gifted from one partner to another, e.g. one partner has gifted the community contribution to another, along with a commitment to a management agreement which supports the organisation's operational and financial activities.

- Capacity building with Community Housing Organisations is needed.

3.2.6 Conclusion

The survey conducted of the sector provides one input to the analysis completed in this research study, alongside information obtained from key informant interviews, desk research, and findings from the workshops. The 30% response rate to the survey is typical of the response rate for surveys conducted in sectors such as that of community housing.

Based on the 30% response rate to the survey, from a population of an estimated 160 organisations involved in community housing, the sector in New Zealand is estimated to:

- own between 2100-5387 units. It is considered that the lower end of the range would be more reflective of the general size of the sector based on the median stock numbers in the survey and adjusting the extrapolation of survey results to take account of the handful of large organisations who responded to the survey.
    - The average holding was 124 units, and the median number of houses owned was 21 units. Excluding the 3 respondent organisations that owned more than 100 units brings the average down to 21 units (median 9 units).
- manage 1326 units under lease arrangements, in addition to the stock that they own.
    - The average number of leased units managed by individual organisations is 33 units (median 12 units).
- provide accommodation in 63 hostels with 1030 beds.
- provide 167 housing units for short term (1 week – 3month) transitional or emergency accommodation

There is no comprehensive list of community housing organisations in New Zealand with associated contact details and a register that identifies individual housing services provided. For the sector to progress such information needs to be available to support strategic planning and policy analysis. This task needs to be developed in a collaborative fashion in the sector by sharing information on organisations, and it is suggested that this would be best completed or co-ordinated by CHAI, even though some of these organisations are not CHAI members.

Twelve point two percent of the organisations declared themselves in their survey responses as being "aspiring" owners. The majority that responded to the survey either owned no houses or only a small number of houses.

The sector in New Zealand is characterised as "emergent" with many small organisations trying to get funding to buy an initial house or a small number of houses. There is a small number of medium sized organisations, and only a handful of large organisations.

For the majority of organisations accessing operational and capital funding is problematic, as evidenced by the diversity and mix of funding sources identified by respondents. In a number of cases the source of operational or capital funding was not known. There was a variable quality of financial information in the surveys received. It was apparent that there is a lack of understanding and availability of financial information in some community housing organisations.

There is a desire for both more funding and for funding that is more long term in nature, rather than there being an annual "scrabble for funds". A reduction of bureaucracy and streamlining of funding processes is sought by the sector.

4 Strategic Issues Confronting the Sector

4.1 Peak Body and Policy Agency Views

In compiling the history and policy profile reported in Section 2 of this paper, SGS and Capital Strategy canvassed views amongst a range of stakeholders regarding strategic issues facing the community housing sector. These bodies included:

- ARC and Auckland Housing Association
- CHAI
- HNZC
- IHC
- Ministry for Pacific Island Affairs
- New Zealand Housing Foundation
- Salvation Army
- Statistics New Zealand
- TPK

These discussions provided the following key criticisms of the current policy and administration framework for the community housing sector in New Zealand.

- The current policy arrangements lack an overarching structure and the capacity to engage with the sector in a meaningful way.
- Current policy / funding arrangements are not aimed at supporting providers in areas of New Zealand with a shortage of affordable housing.
- Current policy / funding arrangements are not directed at high capacity providers or organisations with an interest in long-term housing provision.
- The availability of land for affordable housing development by community housing providers is a key barrier which is not currently being addressed through current policy / funding arrangements.
- The support of CHAI is seen as a positive, but given the range of levels of capacity between organisations, its job is difficult.

With respect to the scale and nature of the community housing sector in New Zealand, these stakeholder discussions provided the following insights:

- The community housing sector is fragmented, small and underdeveloped.
- The sector is largely dependent on part-time staff and volunteers.
- There are a range of different housing providers currently involved in housing including community organisations and health providers, small-scale providers such as eco villages, housing co-operatives etc, church-based organisations and charitable trusts, Maori/Iwi and Pacific Island groups, 'self-build' providers and other 'construction-driven' groups and transitional and emergency accommodation providers.

4.2 Perspectives from Community Housing Providers: Workshop Findings

4.2.1 Process

Several small facilitated focus group meetings were held around New Zealand; in Wellington on 12 April 2007; Christchurch on 13 April 2007; and Auckland on 20 April 2007 (the latter involving both a general workshop and one for Maori organisations).

The workshops were planned to have a limited number of attendees to encourage positive group dynamics and discussion among the attendees. The facilitator role (performed by Capital Strategy) was purely to chair the meeting and encourage input from attendees. The facilitation process was to support the attendees in having their say, and where necessary, introduce prompts or questions to aid the process.

A cross-section of organisations involved in the community housing sector was invited to attend each workshop. The 24 representatives from 20 organisations who attended the focus group meetings are listed in Appendix B. Some organisations that were invited were unfortunately unable to attend. These organisations were invited to contribute their input in writing. The supplementary written response from these organisations has been incorporated into the input provided by attendees at the workshops.

The initial step in the research process prior to focus group meetings was to compile a list of the stakeholders in each region and draw an appropriate sample to invite. Advice was sought from several organizations, e.g. CHAI, regarding potential invitees to maximise the value of the workshops.

A structured format was followed, incorporating the following key topics for discussion:

1. The current nature and status of the community housing sector
   - What is an 'ideal' definition of the sector?
   - To what extent are community housing stocks located in areas of opportunity (in terms of education, employment and services) versus areas of 'exclusion'?.
   - Does the sector's character, consisting of a number of diverse organisations involved in a range of activities, pose management and capacity building issues?
2. Barriers to development, and opportunities
   - Is access to land an issue?
   - Other there other barriers?
3. Capacity
   - Where will the demand come from in future (location and type of tenant) and how will the sector respond to this demand?
   - What are the capacity issues faced by the sector?
4. Structural options

- What role if any should stock transfers from HNZC and/or Councils have in advancing the sector?
- What is the potential for shared services, partnerships and contracting out?
- What is the minimum sustainable size for a community housing provider?

5. Governance and management issues
    - What is needed to run a successful and sustainable organisation in terms of the capability and skills of trustees, directors & management?

6. Funding
    - What are the key funding sources and how can these be leveraged (e.g. partnerships, working with developers)?
    - What is the role for contestable funding?

7. What other strategic issues confront the sector?

8. A vision for the sector
    - What could or should the community housing sector look like in 5 years?
    - How might this vision be described in terms of measures or targets

These topic headings were incorporated in the letter to invitees to encourage canvassing of constituency / membership views prior to the workshops.

4.2.2 Synthesis of workshop feedback

The issues raised by attendees have been synthesized in Table 7. This summarises the key issues, options to address some of these, and pertinent comments. In response to the core questions we have provided some examples of typical responses in the section after the table. It was agreed that no comments would be attributed to either a specific organisation or a person without their express permission, and also that the workshop transcripts would not be provided to any other party.

Table 7   Workshop Outcomes

Issue	Key Points	Options	Comment
Nature and status of the Sector			
Housing New Zealand Corporation is the sector's common focus	Primary funder	Other: Central co-coordinating body – Transparent/consistent funding criteria.	Some providers have the impression that the sector has a low status in HNZC priorities.
Small and large community housing providers	Fragmented	Regional Housing Forums Partnerships with specific primary and secondary roles.	Disparate housing providers are niche focused and perceive minimal commonality. Sector has great potential as an affordable housing alternative.
Barriers to development, opportunities			
Lack of strategic framework	Lack of strategic roles has led to central and local government tossing backward and forward in terms of responsibilities.	National Strategy	Political will across central and local government shifts with political climate. Housing trusts can shape local housing strategies and link these into social and economic development
Housing Innovation Fund	Administered by HNZC and no established criteria to guide applicants.	Need long term funding, set criteria and established policies to provide certainty to the sector.	HIF was introduced in 2003 as a 4 year pilot programme with a $63M budget. Short term approach and first through the door is unsustainable.
Defining scope and scale of the sector	Multi-faceted aspects of sector responding to niches. Lack of co-ordination	Partnerships with specific primary and secondary roles.	Very diluted capacity in some organisations because they are trying to deliver housing and a range of social and health services
Capacity			

Need to understand current and future demand	Do not have comprehensive facts and data to ascertain (location and type of tenant) how the sector should respond.	Need unified approach to undertake planning for the future. Formulate questions now for Statistics New Zealand to ensure data for decision-making.	Statistics New Zealand is an effective data gathering agent.
Whole of government approach by central government required.	Need sustainable community housing responses from other ministries i.e. MED, MFE, and MSD.	That central government's "govt:3" initiative extend to community housing	"govt:3" initiative includes the three factors of sustainability: social, environmental, economic.
Inconsistent approach to services, standards and quality.	Many organisations are focused on surviving and not succeeding.	"Fund them to succeed not to survive" MSD should provide funding for community housing initiatives due to the role housing has in social issues.	Specifically voted funds for long term initiatives
Sector needs centralised co-ordination for establishing and maintaining capacity.	Common software and management systems and a standards regime. Training in housing management skills. Amalgamation, collaboration and franchising of small providers to gain economies of scale. Marketing budgets for small providers.	Funding for a centralised, coordinating and administration body	Development of CHAI as an educational and professional lead body – Australasian Housing Institute is a model, with professional qualification framework, international good practice models, and academic input.
Structural Options			
HNZC stock transfers	Transfer is an option but need to ensure capacity of sector first	Take a longer term view and ensure organisational competencies and capacity.	HNZC is not in favour of quitting stock.
Bulk transfers create bigger players	Does not allow diversity Procurement opportunities.	Subcontract out for specialist needs and specialist niches. Identify opportunities for economies of scale, sustainability objectives.	Birmingham – UK – 15000 properties - huge ripples from rent increases. - social and economic impacts
Some councils have significant housing assets	Councils are not going to give these away. Source of revenue – self funding businesses.	Leasing arrangements, use of surplus land – community housing at a favourable rate. Arms length trusts, partnerships.	

Minimal sustainable size	One suggested 1000-1100 units is an ideal number & allocate 50 units per housing manager One large organisation allocates 330 units per asset manager.	Work in needed around right sizing of 3rd Sector organisations.	Need to identify the range of assumption when determining the level required achieving economies of scale.
Regional co-ordination	Regionalised bodies / co-ordinating forums.	Habitat for Humanity has a regional approach which sits under a national body.	Some regional forums are being established and provide effective networking opportunities. Consider future roles of HNZC, CHAI and local government
Governance and management issues			
Capacity and capability varies	CHAI is developing a good practice guide. Diverse approaches with organisations having a mix of full time and part time staff and volunteers.	Develop a proper framework. It is a professional field so needs to be developed and operated as such.	TPK, HNZC, MED, CHAI all delivering 'same' training programs to 'same' groups at 'same' time.
Small community housing providers are under resourced	Need recourse to regional resources and administration body.	Increase funding to organisations to meet local needs.	No economy of scale. Critical mass is important. Volunteers get burnt out so need succession planning.
Need professionals managing the range of portfolios associated with community housing	Directors, trustees and managers have distinct responsibilities and liabilities.	Need to demonstrate evidence that the organisation has the necessary professionals before funding is granted.	Need to maintain levels of competency of organisations.
Directors and trustees need to keep to governance functions	Age of organisations and life cycle means that often governance and management are the same in the start-up phase.	Fund organisations to achieve not survive.	HIF has exposed a number of organisations as incapable of delivering.

Bureaucratic barriers	Piles of paper and processes. Changing policies midstream and "moving the goal posts". Resource barriers • Policies • Statutes • Mindsets • Pigeon holed approach		
Funding			
Need adequate funding	Funding limitations restrict growth/focus staff retention problems. There are plenty of funders and funding out there.	Provide long term funding to give certainty to the sector. MSD should be directly funding community housing.	Need a level playing field. Consistent criteria should be a applied to all applications. Contestable funding is necessary.
Need key organisational criteria for funding	Need evidence of credibility, expertise and standards by applicants i.e. • Financial accounting • Asset management • Administration /procedures and processes • Track record • Governance structures • Management structures	Develop key criteria and apply to funding criteria.	Portfolios need to be managed to ensure expertise and standards are maintained throughout the project period.
Transparency	Need model of contestability applied right across the sector including Not for Profit providers.		
Funding Sources	• Transfer Duty Payment • Affordable Housing Stamp Duty • Development levy apportionments to Affordable housing • Gaming Trust 30% to Affordable Housing • Income related rents		Tenants are limited to paying 25% income on rent-government subsidy paid directly to Community Housing providers.

Short term funding	Need long term voted funds	Do a five year program with funds voted for the entire period then do a review at the end to see what was achieved.	Need to set milestones to be achieved
HIF 15% equity limits capacity	Need flexibility around this because this limits capacity.		Focus is diverted to long term fundraising and not community housing.
Need to get Ministry of Social Development involved	Need to address "meeting the needs" of "higher needs" clients. Community housing is more than bricks and mortar.		Consistent with "govt:3" initiative
Other Strategic issues confronting the sector			
No national strategic framework	Need real knowledge and understanding of needs Building for the next 50 years.		Today's mistakes will be intergenerational
Community Housing addressed in LTCCPs	Local government lacks strategy as an overarching framework.	Prepare National Housing Strategy Guidelines for Local Government. Require councils to have a Social Housing Strategy in place.	Need a co-ordinated approach to take account of cross- boundary effects. Policy changes in response to prevailing political climate Need to have voted funds to ensure delivery of strategy
Learning from others	1991 Australian National Housing Strategy (10 years) 250,000 community housing units. Has achieved 25,000 units		
A vision of what the sector could/should look like in 5 years			

Sustainable	Safe, warm, appropriate, accessible and affordable		
Informed community	Improve community's knowledge of where to get information on housing/social needs		
Central Registry	Multiple agencies accessing a one stop shop		1 registration per client
National standards for rental housing	Need to monitor standard of rentals		
SMART planning	Central government to set SMART goals to assist providers to meet specified outcomes.		Strategies do change. Strategies have a long term focus - consistent with intergenerational aspects of sustainability
A dynamic sector	More groups out there, more schemes and diversity		Currently everything goes back to HNZC (HIF dominates).
Doing it on a national basis	Housing underpins the fabric of society		
Community development responses	Everyone responding		Some incremental escalation in concern but not currently seen as a crisis situation.
Provision of long-term funding	Time bound programs adequately funded on a long term basis. Need exit strategies when programs terminate		Provides certainty Planning horizons Hand-over/transfer processes defined

4.2.3   Typical Comments Made by Attendees

The following sections provide some typical comments, in quotation format, from attendees under each of the main topic headings to complement the synthesis in the table above.

Nature & status of the sector

- " … Housing New Zealand is the common factor because they have the money …."

- "…. 'P' users and their children need the same services as the elderly - this will be a key housing issue for the future …. "

- "… there are lots of other organisations in the sector that do a wide range of social support work so community housing is only one aspect of what they do, and the priorities change to where the funding is coming from for the organization…."

Barriers to development, opportunities

- "…The sector is in its infancy and still has a low profile…."

- "…. The sector has a low status in HNZC …."

- "…. The sector is fragmented because most organisations are focusing on different areas of need…."

- "….HIF is bogged down with bureaucracy and paperwork…."

- "….Affordable housing is a key to a **sustainable** society because it reduces demand on a whole range of social services…."

- "….Local government development levies and resource consent costs really impact on affordable housing….. "

Capacity

- "….Elderly people want to age in their own place and not be forced out of their homes…. "

- "….Improved health systems contribute to longer life expectancy so we can expect housing for the elderly to get worse….".

- "….People like hospital workers and bus drivers can't afford to live where they work because of low wages - they have to live in rural areas …"

- "….There needs to be an integrated approach by government for sustainability – you know, economic, social and environmental in community housing…."

- "….There needs to be funding contributions to community housing from other ministries such as the Ministry of Social Development, Ministry for the Environment and Ministry of Economic Development….."

3.4   Structure

- "….Stock transfer is an option but its too early because of the need to grow capacity before they get a lot of stock – we need to take a longer term view….."

- "….In the UK the experience was that housing stock transferred to Housing Associations was in bad condition….."

- "….In Masterton and Carterton they've transferred housing stock plus the supermarket and the initiative has been made viable through cross subsidisation…."

- "….Need a Housing Association to administer Affordable Housing on behalf of Trusts regionally…."

- "…. HNZC is not in favour of quitting stock.

- "….No Pacific Island grants came through in HIF so they need to partner with a Community Housing group to help develop their capacity and then move on…."

Governance and Management Issues –

- "….Capacity and capability varies. CHAI's developing a good practice guide…."

- "….Ideally keep it out of the political arena so that the service deliverer is free to make good business decisions. Trustees and directors need to keep to governance functions and keep out of the business…."

- "….We can't get high flying strategic operators to begin with so our directors are usually volunteers who try to focus on strategic and bigger issues…."

- "….Housing is a serious business and so serious business models are needed. …"

Funding

- "….Lack of funding means it's difficult to keep competent staff…."

- "….Some providers need to answer the question – Should they be there and can they afford to be there?…"

- " … if you're struggling to survive you tend to think small and about saving costs, rather than having a mindset of how to grow and how to do the big projects…."

- *"…We need to 'fund them [organisations] to succeed not to survive'. …"*

- *"….We need security of tenure of funding …."*

- *….It's essential to have contestable funding with a national framework, transparent process. We need it for a longer term and voted funding …."*

- *"….You need expertise in making applications so we need support in asset management, administration procedures and processes, getting a track record and governance structures…."*

- *"….We need to clearly articulate what we want and [need to] get Ministry of Social Development involved especially regarding higher need clients…."*

Other Strategic Issues Confronting the Sector

- *"….There's no national strategic framework or overview…."*

- *"….We need real knowledge and understanding of needs because we're building for the next 50 years…."*

- *"….We need to prepare questions now so that Statistics New Zealand can gather the right data…."*

- *"…need to move beyond HIF…."*

- *"….Everyone agrees Housing is a serious issue so why aren't we treating it as such? We should be addressing this on a national basis because it underpins the fabric of society…."*

- *"….There is some incremental escalation in the issue but housing is not seen as a crisis like a civil defence emergency when resources are swung into action…."*

A vision of what the sector could/should look like in 5 years

- *"….Safe, warm, appropriate, accessible and affordable housing for tenants, and providers are sustainable…."*

- *"….The name of the Housing Strategy should be called "Housing for those in need"…."*

4.2.4   Conclusions from the Workshop Discussions

While there were a range of opinions expressed in the workshop phase of the project, the following key conclusions have been drawn from the discussions.

Nature and Status of the Sector

- The sector is made up of many small and some large disparate community housing providers. Some are niche focused, and some provide housing services within broad-spectrum organisations involved in a range of commercial, health and social services provision. The priority given to housing in these multi-faceted organisations tends to shift depending on where funding is obtained.

- The sector is "funded to survive not to succeed", so the focus is on cost-saving and finding the next dollar rather than on growth and providing good service.

Barriers to Development, Opportunities

- The sector's common focus is HNZC because it is the primary funder. The experience of the sector in attracting funding from this organisation has been varied. The reasons include: a low status/priority within HNZC; and funding is not criteria-based or contestable.

- Funding needs to be provided for long term projects not annually focused to provide security and certainty.

- Community housing is more than "bricks and mortar". The Ministry of Social Development, in particular, should be directly involved with funding the community housing sector to address 'higher needs' clients for which housing is a core factor that affects health and family issues.

Capacity

- Many community housing organisations have limited capacity because of their small size. Many lack specialist expertise and are trying to deliver housing as well as a range of other social and health services.

- Partnerships with other organisations would assist both with capacity and in achieving economies of scale.

- The sector needs to more effectively utilise the services of centralised sector bodies for best practice, training, advocacy, and co-ordination services.

Structural Options

- One option would involve major transfers of housing stock from Housing New Zealand and local Councils to rapidly build organisations of scale. Governance and management capacity needs to be built prior to transfers occurring.

- There is a range of opinions about what is the minimal sustainable size of a community housing organisation in terms of numbers of houses.

Governance and Management Issues

- Community housing is a professional field and so needs to be developed and operated to ensure qualified professionals manage the range of portfolios. Governance needs to be effective and must include a range of core competencies in governing bodies.

- CHAI's preparation of good practice guides for the sector and delivery of training will help develop the sector. Leveraging off relevant existing training programs being delivered by TPK, HNZC, MED, Institute of Management, New Zealand Institute of Directors, etc, will reduce the resources required to develop governance and management capability

A Vision of what the Sector could/should look like in 5 years

- Key elements of a vision, derived from workshop participant views would include:
  - Central government setting SMART national goals to assist the sector in properly managing sustainable community housing at regional and local levels.
  - Planning horizons which provide for long-term funding certainty for the sector.
  - Safe, warm, appropriate, accessible and affordable housing for tenants, with providers operating on a sustainable basis

Having gathered this grass roots perspective on strategic issues confronting the New Zealand Community Housing sector, we now turn our attention to relevant experience in other jurisdictions, namely the UK and Australia.

5   Lessons from Abroad

5.1   Social Housing Reform in England: From Council Housing to Housing Associations

5.1.1   Background

In pre-Thatcher Britain, Councils were responsible for looking after the homeless and the provision of affordable housing to ordinary working people. They constructed and managed the nation's public housing, with supplementary capital funding from central Government.

Thatcher's key reform was to 'de-councilise' public housing. The social housing stock was to be managed by not for profit companies or 'Housing Associations', which would not be in the grip of Council politics, enabling them to become more entrepreneurial and business like in their operations. In addition, tenants in public housing were encouraged to purchase their homes with central Government assistance through 'Right to Buy'. The Housing Associations were expected to develop a range of housing products in addition to basic social housing, including various shared equity arrangements and 'key worker' housing

The Government set up the national 'Housing Corporation' to regulate and monitor the performance of Housing Associations and to dispense capital funding. Regulation is undertaken on a risk management basis – many smaller registered associations are monitored via self-reporting while more aggressive auditing may be undertaken of larger organisations in receipt of significant government funding.

Importantly, Councils remain responsible for assessing eligibility and for allocating places in publicly funded housing. Housing Associations are obliged to take these referrals from the local Council Housing Office.

Figure 26 below summarises the trends in housing completions as a result of these developments This indicates that completions in new social housing peaked at 150,000 in 1967 (and this was overwhelmingly built for Local Authorities) and then has fallen to under 50,000 since the mid 1980's. By 2005, of the 210,000 completions, 185,000 were privately built, 24,000 were built for Housing Associations and just over 200 built for Local Authorities. The chart would suggest that the Thatcher reforms may have curtailed supply side capacity, contributing to shortages and astronomic housing prices especially in the South East.

Figure 26   Permanent Dwellings Completed by Tenure (UK)
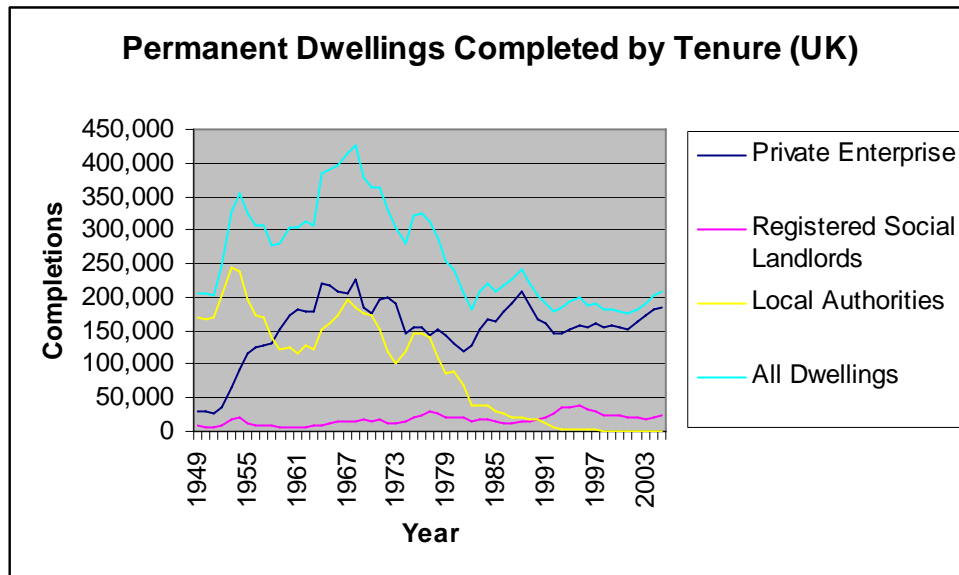
Source: Department for Communities and Local Government (formerly ODPM), Housing Statistics, Chart 242

For some time, the Blair Government has been concerned about this apparent slow down in housing production and is looking for ways to improve efficiency in the use of housing grants. Its more recent proposals involve opening up access to Housing Corporation subsidies to private sector builders and housing managers, with accountability enforced through commercial contracts rather than regulatory supervision. There is continuing disquiet over this within the Housing Association sector, which argues that without the same regulatory constraints, the competition from the private sector for the right to supply affordable and social housing is unfair.

For its part, the 'residual' Council housing sector has also sought to modernise with a view to expanding its access to Government capital funding and to meet the government aim of bringing all social housing up to a 'decent standard' by 2010. Several Councils have set up Arms Length Management Organisations (ALMO's) to manage and improve all parts of its housing stock. In this situation, the company is owned by the Local Authority, retaining ownership of the homes. ALMO's are generally managed by a board of Director's, which includes tenants, Local Authority nominees and independent members. Establishment of an ALMO separates the day to day management role of the landlord from the wider strategic housing role of the Local Authority. As such, ALMO's are intended to operate along commercialised lines, free from day to day political interference and bureaucratic cost penalties.

In addition, Private Finance Initiative (PFI) schemes have been introduced. This is a Government program designed to bring investment into council owned property. An alternative to stock transfer, all of the properties will remain under the Council's ownership. A separate organisation is created known as the 'operator' and they enter into a contract with the council to improve, manage and maintain the properties for the next 30 years. Normally around four organisations enter the partnership including a housing management company, a firm responsible for the day to day maintenance, a firm undertaking major refurbishment required at the outset of the project and a bank or funder.

5.1.2   Current Funding Arrangements

Funding of social housing in the UK is increasingly becoming more complex, however Figure 27 below provides a simplified overview and this is followed by a more detailed description of the main sources.

Figure 27   Overview of Public Sector Funding Arrangements (UK)
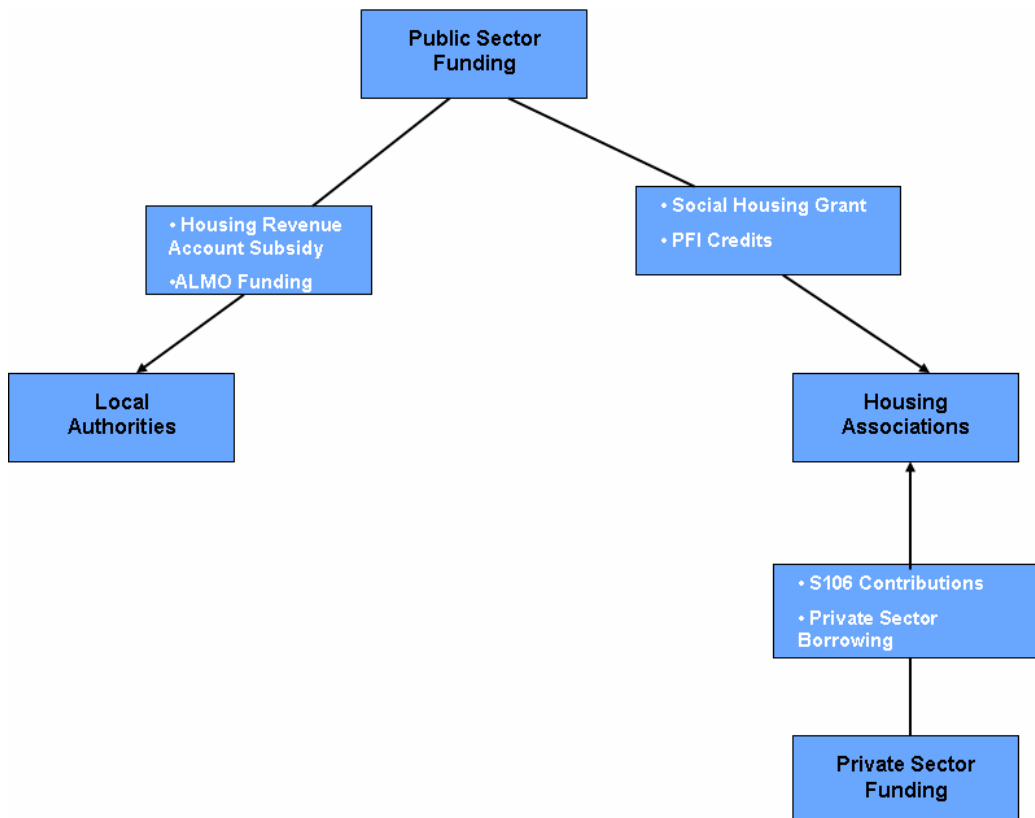
As outlined earlier, the Housing Corporation is one source of funding for Housing Associations. Through its **National Affordable Housing Program**, the Housing Corporation administers social housing grants for new homes through a competitive bidding process. Bids are assessed against a range of criteria including regional priorities, value for money and the quality of the homes which will be delivered. The majority of this type of grant goes to Housing Associations, though since the Housing Act 2004 it can be allocated to other developers as well. Between 2006 and 2008, the Housing Corporation's budget will be £3.9 billion on new social rented (providing 49,000 homes) and low cost home ownership homes (providing 35,000 homes).

Other public sector grants are also available for the public sector, for example high performing **ALMO**'s (Arm's Length Management Organisations) are eligible for additional funding from the government.   Furthermore, funding is provided by Central Government to **PFI** (Private Finance Initiative) projects in the form of PFI 'credits' with the operator being paid for the work carried out over the course of the contract and on a performance basis.

The planning system is also important in securing investment from the private sector towards affordable housing. Planning obligations are legal agreements under **Section 106** of the Town and Country Planning Act 1990 between local planning authorities and developers. Section 106 agreements can cover a variety of things by the developer including the provision of affordable housing, green space, or access roads. Sometimes, the developer will make the contribution in kind for example through the provision of land and in some circumstances they will provide funding for social housing. Since 2004, developers and other non Registered Social Landlords can also provide the social rented housing.

The extent of Section 106 contributions varies widely and depends on the policies outlined in the Local Authority's Local Development Framework. Once the local authority and developer have agreed on the proportion of social housing on the site, the authority will usually select one or a consortium of housing associations to provide the houses.   The extent of affordable housing provision in each project can be quite high, sometimes around 30% but is subject to negotiation.

Local Authorities are also eligible for some subsidies from the government through the Housing Revenue Account system. The Housing Revenue Account is where Local Authorities owning housing stock account for the income (mostly rents) and expenditure (for example on maintenance and servicing of housing debt). Where assumed spend is greater than assumed income, HRA subsidy is paid to that Authority to make up the shortfall.

5.1.3   Housing Associations in Practice

The case studies below provide an insight into the operations and management of two Housing Associations in the UK in order to inform our assessment of lessons learned for New Zealand.

Case Study 1: The Hyde Group

*The **Hyde Group** provides housing and related services to over 75,000 people in London, Kent, Surrey, Sussex, Hampshire, Cambridgeshire, Northamptonshire and Lincolnshire, managing over 36,000 homes. The Hyde Group consists of eight organisations, with the Hyde Housing Association acting as the parent body. Five subsidiary companies own or manage homes across specific locations and there are also separate companies responsible for the groups commercial activities and a dedicated economic and community regeneration arm.*

Hyde has a group structure - a formal association of separate organisations which retain their own legal and financial identities. As the parent, Hyde Housing Association has ultimate control over the subsidiary members of the group. It provides the strategic framework for the group as well as specialist central services which all members benefit from.

*The Hyde Group is **governed** by a number of Boards and committees of over 130 people including 38 Hyde residents. 12 people sit on the smaller Hyde Group board. At officer level, Hyde is led by an Executive Management Team comprising the Group Chief Executive, Group Operations Director, Group Business Development Director, Group Corporate Services Director and Group Finance Director.*

*In 2005/06, the Hyde Group had a **turnover** of £120 million pounds and delivered a profit of £11.4 million. The group's asset base at historic cost is £1.5 billion.*

Their assets enable Hyde to borrow private finance in order to develop much greater levels of new affordable housing than would be possible from grant funding alone. Between 2006 and 2008 they expect to develop 2,500 new homes and are currently arranging a further £230 million loan funding to assist the delivery of this program. This is being supported by the Housing Corporations National Affordable Housing Program.   In addition to the development program, business growth is secured through local authority stock transfers, major regeneration projects, PFI contracting and merger or acquisition activity.

Case Study 2: Places for People

Places for People is a major Housing Association in the UK, owning or managing around 60,000 homes across different tenures and employing 2,500 people. They have a turnover of around £2.5 billion and assets in excess of £2.2 billion.

Across nine brands, they provide a comprehensive range of services including the following:

- *Places for People Homes – neighbourhood and property management across 200 Local Authority areas;*
- *Places for People developments – masterplanning and construction of new developments;*
- *Places for People Individual Support – support in the community for older people and people with specific needs;*
- *Places for People Neighbourhoods – investment, regeneration and place making for communities;*
- *Places for People Properties – in house maintenance;*
- *Places for People Financial Services – financial products for customers such as loans and mortgages;*
- *Places for Children – early years childcare;*
- *Castle Rock Edinvar – neighbourhood and property management in Scotland; and*
- *Emblem Homes and Blue Room Properties – lifestyle homes for sale and rent.*

A chart structure for Places for People is shown below.
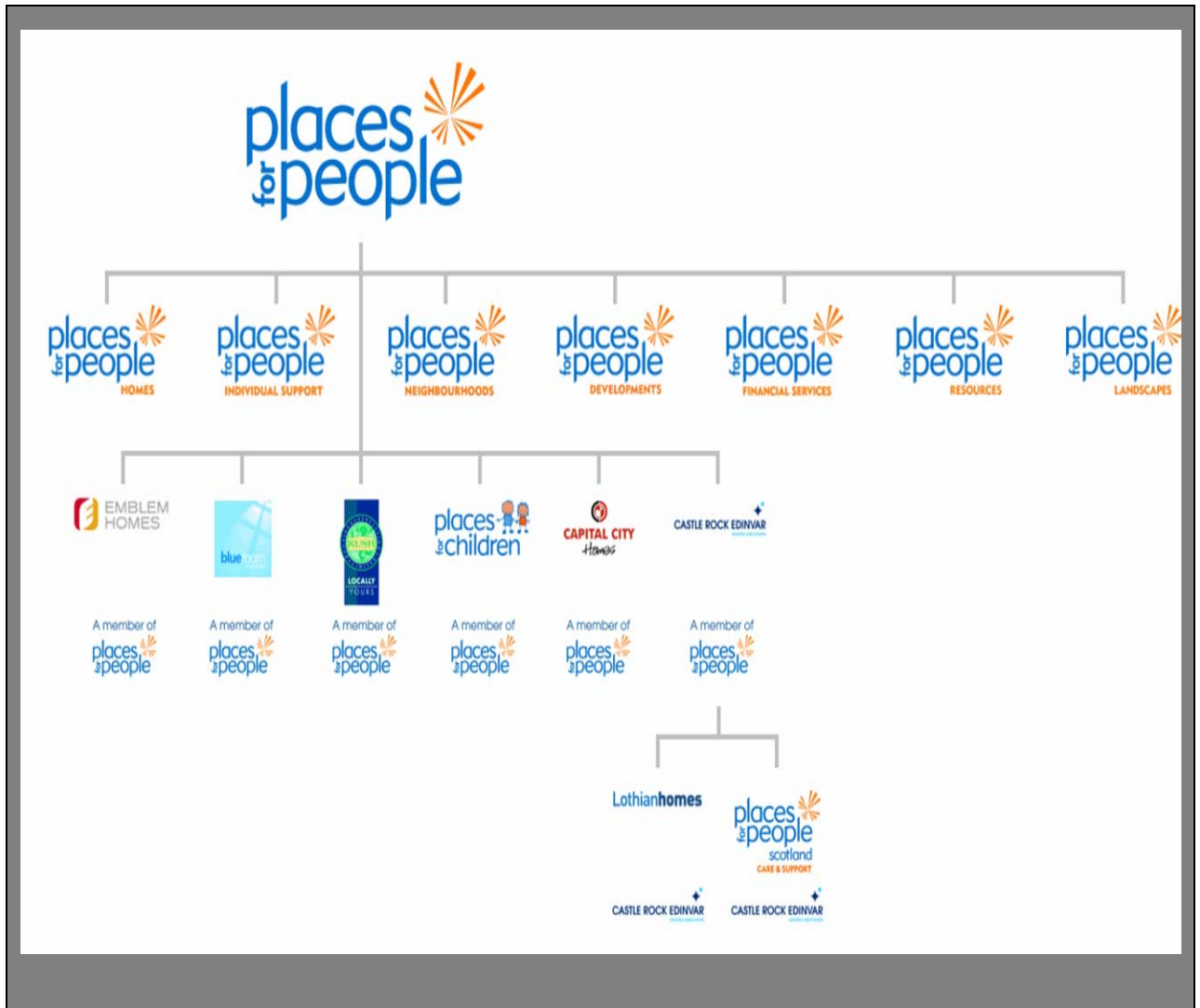
5.1.4   Implications of the UK Experience for New Zealand

Reflecting on the UK experience and the situation in New Zealand, a number of key propositions arise:

1. Diversification of social housing providers and of various forms of subsidized housing product are worthwhile objectives, but it is essential that the national Government continues to invest adequately in stock expansion, either via its own bricks and mortar programs or channelled through Third Sector and private sector providers. Merely leveraging private finance is not a panacea for the affordable housing problem.

2. Stock transfers were critical to the successful expansion of the Housing Associations sector in the UK. These occurred on the basis of voting by tenants, with the Associations purchasing the stock on commercial terms (which typically meant quite low prices because of the poor condition of the housing in question). In time this approach enabled Associations to expand housing opportunities through off-budget borrowing. Without

similar stock transfers, the community housing sector is unlikely to grow rapidly in New Zealand.

3. Heavy handed regulation of Housing Associations can stifle grant efficiency and entrepreneurial capacity of the sector.

4. Rapid growth of community housing in New Zealand is also likely to require supplementary funding sources (i.e. over and above capital investment by Central Government). An important supplementary funding source would be the proceeds of Inclusionary Zoning, as per the Section 106 contributions in England, although any such a system would need to be operated in New Zealand with far less complexity and transaction costs.

5.2 The Australian Community Housing Sector

This section profiles community housing in Australia with a view to identifying implications for the promotion and management of this sector in New Zealand. Note that the Indigenous community housing sector is treated as a separate entity with distinctive characteristics in Australia and is not profiled in this report.

Unlike the UK (and a number of other European countries), Australia has been slow to reform its social housing sector. State run public housing (the equivalent of UK Council Housing) continues to dominate social housing provision. Funding is provided under the Commonwealth State Housing Agreement (CSHA), but capital allocations under this program have been declining for many years (see Figure 28), with the Commonwealth outlaying substantially more in assistance to lower income groups in the private rental sector (CRA, the equivalent of New Zealand's Accommodation Supplement, though it is confined to renters). Some State public housing authorities are technically unviable. They need to cannibalise their stock to generate funds to meet recurrent costs and acquire new housing.

Figure 28   Real Government Expenditure on CSHA Assistance and CRA (2004-05) dollars
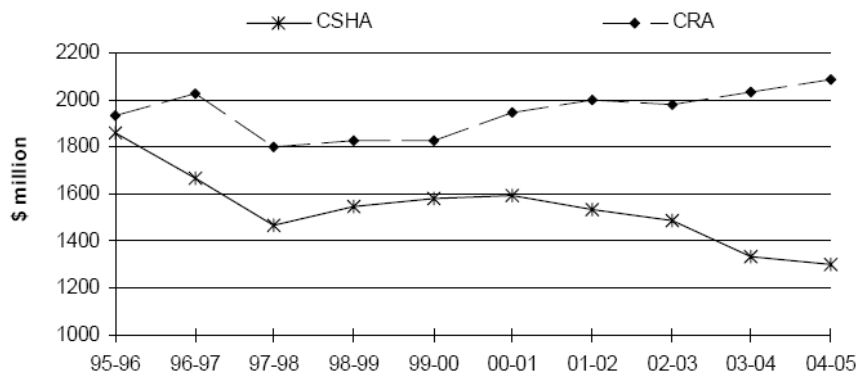
Source – Productivity Commission Report on Government Services 2006

While Community Housing Groups have been part of the social housing sector in Australia for some 30 years, they hold a very small proportion of the total sector stock. In the main, these groups have been auspiced by the State public housing authorities to look after tenant groups with special needs. The community housing sector is also highly fragmented, with very few organisations controlling sufficient stocks to operate efficiently.

5.2.1   The History of Australian Community Housing

Australia faced a housing shortage in the period following the Second World War. This arose from under investment in housing during the 1930s and high housing demand following the war. This shortage prompted the Australian government to intervene in housing markets through the provision of social housing, under the 1945 Commonwealth State Housing Agreement (CSHA) (Hayward 1996:5).

In terms of social housing provision, the focus of government was on the development of a public housing sector, and community housing remained on the margins until the 1980s. During the 1970s and 1980s, community housing emerged alongside public housing in response to concern about shortcomings in the public housing sector, including a lack of tenant involvement and poor responsiveness to tenants with special needs.

In the 1980s, a number of state housing authorities (SHAs) devolved responsibility for aspects of their housing services to non government organisations (NGOs). Nineteen eighty four saw the emergence of national support for community housing with the Commonwealth Government's introduction of the Local Government and Community Housing Program (LGCHP). The LGCHP funded local government, community organisations and housing cooperatives to provide affordable housing for public housing eligible tenants (Milligan et al. 2004: 9-10).

The 1990 National Housing Strategy (NHS) called for greater housing choice for low income households and promoted community housing as one way of achieving this (Donoghue 2005: 162). Support for community housing was justified based on arguments that increasing the range of social housing options would benefit tenants through improved choice, and would benefit government as the purchaser of competitive (and assumingly more efficient) social housing services (Donoghue 2005: 162). Other arguments in support of community housing included:
- the attraction of additional sources of investment;
- more flexible, locally based solutions to housing needs;
- an ability to respond in rural areas;
- a capacity to play a role in community building; and
- responsiveness in meeting the needs of specific tenant groups (Barbato 2003: 1–2).

A program of funding for community housing has featured in all CHSAs since the 1990s, with the latest CSHA (2003/04 –2007/08) providing about 7 per cent of total Commonwealth funds per annum ($64 million in 2003/04) for this purpose (NCHF 2003).

In the 1990s the typical community housing provider was a small, local not for profit association run by an elected voluntary management committee, or a housing cooperative run by its members. These providers were contracted by government to provide housing services and generally relied heavily on annual funding grants to complement their rental revenue. Whether these community

housing providers owned the assets they managed varied widely between jurisdictions and types of providers, with head leasing prevalent in NSW. They specialised in tenancy management and minor property upkeep. Only a few agencies undertook housing development or raised private finance (NCHF 2003; Paris 1997).

By the end of the 1990s, faced with declining Commonwealth Government support for public housing and broader housing affordability issues in the private sector, state governments began to look to non government agencies to develop larger scale and more diversified social housing portfolios (Milligan et al. 2004: 9-10).

In 2001, the National Community Housing Forum commissioned a project to review the options for a regulatory framework for community housing in Australia. The project was funded by a number of states and territories to help understand the possible role of regulation in community housing.

In particular, it explored the role of regulation in enabling more effective engagement with external stakeholders – private financiers, developers, local government, churches and central agencies – to support access to finance. The project concluded that a legislatively based system of regulation was the most effective method of securing publicly funded assets and managing other risks.

Each state has responded differently to the move towards greater regulation of the community housing sector.

South Australia had the earliest formalisation of community housing regulation, with the South Australian Cooperative and Community Housing Act establishing the South Australian Community Housing Authority (SACHA) in 1991. SACHA is responsible for the funding and regulation of all Community Housing Organisations (CHOs) registered under the Act. CHOs can be either housing cooperatives or housing associations which provide housing for low income and special needs tenants. In its regulatory role, SACHA ensures CHOs perform their financial, tenancy and asset management responsibilities in accordance with the Act. As the funder of the sector, SACHA provides capital funding and other support to assist the growth of the sector. CSHA funding is provided on a grants basis to cover SACHA's recurrent and capital expenditure.

In Victoria, the Housing Agencies Act 2004 was enacted to provide a regulatory framework for non-profit rental housing agencies serving the needs of low-income tenants. Under the Act, registered Housing Associations and community housing providers are regulated to ensure that they provide quality, affordable housing for tenants, that they meet the Government's social housing objectives, and that any financial risks are suitably managed and monitored.

Housing Associations are registered under this Act, for example Community Housing Ltd. Community Housing Ltd provides a range of services, including transitional and crisis accommodation, and affordable long term housing. The company is also a registered domestic and commercial building practitioner specialising in the construction of social housing.

In Queensland, a new Housing Regulation was introduced in 2003 that contained the enabling legislation for the regulation of community housing. This will be amended in 2007 with the introduction of the 'One Social Housing System' policy in Queensland. Under this policy community, local government and Department of Housing providers will be integrated under a single waiting

list, with common eligibility criteria, and tenancy arrangements based on housing assistance for duration of housing need (i.e. time limited tenancies).

In parallel to Victoria, Queensland has seen the emergence of Housing Associations targeting general low to moderate income renters. The Brisbane Housing Company Ltd (BHC), by way of example, is an independent, not-for-profit organisation which provides affordable housing in Brisbane. Using initial funding from the Department of Housing and Brisbane City Council, BHC has a portfolio of housing for people on low incomes in Brisbane, including boarding houses, studio units and apartments. The housing is offered at below-market rents to households on low incomes. BHC is structured to maximise charitable contributions and residents' access to Commonwealth Rent Assistance, and to minimise GST. The company uses income from rents to manage and maintain its properties, and any surplus to fund further expansion.

In NSW, the Office of Community Housing is responsible for regulation of the sector. The Office of Community Housing operates a performance based registration system for community housing providers, with audits awarding providers a grade. In the majority of cases, to be eligible for community housing in NSW, applicants must be eligible for public housing. A small number of properties are owned by local councils, and in some cases they may have different eligibility criteria based on targeting of particular groups. Housing cooperatives also have separate eligibility criteria and operate outside the Office of Community Housing system, as do 'affordable housing' providers (for example, City West at Pyrmont-Ultimo).

5.2.2   Summary of Policy Drivers

In establishing community housing programs, Australian governments have pursued four broad objectives;

- to counteract monopoly in the provision of low income or 'welfare housing';
- to provide a better service to low income tenants with special needs;
- to capture additional community development and personal development benefits in the delivery of shelter services; and
- to facilitate off - budget financing of low income housing.

Countering the Monopoly of Public Housing Authorities

The 80's saw significant reforms in state public housing authorities. These organisations had proven very efficient in producing volume housing of consistent quality, mainly in support of industrial development goals during Australia's long postwar boom. But by the 70's there was increasing criticism of their 'paternalistic style' and lack of customer focus. As in any other situation of generally unfettered monopoly, the consumers were given few choices. Tenants were required to adjust to the 'standard offerings' of the public housing authority. Technicians tended to dominate the authorities, and in the absence of consumer signals to the contrary, they pursued stock strategies motivated by grand development plans rather than sound housing outcomes.

Another 'down side' of the monopoly power of public housing authorities was that their estate based investment strategies tended to leave State Governments with poorly performing assets. Property values in estates became increasingly affected by the negative externalities associated

with low income ghettos, especially when structural economic change left many estates remote from jobs, training opportunities and other infrastructure.

The reforms which grew out of these criticisms variously included;

- the establishment of separate housing policy units within Government bureaucracies;
- the funding of community based consumer advocacy groups;
- the abandonment of standardised designs and pre-fabricated housing;
- the adoption of policies to avoid and undo excessive concentrations of public housing; and
- the greater use of 'spot purchases' in procurement strategies.

Another key theme in these reforms was the 'empowerment' of public housing tenants. State housing authorities around the country instituted a range of pilot programs which tested alternative, customer driven, ways of delivering public housing. Small portfolios of public housing units were headleased to community based organisations to manage. The headleasing agreements required the housing managers to provide fair, non discriminatory access as per the wider charter of the public housing authorities. But these management committees also had freedom to foster tenant involvement and other value added services, such as training and improved linkages into community facilities and resources. In parallel with these headleasing initiatives, or shortly afterwards, other self help models, including co-operatives, were initiated.

Thus, the first steps in 'keeping the public housing authorities honest' by giving tenants a greater say and a greater choice were taken in this period.

In the 90's the need to maintain choice and contestability in the delivery of government services including housing was given further impetus by the Council of Australian Governments (COAG) agreements on competition policy. Most States and Territories pursued 'purchaser - provider separation' in many areas of housing program management judging that greater accountability and efficiency would flow where a number of actual or potential suppliers are vying for contracts to deliver taxpayer funded programs.

Services for Clients with Special Needs

Allied to, but distinct from, the need for choice and competition, was the recognition that certain clients were simply too difficult for conventional public housing authorities to handle. Management and cultural reforms notwithstanding, State and Territory public housing authorities remain 'volume businesses' whose efficiency depends on standardisation of policies and procedures and the spreading of overheads. Generally speaking, tenants who are 'management intensive' because of multiple disadvantage do not fit well with this modus operandi.

Adding Value in the Delivery of Social Housing

Just as clients with multiple disadvantage may not fit the 'volume business' orientation of public housing authorities, this form of service delivery may be less able to capture additional community benefits where tenants have latent potential for rapid development with training and support. In establishing community housing programs, especially co-operative programs, governments believed that benefits would accrue to the community as a whole as well as to individual tenants as

they achieved better life skills, greater employability and better health because of the additional support offered by involvement in these forms of social housing. These benefits were anticipated in non-housing policy areas, for example, in lower propensities for crime and involvement in the correctional system, or lesser demands on publicly funded health systems. They were also expected to be significant within the housing area, manifested in lower rental arrears and a lower incidence of tenant disputes and intentional damage.

Off - Budget Financing of Social Housing

Particularly during the early 80's when capital funding for mainstream housing began to dry up under the influence of 'globalisation austerity', the States and Territories looked for alternative ways to maintain the expansion of social housing 'places'. These arrangements involved varying mixes of private finance and government capital funds and, in some States at least, sought to capture private sector taxation benefits and pass some of these on as more affordable housing. Community housing often presented ideal vehicles for these 'innovative' financing schemes.

5.2.3   Profile of the Australian Community Housing Sector

The Australian Community Housing sector is profiled in national data reports produced under the 2003 CSHA and the 1999 National Housing Data Agreement. The results of the 2004-2005 data collection are published in *Commonwealth–State Housing Agreement national data reports 2004–05: CSHA community housing* (AIHW 2006).[9]

It should be noted that an additional 14,000 non-CSHA funded units are managed by the community housing sector and these units are not included in the data presented in this section.

Definitions

The Australian Institute of Health and Welfare (AIHW) report provides a definition of community housing (AIHW 2006a: 7-8).

'Community housing' for the purpose of the data collection includes dwellings where:
- funding (capital and/or recurrent) is provided fully or partly through the CSHA
- the tenancy management functions are undertaken by a community provider or local government
- a principle of the community provider is to provide medium - to long-term housing tenure to tenants
- the dwellings are not funded under the Crisis Accommodation Program.

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[9] Data sourced from the Australian Institute of Health and Welfare (AIHW) report should be interpreted with caution, given some data is derived from surveys with varied response rates as follows: New South Wales (NSW) – 55% (representing 86% of the total portfolio); Victoria (Vic) – 95%; Queensland (Qld) – 76%; Western Australia (WA) – 92%; South Australia (SA) – 78%; Tasmania (Tas) – 60%; Australian Capital Territory (ACT) – 100%; Northern Territory (NT) – only administrative data used, no survey data. Other data in the report is derived from administrative sources and is assumed to represent full coverage of each State.

The definition of community housing therefore includes:
- properties leased for the provision of community housing (head-leasing), provided the tenancy management function is undertaken by a community provider
- properties bought by the state housing/community housing authority but managed by a community housing provider or local government
- 'joint ventures' where the purpose of the arrangement is to provide housing which falls into the scope of community housing. In the case of mixed funding that includes a CSHA component, only the CSHA component is reported.

The definition aims to exclude properties where the tenancy management function is managed under:
- public rental housing; or
- state and territory owned and managed Indigenous housing; or
- the Crisis Accommodation Program.

The definition also excludes non-CSHA programs and properties owned and managed by community housing providers not funded under the CSHA.

Organisational Structure

To the year end June 2005, Australia had around 1,100 community housing providers located across all eight States and Territories (Figure 29). Queensland had over 300 providers, New South Wales, Victoria and Western Australia had around 200 providers each and South Australia just over 100. Tasmania, ACT and NT had fewer than 50 providers each.

Figure 29   Community housing providers by organisational type, by State and Territory, June 2005

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT
Housing associations	43	2	98	23	49	22	5	0
Housing cooperatives	40	115	24	9	72	7	2	0
Other	125	57	142	176	0	17	3	30
Total	208	174	321	208	121	46	10	30
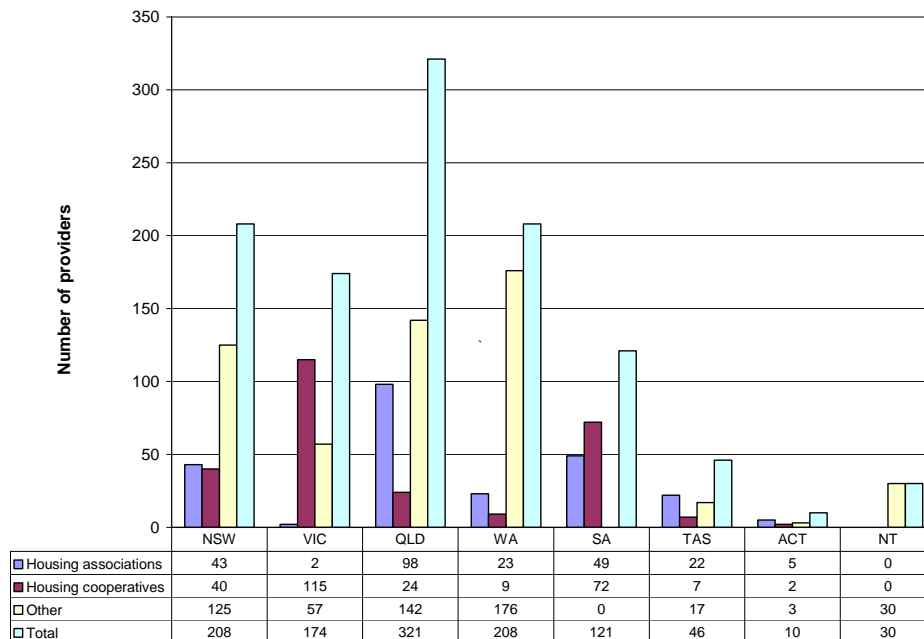
Source: AIHW 2006, survey data.

The report categorises community housing providers into three types. The National Housing Assistance Data Dictionary (AIHW, 2006b) provides definitions for these three types of community housing providers as follows:

Housing association – this is defined as 'a not-for-profit organisation that is managed by a committee and is often linked to other community support services. In associations, day-to-day management of the organisation is delegated to staff and/or volunteers. In some states and territories housing associations are legally incorporated and registered under state or territory community housing acts.'

Housing cooperative – this is defined as 'a not-for-profit organisation that is managed by the tenants (self-managed). In cooperatives responsibility for day-to-day management is usually shared amongst tenant members on a voluntary basis. In some states and territories housing cooperatives are legally incorporated and registered under state or territory housing acts.'

Other community service organisation – 'Not-for-profit organisations that provide housing assistance as part of their support services, such as welfare, church-based and local government organisations (e.g. Barnardos, St Vincent de Paul).'

Table 8   Community housing providers by organisational type, Australia, June 2005

	Total	%
Housing associations	242	23%
Housing cooperatives	269	25%
Other	550	52%
Total number of community housing providers	1,061	100%

Source: AIHW 2006, survey data.

Table 8 separates the community housing providers in Australia into these three organisation types for the year ending June 2005. Around half of all providers were in the 'other' community organisation category, with the other half evenly split between the housing cooperative and housing association categories. On a State by State basis, there is great variety in the split between different types of providers. The majority of providers in Victoria, for example, are housing cooperatives, whereas Western Australia is dominated by providers in the 'other' category.

Figure 30   Average units per organisation, by State and Territory, June 2005
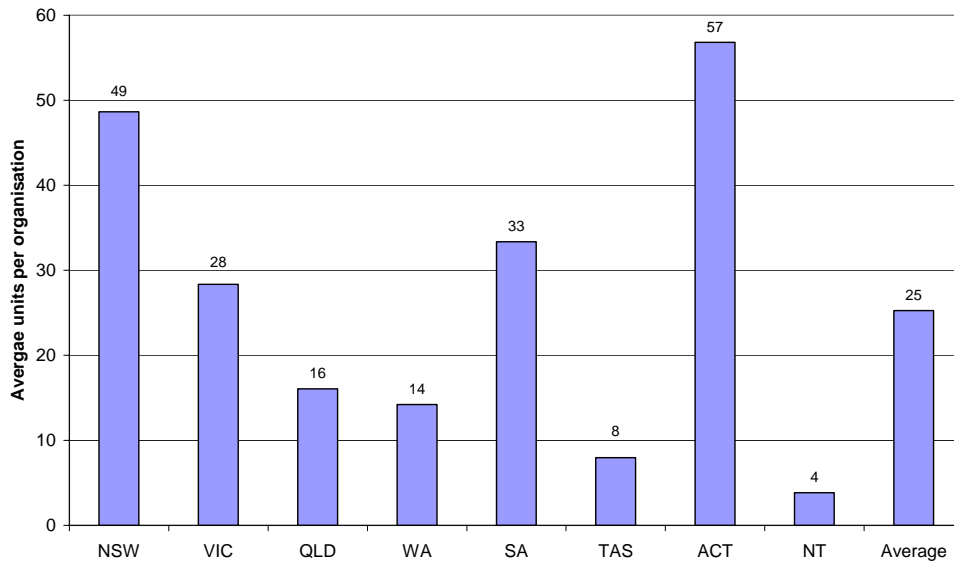
Source: AIHW 2006, survey data, SGS calculation.

Figure 30 divides the number of tenantable units in each State and Territory by the total number of providers. This gives an average number of units per provider. It should be noted that this figure is the mean size not the median size, and may be affected by very large providers in some jurisdictions. The overall average number of units per provider for Australia was 25. New South Wales, Victoria, South Australia and the Australian Capital Territory all had a higher number of units per provider than the national average. Queensland, Western Australia, Tasmania and the Northern Territory were all below the national average.

Services Profile

Housing Services

In the year to June 2005, Australia had a total of 28,000 tenantable community housing units. A tenantable unit is defined as 'a dwelling for which maintenance has been completed'. Over one third of these were in New South Wales, with around 10,000 units, Victoria and Queensland each had around 5,000 units, South Australia had around 4,000 units, and Western Australia had around 3,000 units. Tasmania, the Australian Capital Territory and the Northern Territory had relatively small numbers of units (Figure 31).

Figure 31   Tenantable housing units, by State and Territory, June 2005
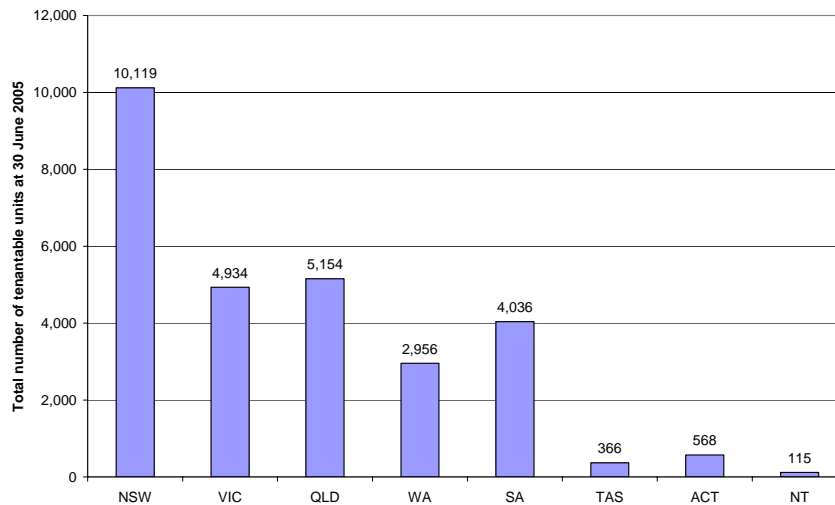
Source: AIHW 2006, survey data.

Table 9   Head-leased dwellings, by State and Territory, June 2005

At 30 June 2005	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
Total number of head-leased dwellings (private)	5,362	12	1,695	626	0	63	91	0	7,849
Total number of tenantable tenancy (rental) units	10,119	4,934	5,154	2,956	4,036	366	568	115	28,248
% all dwellings that are headleased	53.0%	0.2%	32.9%	21.2%	0.0%	17.2%	16.0%	0.0%	27.8%

Source: AIHW 2006, survey data.

Table 9 shows the number and percentage of community housing units that are head-leased, by State and Territory.

Head-leasing is defined as 'dwellings owned by private individuals or private corporations that are leased to CSHA housing providers via head-leasing arrangements. The CSHA housing provider is usually responsible for tenant selection and tenancy management functions. Head-leasing involves at least two leases: one between the dwelling owner and the lessee, and one between the provider and the tenant. The Residential Tenancies Act applies to both leases' (AIHW, 2006b).

The definition of head-leasing also states that head leasing is commonly undertaken in the community housing sector, where non government organisations head lease housing stock from the private sector and state and territory governments, and sub lease it directly to the tenants (AIHW, 2006b). It also notes that it is important to identify dwellings that are head leased from the private sector, as maintenance and other management costs are generally incurred by the owner, and therefore may not be captured in the annual CSHA data collections (AIHW, 2006b).

Nationally, around 8,000 community housing units (28 per cent of all units) were head-leased in the year ending June 2005. There is significant variation in the incidence of head-leasing between the States and Territories, with just over half of all units in New South Wales head-leased. Queensland, Western Australia, Tasmania, and the Australian Capital Territory had moderate rates of head-leasing, ranging from 33 per cent to 16 per cent. Victoria had only 12 head-leased units, while South Australia and the Northern Territory had no head-leased units counted in the survey.

Table 10   Boarding houses, by State and Territory, June 2005

At 30 June 2005	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
Total number of boarding house buildings	0	106	20	116	0	2	3	0	247
Total number of boarding house rooms	0	1,535	74	273	0	11	112	0	2,005

Source: AIHW 2006, survey data.

Table 10 shows the number of boarding houses that were included as community housing units, by State and Territory, for the year ending June 2005. 'Boarding houses' are defined as 'a separate building (also referred to as a rooming or lodging house) containing multiple boarding / rooming / lodging house bedrooms and / or boarding house units' (AIHW, 2006b). Nationally, there were around 250 boarding houses included as community housing units, supplying a total of around 2,000 rooms. The majority of these were in Victoria, while New South Wales, South Australia, and the Northern Territory recorded no boarding houses in the survey period.

Other Services

The national housing data report collects information on other services offered to tenants by community housing providers (beyond housing). The National Housing Assistance Data Dictionary suggests that community housing providers offer a range of support services to tenants and this is a distinguishing feature of the sector (AIHW, 2006b).

Figure 32   Additional services provided, Australia, June 2005
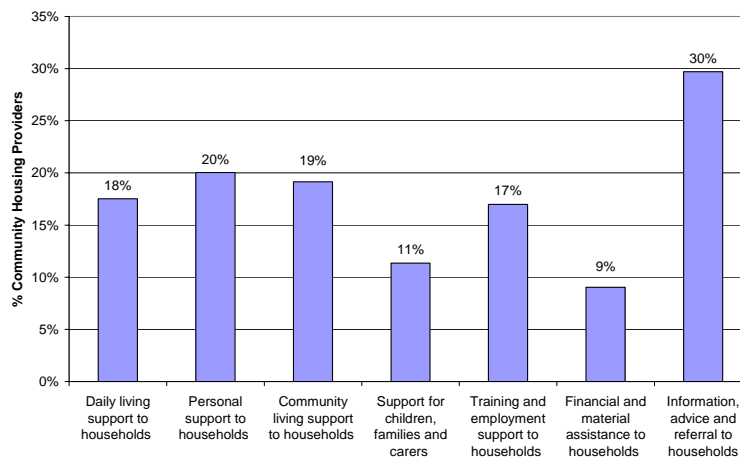
Source: AIHW 2006, survey data.

Figure 32 shows the percentage of community housing providers nationally who offered a particular additional service type, for the year ending June 2005. Note that individual providers may offer a number of different additional service types. This data includes instances whereby a housing provider did not directly provide the assistance, but ensured the links to appropriate support services were established and maintained.

Daily living support covers assistance that provides support for personal or social functioning in daily life. Such support includes assistance with personal tasks, e.g. showering, dressing and grooming, and domestic tasks, e.g. washing, cooking, cleaning, shopping, gardening, and

companionship (AIHW, 2006b). Around 18 per cent of community housing providers offered daily living support.

Personal support covers assistance that provides support for successful functioning as an individual or as a family member, e.g. individual advocacy, needs assessment and management, and counselling (AIHW, 2006b). Around 20 per cent of community housing providers offered personal support.

Community living support covers assistance that provides support or develops the capacity for independent living and / or social interaction within the community through the provision of opportunities for learning, developing and maintaining personal skills. It includes living skills development, community transport, social and personal development, and recreation (AIHW, 2006b). Around 19 per cent of community housing providers offered community living support.

Support for children, families and carers covers the provision of care, educational, developmental and recreational activities for children usually between the ages of 0 and 12 years by paid workers. This includes carer support which refers to assistance received by a carer from a substitute carer who provides supervision and assistance to their care recipient in their absence (AIHW, 2006b). Around 11 per cent of community housing providers offered support for children, families and carers.

Training, vocational rehabilitation and employment covers assistance to support people who are disadvantaged in the labour market by providing training, job search skills, help in finding work, placement and support in open employment or, where appropriate, supported employment (AIHW, 2006b). Around 17 per cent of community housing providers offered training, vocational rehabilitation and employment support.

Financial and material assistance covers assistance that is designed to enhance personal functioning and to facilitate access to community services through the provision of emergency, or immediate, financial assistance and material goods. It includes financial relief, household goods, clothing, furniture and food. It excludes government income support such as pensions and benefits, and concessions through the taxation system (AIHW, 2006b). Around 17 per cent of community housing providers offered financial and material assistance.

Information, advice and referral covers assistance that provides information, advice and referral to support personal or social functioning and / or to facilitate access to and use of community services and resources. It includes provision of housing / tenancy, consumer and legal, financial, general service availability information, advice and referral (AIHW, 2006b). Around 30 per cent of community housing providers offered information, advice and referral.

Tenant Profile

The national housing data report gathers data at the level of the household unit, rather than individual tenants. Community housing households with 'special needs' for the year ending June 2005 are profiled in Figure 33 and Figure 34. 'Special needs' are defined as households:

- that satisfy the Indigenous household definition[10]; or

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[10] An Indigenous household is one which contains one or more Indigenous people (AIHW, 2006b).

- that have a household member with a disability[11]; or
- where the principal tenant is aged 24 years or under; or aged 75 years or over.

The rationale for collecting this data is to capture groups in the population that experience specific difficulties accessing the private rental market. It is recognised that not all households falling into this category would necessarily have a special housing need (AIHW, 2006b).

Figure 33   Percentage of Households with Special Needs, Australia, June 2005
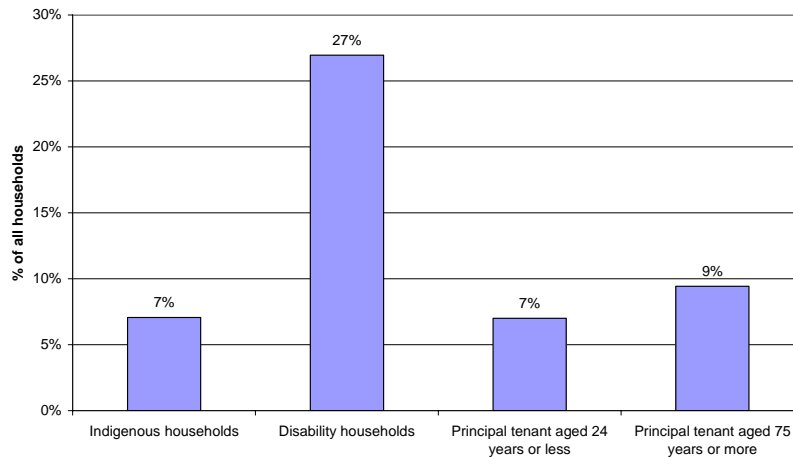
Source: AIHW 2006, survey data.

Nationally, almost 30 per cent of community housing households were classified as 'disability households'. This varied considerably between the States and Territories, with disability households 'overrepresented' compared to the national average in Victoria, Western Australia and Tasmania.

Around 7 per cent of community housing households were classified as Indigenous households nationally, with a much higher representation in Queensland (21 per cent) than in other States and Territories (Figure 34). Note that information on specifically Indigenous community housing is collected in a separate data set and is not included here.

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[11] Disability is the umbrella term for any or all of: an impairment of body structure or function, a limitation in activities, or a restriction in participation (AIHW, 2006b).

Figure 34   Percentage of Households with Special Needs, by State and Territory, June 2005

	NSW	VIC	QLD	WA	SA	TAS	ACT
■ Disability households	18%	38%	23%	37%	36%	16%	16%
■ Indigenous households	6%	1%	21%	7%	2%	1%	4%
□ Principal tenant < 24 years	5%	4%	14%	3%	8%	2%	24%
□ Principal tenant > 75 years	8%	4%	14%	14%	9%	29%	1%
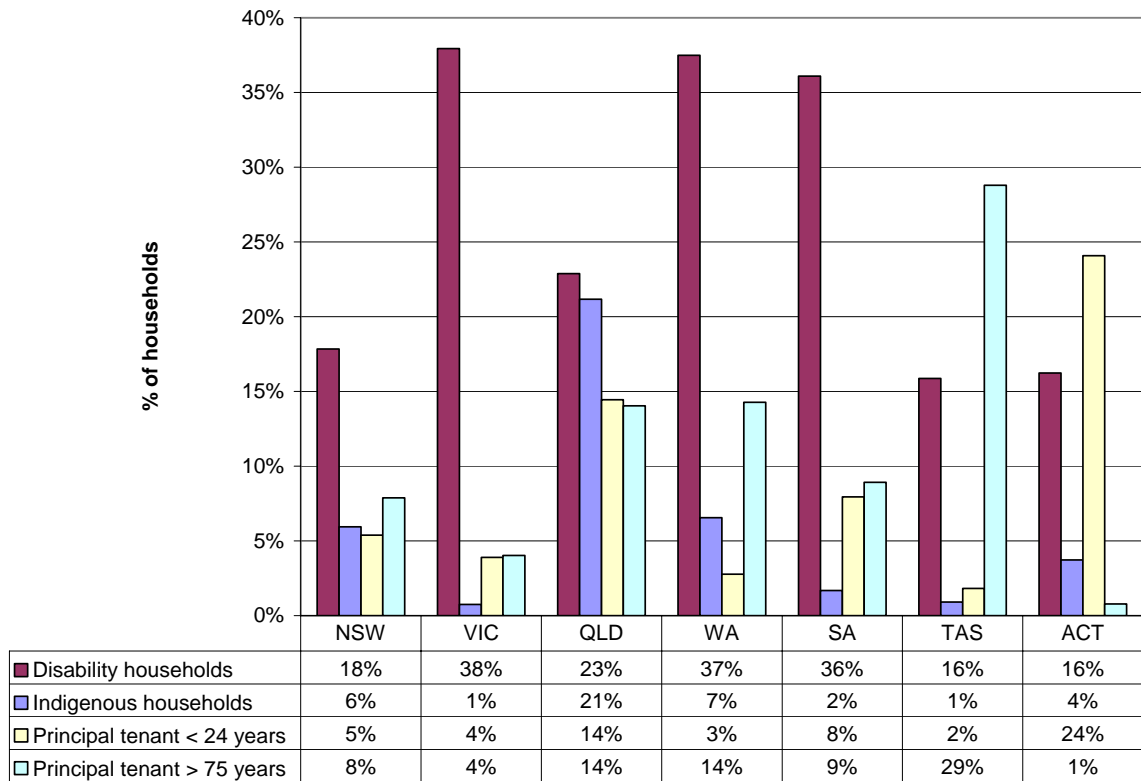
Source: AIHW 2006, survey data, data not available for the Northern Territory.

Nationally, 7 per cent of community housing households had a principal tenant aged 24 years or under, while around 9 per cent had a principal tenant aged 75 years or over. Tenants in Queensland and the Australian Capital Territory were more likely than the national average to be aged 24 years or under, and Queensland, Western Australia and Tasmania had above average rates of tenants aged 75 years or over.

Table 11   New households with special needs, Australia, June 2005

At 30 June 2005	Total
Number of new households with special needs	3,758
Number of new households for whom details of whether or not they have special needs are known	5,377
The proportion of new tenancies that are allocated to households with special needs (%)	70%

Source: AIHW 2006, survey data.

Table 11 shows the number of new households with special needs who were assisted by community housing providers in the year ending June 2005. Of around 5,400 new households who were assisted nationally, almost 3,800 or 70 per cent were categorised as having special needs.

Costs of Assistance

The national housing data report gathers information on the cost of community housing provision by measuring the average cost of providing assistance (excluding capital) per dwelling. Direct costs are divided into costs borne by providers - the community housing organisations responsible for the day-to-day management of community housing dwellings and tenancies, and administrators – the State and Territory government bodies with the responsibility of administering community housing programs.

National data on the costs of community housing are set out in Table 12. For the year ending June 2004, the cost to community housing providers was around $160 million, and the cost to administrators was around $18 million. The national average provider cost per dwelling was $5,850 per annum, with $700 in administrator costs. The total average cost per dwelling was around $6,500. Note that all costs exclude capital costs.

Table 12   Costs of Providing Assistance, Australia, year to June 2004 (000's)

	Total
Provider direct costs for year ending 30 June 2004 ($'000)	$ 155,879
Administrator direct costs for year ending 30 June 2004 ($'000)	$ 18,044
Total direct costs for year ending 30 June 2004 ($'000)	$ 173,923
Total number of tenancy (rental) units at 30 June 2004	27,174
Provider cost of providing assistance (excluding capital) per dwelling ($)	$ 5,852
Administrator cost of providing assistance (excluding capital) per dwelling ($)	$ 677
The average cost of providing assistance (excluding capital) per dwelling ($)	$ 6,529

Source: AIHW 2006, survey data (note, this data is for 2003 – 2004 and therefore dwelling numbers are different than in the 2005 data), data not available for NT.

Figure 35 shows the average costs of providing assistance per dwelling for the States and Territories. New South Wales, Western Australia and the Australian Capital Territory had above average provider costs. Tasmania, South Australia and Victoria had above average administrator costs.

As noted above, the provider and administrator costs do not take into account the capital value of the community housing dwelling stock. The AIHW survey does not gather data on dwelling value. The issue is further complicated as most community housing providers do not own their housing stock.

Figure 35   Average costs of providing assistance per dwelling, by State and Territory, year to June 2004
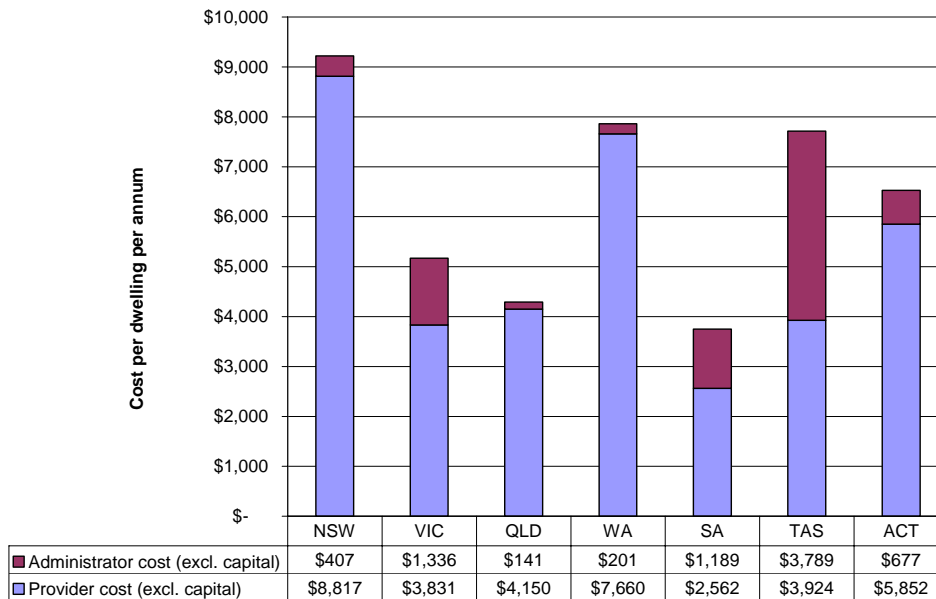
	NSW	VIC	QLD	WA	SA	TAS	ACT
Administrator cost (excl. capital)	$407	$1,336	$141	$201	$1,189	$3,789	$677
Provider cost (excl. capital)	$8,817	$3,831	$4,150	$7,660	$2,562	$3,924	$5,852

Source: AIHW 2006, survey data (note, this data is for 2003 – 2004 and therefore dwelling numbers are different than in the 2005 data), data not available for the NT.

Table 13 estimates the value of community housing stock in Australia using the value of NSW's public housing portfolio as a proxy. In 2004 – 2005, the NSW Department of Housing managed around 140,000 dwellings with a total property asset value of $28 billion (NSW DOH Annual Report 2004-5). This equates to an average value of just over $200,000 per property. Given public housing targets similar groups as community housing, the value of the public housing stock provides a useful proxy for estimating the value of the community housing stock. Applying the value of $200,000 per property to the community housing stock, the total asset value of the community housing sector in Australia is estimated at $5.7 billion.

Table 13   Estimated Value of Community Housing Stock, Australia, year to June 2005

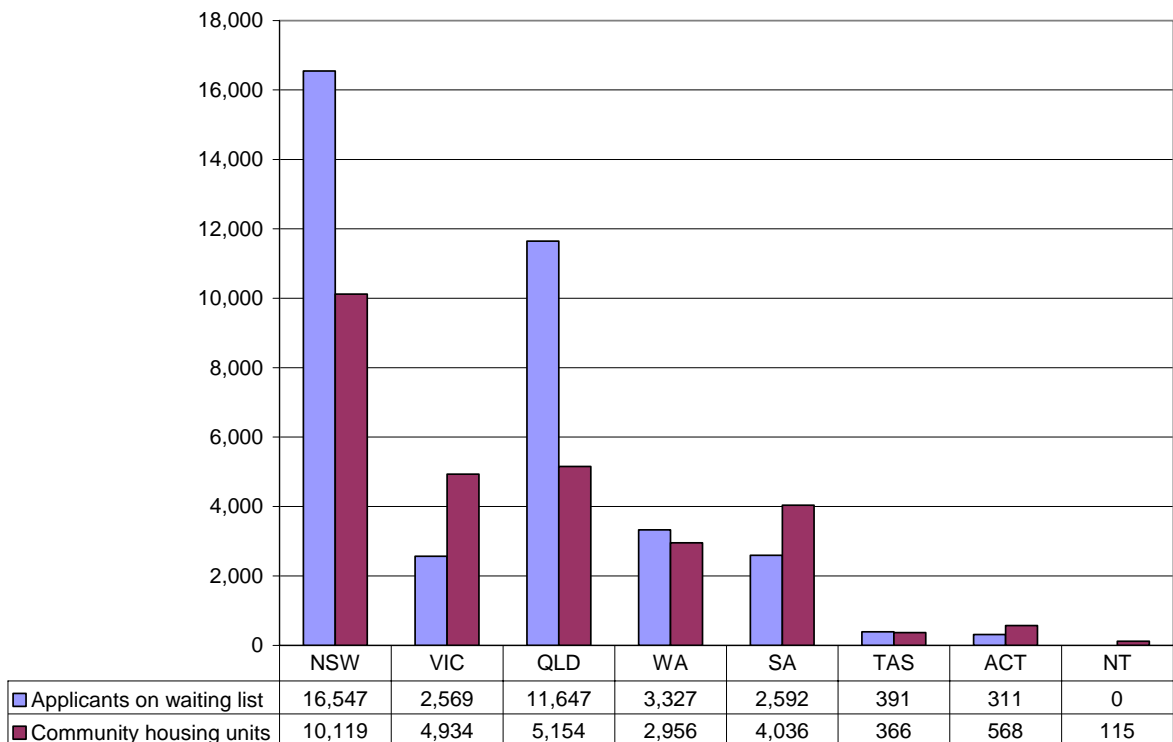|	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
Dwellings June 2006	10,119	4,934	5,154	2,956	4,036	366	568	115	28,248
Estimated Asset Value $m	$m 2,054	$m 1,002	$m 1,046	$m 600	$m 819	$m 74	$m 115	$m 23	$m 5,734

Source: NSW DoH Annual Report 2004-5, SGS Calculation.

Rental Policies and Housing Stress

Figure 36 shows the size of the community housing waiting list at the end of June 2005, by State and Territory. The size of the waiting list is compared to the stock of tenantable units in each

jurisdiction. New South Wales and Queensland had the largest waiting lists (16,500 and 11,600 respectively). The number of prospective tenants on waiting lists was significantly higher than the number of tenantable units in both these States. Victoria, Western Australia and South Australia had waiting lists between of 2,000 and 4,000 prospective tenants, while Tasmania and the Australian Capital Territory had relatively small waiting lists which were in proportion to their small community housing portfolios.

Figure 36   Waiting list and number of tenantable units, by State and Territory, June 2005

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT
☐ Applicants on waiting list	16,547	2,569	11,647	3,327	2,592	391	311	0
☐ Community housing units	10,119	4,934	5,154	2,956	4,036	366	568	115

Source: AIHW 2006, survey data.

Table 14   Occupancy rates, by State and Territory, June 2005

At 30 June 2005	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
Total number of occupied tenancy units	9,997	4,755	5,059	3,494	3,876	441	511	115	28,248
Total number of tenancy units at 30 June 2005	10,185	5,034	5,286	3,567	4,077	446	569	115	29,279
The occupancy rate of rental housing stock	98%	94%	96%	98%	95%	99%	90%	100%	96%

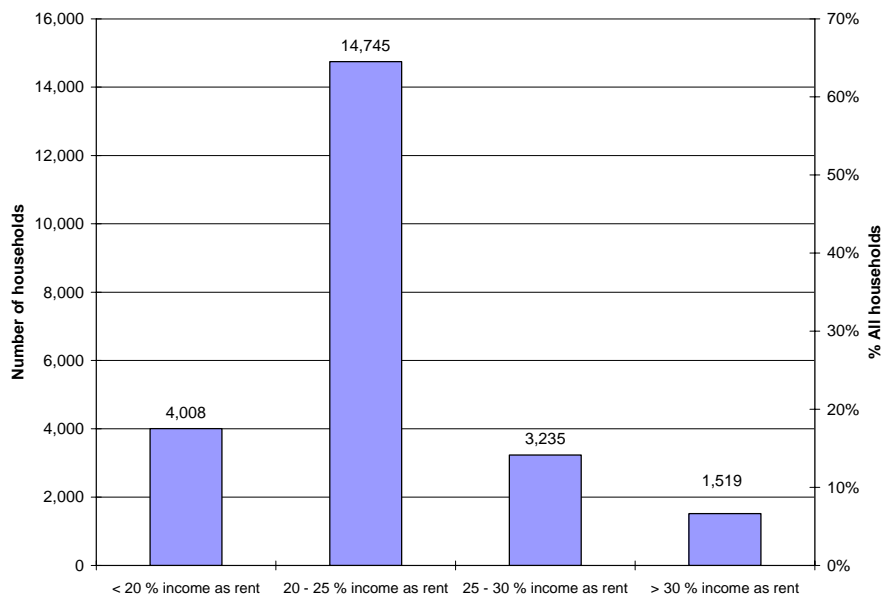*Source: AIHW 2006, survey data.*

Table 14 shows the occupancy rates of tenantable dwellings at June 2005, by State and Territory. These rates range from 94 per cent in Victoria, to 100 per cent in the Northern Territory. The national average is 96%.

Table 15   Rent arrears, by State and Territory, June 2004

Year ending 30 June 2004	NSW	VIC	QLD	WA	SA	TAS	ACT	Total
Total rent collected from tenants ($'000)	42,578	18,773	20,723	13,487	9,746	1,800	1,622	108,729
Total rent charged to tenants ($'000)	42,839	19,534	21,009	13,756	9,964	1,779	1,751	110,633
Total rent actually collected as % of total rent charged	99%	96%	99%	98%	98%	101%	93%	98%

Source: AIHW 2006, survey data.

Table 15 shows the rent arrears by State and Territory for the year ending June 2004. Rent collection rates range from 93 per cent in the Australian Capital Territory to 101 per cent in Tasmania.

Figure 37   Rent paid as a proportion of income, Australia, June 2005

Source: AIHW 2006, survey data.

Figure 37 shows the percentage of household income that is used to pay rent for community housing tenants nationally in the year ending June 2005. The majority of households pay between 20 and 25 per cent of household income in rent. Around 1,500 households paid over 30 per cent of household income in rent.

'Housing stress' is a commonly used indicator of housing affordability. Defining housing stress is a complex task and must be done with reference to the particular characteristics of the group in question. A benchmark of 25 per cent of gross household income towards for low income households is commonly applied (although 30 per cent is becoming more common, see Yates and Gabriel 2006). Applying this benchmark to the rent as a proportion of income data gives a broad indication of housing stress amongst community housing households by State and Territory (Figure 38). This indicates that, on average, households in Victoria, Queensland and Western Australia may experience mild housing stress, while households in Tasmania may experience significant housing stress.

Figure 38   Per cent of household income left after rent, by State and Territory, June 2005

Source: AIHW 2006, survey data.

Rent setting methods for community housing can be broadly divided into three types: property based, household based, and a combination of the two.

Property based rents can be calculated using the current cost of individual properties or an average cost of properties in a community housing portfolio. Alternatively, market rents are based on the market rental value which can be obtained from government or private valuations of the property. Often the rent will be set at a discounted percentage of the property cost, for example 75% of market rent.

Household based rents are usually based on one characteristic of the household. These types of rents are usually capped at market rent of the individual property.
For example, rents can be based on:
- the family or household type: for example a lone person will pay $70 and a couple $115;
- income: the rent may be set at a certain percentage of income type (for example 25 per cent), or the income might determine which band or group the tenant falls into (for example, if household income is under $400 a week, the rent is $80).

Applying a *combination* of the above two methods can be complicated. A simple example of this is an income based rent capped by market rent (Community Housing Program 2006: 3-4)

Leveraging of Commonwealth Rent Assistance (CRA) is a primary consideration for community housing providers. Providers that are able to adopt a rent setting method to leverage tenant CRA entitlement will find it less difficult to keep rents at a level that is affordable for tenants while maintaining a rental stream that is high enough to pay for the management and maintenance costs of the organisation. This type of arrangement not only benefits the tenant but also helps the community housing provider to remain viable (Community Housing Program 2006: 6).

Table 16 sets out examples of rent setting policies applied by various community housing providers, including not-for-profit housing associations. This illustrates that while some states have uniform policies for rent setting in community housing where the provider manages State owned stock, the rental policies applied across the sector as a whole are by no means uniform.

Table 16   Rent setting methods, Australia

Rent setting method	Source
25% of household income plus 100% CRA, capped by market rent.	NSW, Qld and WA State housing authority rent policies for community housing.
25% of household income, capped by market rent. CRA included in assessable income.	SA Community Housing Authority rent policy
25% of household income plus 100% CRA, capped at 90% of market rent.	A mainland community housing organisation (CHO)*
30% of household income, with specified minima and capped by 74.9% of market rent. Minima based on property operational costs. CRA excluded.	A CHO in Tasmania
25%, 27.5% or 30% of household income in income bands, capped at 74.9% of market rent. CRA included in assessable income.	City West Housing, NSW*
74.9% of market rent.	Brisbane Housing Company* and others
Range of discounted market rents – 35%, 65% or 74.9% depending on household type.	A mainland CHO (proposed method in a registration application)*
Averaged portfolio property cost, capped by 74.9% market rent.	A mainland CHO*
Averaged portfolio property cost, capped by 25% household income + service cost component + 100% CRA.	A mainland CHO*
25% of properties: rent = 25% of household income; 75% of properties: rent = 74% of market rent	A mainland CHO*
Flat rents for particular target groups or household types, set to maximise CRA within affordability benchmark.	Guideline proposed by a Housing Tasmania Area Office.

These relate to 'new model' affordable housing associations rather than traditional community housing.

Source: Community Housing Program 2006.

Sector Profile - Themes

Several themes are evident in the historical overview and current Australian sector profile.

Firstly, the size and nature of the community housing sector is diverse, both between the states and territories, and within each state and territory. The diverse nature of providers makes regulation and comparison on a national and state level problematic.

Secondly, the community housing sector provides a wide range of additional services as well as 'core' housing business. This is a distinctive aspect of the sector.

Thirdly, community housing is tightly targeted to special needs households, with 70% of new tenants nationally classified as having special needs.

Fourthly, rent setting policies are not uniform, which may contribute to inefficiencies at both the provision and the administration levels of the sector. Alternatively, this could be seen as a means for providers to be responsive to local affordability conditions.

These four themes point to an overall tension within the sector between moves towards greater regulation and monitoring, and maintaining the flexibility and local responsiveness that was one of the original arguments for supporting a community housing sector.

5.2.4   Key Issues

The National Community Housing Forum (NCHF) released a discussion paper in June 2006 setting out emerging trends affecting the future of community housing in Australia (NCHF 2006). These are summarised and augmented below.

Decreasing affordability of all forms of housing: There is increased demand for subsidised housing of all types as the private housing market in Australia fails to provide for a larger proportion of the population.

Rationalisation of the community housing sector: In some states, community housing organisations are being asked to be self-sustaining and viable on rents and Commonwealth Rent Assistance (CRA) alone, without additional subsidy from government. This is problematic for providers as both these funding sources are income related, and tenants' incomes fluctuate (NCHF 2006: 3). In particular, it will affect providers in rural and regional areas which tend to have small organisations and higher per unit costs.

Increasing numbers of high needs clients: As public housing becomes progressively more residualised (housing of last resort), community housing providers will be expected to house increasing numbers of high needs clients (NCHF 2006: 5). This has implications for organisational capacity to serve high needs clients, and the nature and number of dwellings provided.

Potential for group or umbrella structures: There is potential for community housing providers to make use of group co-operation or umbrella organisations. The perceived benefits of these structures include shared overheads, access to specialist skills, increased profile, greater bargaining power with suppliers and funders (NCHF 2006: 6).

Increased business complexity: Moves towards greater levels of regulation and increased operational and accountability requirements for community housing require greater organisational resources. This is particularly an issue for housing cooperatives where tenants carry out administrative duties (NCHF 2006: 7).

Focus on attracting private finance: The 2003 to 2008 CSHA requires states to explore options for attracting private finance to social housing (NCHF 2006: 8). Many states have sought to fulfil this

performance requirement through initiatives involving the promotion of large community housing organisations. These organisations are seen to have a number of benefits including:

- Ability to manage risk
- Potential to service private debt
- Ability to attract ethical investment
- GST and other tax benefits related to Public Benevolent Institution (PBI) status
- Ability to attract CRA
- Ability to build social capital (NCHF 2006: 8).

Despite these perceived benefits and government policy support, studies by the Australian Housing and Urban Research Institute (AHURI) have concluded the attracting private finance to community housing would be very difficult (McNelis et al. 2002). The AHURI project aimed to develop a financial product and investment vehicle through which private retail investors could provide capital for community housing. However, the literature, experience in other countries and advice from the finance industry all indicate that such investment is unlikely without higher levels of government support and subsidy (McNelis et al. 2002: 22). Such subsidy could take the form of capital subsidies (in the form of free equity) or operating subsidies directly to providers (in addition to Rent Assistance).

Focus on maintaining diversity of services: Whilst pressures for increased regulation and accountability are outlined above, there is also recognition that community housing providers should retain flexibility to respond to community make up, the needs of the community, the range of outcomes sought to be delivered through the community housing organisation, and the location of the community (NCHF 2006: 9).

Better understanding of the sector: There is a perceived lack of 'value for money' assessment in the sector (NCHF 2006: 10). For example, Paris argues that the community housing sector may well have extremely high levels of subsidy per unit compared to public housing (1997: 9). The sector may need to quantify the benefits and outcomes of community housing, particularly for smaller organisations and those which offer additional support services or have high numbers of complex needs clients, in order to ensure continued funding support in a competitive funding environment.

5.2.5   Implications for New Zealand

The Australian experience with community housing offers lessons for the development of this sector in New Zealand.

In Australia, community housing has served, for the past two decades at least, as the main alternative to private and public housing. In New Zealand, local government housing has historically been the alternative to private and public housing. Community housing is in its infancy in New Zealand compared to Australia (although the Australian sector still only makes up a very small percentage of the total dwelling stock).

New Zealand has also experienced public housing disposal policies in the 1990s that went far further than in Australia. Combined with the move away from housing provision by many local

governments, housing in New Zealand appears to be developing a third sector 'gap' which community housing may progressively fill.

Any discussion of 'lessons' from the Australian sector must be framed with reference to New Zealand's distinctive governance, cultural, economic and social climate. The 'lessons' have been grouped under three themes, services, funding and administration.

Services refer to the housing and other services offered by the community housing sector.

The Australian experience has highlighted the role that community housing plays in linking with or directly providing other social services. This wholistic approach is considered a distinctive feature of community housing. The sector also provides housing for young and aged tenants, disabled tenants and tenants with other needs that may not be met by the private sector.

In New Zealand, the community housing sector may offer distinctive services for particular groups that are not predominant in Australia, especially Maori and Pacific tenants. These services should be recognised in data collection and policy development. In addition, the sector's role as a capacity builder, especially in housing co-operative organisations where tenants have a direct management role, should be recognised and developed.

Any assessment (for example, cost effectiveness analysis) of funding for community housing organisations must take into account the additional (non-housing) services provided.

Funding refers to the cost of housing provision, the source of funding, and reporting arrangements.

Much of the Australian intelligence points to a shift towards funding self sufficiency in the community housing sector (i.e. access to Rental Assistance only, without additional grants). This has implications for the ability of community housing providers to make capital investments. It also has organisational implications, with larger organisations or umbrella organisations achieving better economies of scale and cost sharing.

In New Zealand, the 'boutique' nature of the sector may make achieving economies of scale difficult. However, umbrella organisations that share administration costs could be set up at an earlier stage than occurred in Australia. An obligation that could also be attached to provision of public funding is demonstration of effective governance, management and systems in order to meet criteria to access funding; this may provide incentives for smaller organisations to enter into partnerships and cost-sharing arrangements.

The funding environment in New Zealand (and in Australia) is highly dependant on central government policy, and the sector in New Zealand should be organised with regard to the impact that a change in government may have on funding.

Another theme in Australia is the push towards attracting private sector investment in community housing. Australian studies have concluded that this would be very unlikely without government subsidy. Given the much smaller size of the New Zealand investment sector, the prospects for attracting private investment in New Zealand appear low. However, one conclusion from the Australian research that is relevant is that strong regulation (e.g. registration and auditing of providers) provides a more positive environment for attracting funding from risk adverse investors.

Administration refers to more 'technical' lessons from the Australian experience.

Australia has a substantial program of data collection for housing services (public and community housing). This provides the basis for funding allocation, policy development and performance monitoring over time. The benefits of such a system would be applicable in New Zealand. There is a strong case for undertaking a comparable annual data collection exercise for public, local government and community housing in New Zealand.

6   Policy Options

6.1   Forces Shaping Policy Options for the Community Housing Sector

This chapter of the report puts forward two options for the future development of the community housing sector in New Zealand. These options have been framed at a 'strategic level', that is, they identify the principal role which community housing could make alongside a range of other policy levers in delivering the Government's outcomes for housing as set out in the New Zealand Housing Strategy (May 2005). The next chapter (7) provides more detail on how the recommended option might be implemented.

Before moving to a discussion of the options, it is important to appraise the broad shifts underway in the New Zealand economy and its housing markets.

6.1.1   A Shift in the Role of State Housing

As noted, New Zealand has maintained an active program of State owned and managed public housing for almost 80 years. Following a period during the early 90's when New Zealand experimented with a radical policy based on housing vouchers and the sell off of public housing, the Government has recommitted to State housing as a cornerstone of the nation's social security system. HNZC now has a portfolio of around 60,000 units across the country. In recent years, the Corporation has been adding around 800 units per year to State Housing stocks, including through leasing arrangements (HNZC, 2005 c).

Notwithstanding this restoration of the State Housing Program, public housing today performs a significantly different role to the one it played in previous decades, particularly the 1950's and 60's when the nation underwent rapid economic transformation and population growth. Public housing was then regarded as an adjunct to the industrialisation process, offering ordinary working people secure accommodation close to their jobs. A stay in State Housing was a common stepping stone to home ownership. The program was used to overcome acknowledged market failures, notably, the sluggishness of private sector supply responses to the strong influx of workers into key districts.

Whilst much of the policy rhetoric on State Housing continues to focus on issues of choice, security universal access and tenure mobility, this form of housing is now, in practice, strictly targeted to those in highest need. A large proportion of these households struggle to secure steady employment income and rely heavily on State transfer payments. State Housing has moved from a mainstream tenure choice to a largely 'safety net' function.

The concentration of disadvantage in some HNZC estates has compounded this contemporary view of public housing as 'accommodation of last resort'. In some regions, this has been exacerbated by

economic restructuring that has left significant stocks of HNZC housing without a dependable local base of employment and services.

The role of the State Housing sector has shifted from that which it fulfilled in the early post war period, and there is no doubt that it faces major challenges in both asset and tenancy management terms. Nevertheless, the imperative remains for Governments to keep a strong 'bricks and mortar' focus in their housing strategies, as opposed to relying exclusively or primarily on the transfer payment system and competitive markets to deliver satisfactory outcomes. Direct Government investment in stock expansion continues to be the most cost efficient way of delivering housing assistance to lower income groups.

From a government's perspective, income transfers direct to tenants or via landlords (leasing schemes) have the major advantage of being able to offer housing assistance to a much greater number of households – but not in the long run. We illustrate this in schematic fashion as follows. Assume that all targetted households had an annual income of $25,000 and that their affordable rent was $7,500 per annum, or 30% of income. Assume also that the purchase cost of suitable dwellings for these households is $250,000 and that the market rent, set at 6% of capital value is $15,000 per annum. Government would therefore need to pay each household (or their landlords) $7,500 each year so that they might have access to appropriate and affordable housing. If the government's global housing assistance budget were limited to, say $200 million each year, it would be able to provide effective assistance to 26,666 households in the first and all subsequent years. If the government were to dedicate its $200 million to a capital purchase program instead, it would only be able to offer assistance to a little over 800 households in the first year, assuming there is no operating surplus on the letting of these dwellings at affordable rents. Thus, by opting for vouchers or leasing schemes, the government could deliver effective housing assistance to around 30 times more households than it could by building or purchasing housing itself.

However, because State housing will continue to deliver affordable accommodation indefinitely if properly maintained and managed, the number of households which governments can assist will be greater under this strategy, given sufficient time. This can be illustrated using the same hypothetical example outlined above. As noted, an annual budget of $200 million will initially 'buy' 800 State housing places. With its fresh budget allocation of $200 million in year 2, the government's public housing agency will be able to assist a further 800 households, but will have the benefit of the stock purchased in the previous year, so that 1,600 households will be provided with affordable housing in total. Given this accumulation of stock, the government will eventually be in position where it can offer assistance to a greater number of households by adhering to a stock acquisition as opposed to income top up programs. In this hypothetical example, this occurs at year 34 - see Figure 39. The 'cross-over' point is sensitive to each of the key variables set out in the hypothetical above – dwelling cost, rental yield, and household income.

**Figure 39   Number of Households Assisted Each Year – Vouchers/Leasing vs Public Housing Investment**
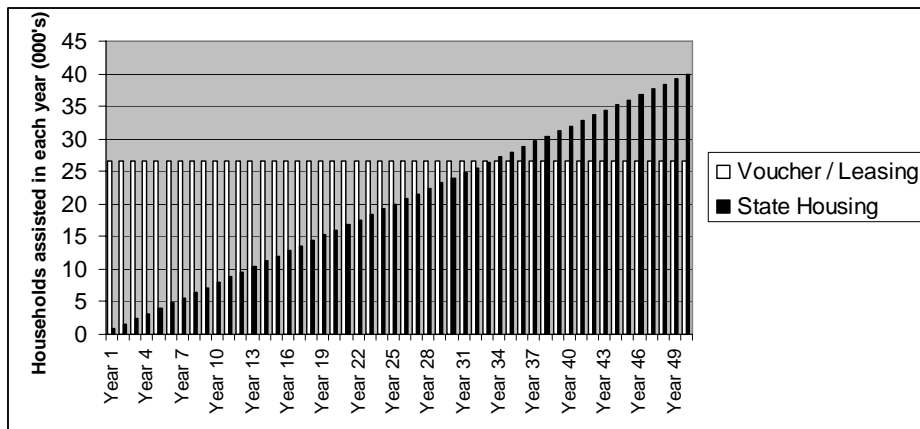
The cumulative housing yield argument can be criticised on the basis that there is no inherent reason why the cost of acquiring housing services through the private market (i.e. leasing) should be more than provision through the public ownership. Arguably, the ramping up of housing yield in the public housing scenario just outlined results simply from government choosing, as a housing investor, to plough returns from this investment back into housing provision. In theory, government could achieve a similar upward sloping profile for housing voucher schemes by undertaking other investments and feeding the returns back into the scheme. For example, the government housing agency could provide assistance to 800 households in the first year by way of housing vouchers instead of public housing. This would cost some $6.0 million. The remaining $194 million could be invested in other commercial activities. In the second year, the agency could again assist 800 households with its fresh budget allocation, but could also assist a further number from the return provided by the funds invested in the previous year and so on. Depending on the investment yields on offer, the government could theoretically achieve a superior cumulative housing profile with vouchers / leasing compared to public housing investment.

There is, however, a further cost effectiveness argument in favour of public housing provision. The supply curve for housing in the private rental market is likely to have the conventional upward sloping configuration. That is, more stock will be provided as the price on offer increases and, conversely, as the price falls fewer landlords will be interested in supplying stock. As the demand for housing in the targetted sector of the community expands, landlords will require a higher rental to meet expressed accommodation needs. This implies a higher top up payment from government given that capacity to pay amongst the targetted households will not have improved.

The greater top up payment required to induce a supply response from landlords cannot easily be confined to the marginal increase in demand (i.e. 'BC' quantity of housing services in Figure 40). The increased top up payment must be made to *all* targetted households in the equilibrium situation, i.e. for the full quantum of housing services 'AC' on the chart. This would make it very costly for government to fund an adequate expansion of affordable housing through vouchers or leasing arrangements[12].

[12] See Industry Commission, 1993; Public Housing, Australian Government Publishing Services, Canberra

Figure 40   Inducing Supply Expansion through Income Transfers
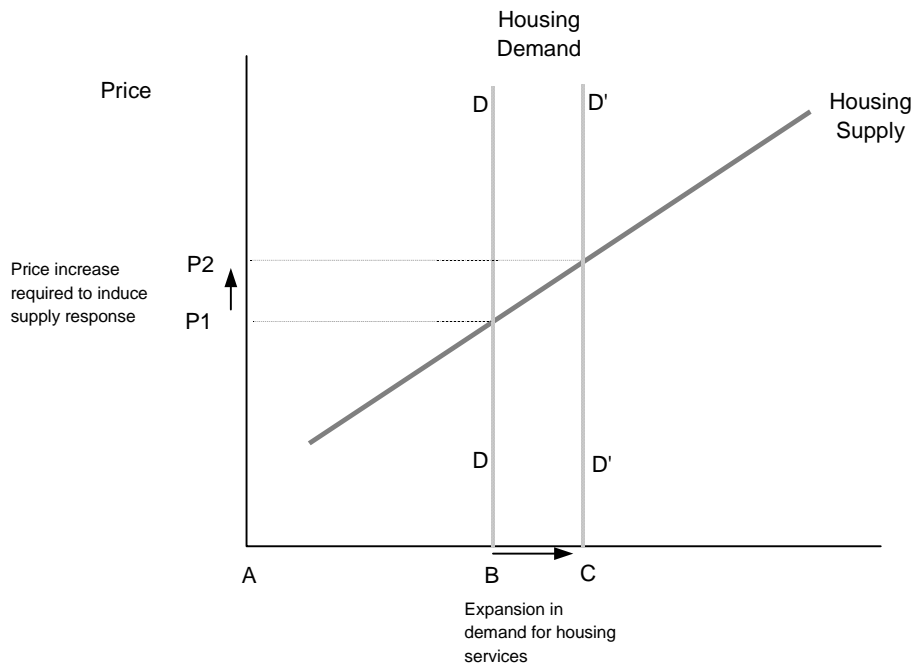
Some of these cost pressures began to be felt towards the end of the New Zealand public housing 'sell down' experiment in the 90's. For similar reasons, the failure to adequately fund alternative Government housing investment programs following the reform of public (Council) housing in the UK led to a reduced supply side capacity which has fuelled house price inflation and made the task of alleviating housing stress amongst lower income groups all the more difficult in that nation (SGS & CS, 2007)

Aside from issues of relative cost effectiveness, ongoing involvement in State housing provision is justified on the basis that some households may struggle to gain suitable accommodation in the private rental sector, their income top up notwithstanding. While laws have been enacted to prevent unfair discrimination in the assignment of rental leases, particular ethnic groups, single parents, mental health clients, ex prisoners and others still face serious difficulties in this market. Moreover, the mainstream private rental sector generally does not cater well for people with special needs (e.g. older people or those with physical or intellectual disabilities). Finally, the private rental sector generally cannot offer security of tenure for low income people, a factor which might be important for households struggling to establish themselves in training and employment endeavours.

Whilst the case for continuing Government investment in bricks and mortar for affordable housing is clear, this does not mean that the traditional programs for delivering this investment remain the most efficient and effective. Large scale programs operated by a single government agency, like the HNZC, may have been appropriate in an environment of rapid population growth and material and skill shortages in New Zealand as in the early post war period. Today, the continuing relevance of maintaining just one dominant player in the delivery of State funded housing is questionable. The reasons are to do with providing more choice for the users of the housing

funded by Government, and promoting innovation via contestability in the right to deploy financial and housing assets made available by Government. These arguments lie behind the promotion of a large scale 'Third Sector' in the delivery of housing assistance in countries like the UK, and more recently, Australia.

6.1.2   Home Ownership a More Distant Dream

There is mounting evidence of a sharp decline in access to home ownership. Whereas ownership might have once been considered the natural and normal culmination of the housing careers of ordinary New Zealanders, it now seems that the prospect of an extended or indefinite stay in rental housing is rapidly migrating up the income distribution. The home ownership rate in New Zealand was very high by international standards in 1991, at almost 74%. This shrank to less than 68% in 2001 and is expected to fall further to around 62% by 2016 (CHRANZ, 2007[13]).

There are numerous theories regarding the main drivers behind what appears to be a structural shift in access to home ownership. Housing industry representatives typically point to land supply constraints and over-use of up-front charging for infrastructure as the principal reasons for the 'crisis' in home ownership. Others explain the shift primarily by reference to demand side trends, particularly immigration, the deferred formation of permanent relationships and child bearing among the young, the need to maintain greater mobility in the labour market, and increased construction costs due to a reduced willingness to compromise on housing floor area, appointments and location relative to the expectations of prior generations.

It seems likely that for the foreseeable future, a significantly greater proportion of the dwelling requirements of those in the early and middle reaches of both the income distribution and the family lifecycle will need to be met via investor supplied housing as opposed to owner-occupied housing. Indeed, analysts increasingly refer to a rapidly growing 'intermediate housing market'. These are working households unable to afford to buy a dwelling at the lower quartile house price. CHRANZ (2007[14]) reports that the intermediate housing market grew by 239% between 2001 and 2006 in the Auckland region.

Given the long running strong performance of the New Zealand economy, in part underpinned by an increase in domestic purchasing power with the reduction in the cost of imported manufactured goods ('the China effect'), and given the generally low interest rate environment which has prevailed over the past decade or so (recent rises notwithstanding), asset prices in all classes have been pushed up to new structural highs[15]. Housing has been no exception, at least in those regions with buoyant labour markets and strong migration trends. Those already in home ownership, and enjoying a positive wealth effect, have extended their portfolios into investment housing (or second homes) in some numbers. In the process, it seems that prices have been bid up beyond the affordability margins for first time buyers in the third income quintile and even in the lower reaches of the 4th quintile in some regions of New Zealand (SGS & CS, 2007). Whilst prices should ultimately reflect demand conditions in the real economy, that is, the underlying rate

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[13] http://www.chranz.co.nz/pdfs/future-of-home-ownership-and-the-role-of-the-private-rental-market-in-auckland-bulletin.pdf

[14] ibid

[15] See Australian Financial Review 24/1/2007, p 49

of household formation, and supply side capacity, housing markets are characterised by a 'downward stickiness' in traded values, as sellers of such lumpy assets are more inclined to ride out cycles rather than release stock when prices are soft.

The fact that the supply of housing for middle income groups will be more reliant on investors than in the past may be significant in so far as the supply curve for investment housing has a different profile to the supply curve for owner occupied housing. Current rental markets in New Zealand are characterised by a preponderance of smaller investors who self manage their properties (CHRANZ, 2007[16]). Large scale institutional investment in long term rental housing is uncommon. The flow of capital into rental housing is driven mainly by expectations of capital gain over the medium term and tax benefits. Expectations around these factors tend to be volatile, implying that supply side responses to market shifts are not as smooth as they could be. Institutional managers of capital are more likely to take a long term view, gear their investments to underlying demand and maintain a balanced pipeline of projects, all helping to alleviate stop-start market adjustments in the rental market.

The supply side inefficiencies engendered by the preponderance of small scale, 'amateur' investors in rental housing is exemplified by current circumstances in Australia. The vacancy rate across key cities is at an historic low at 1.3% (down from 4.0% in 2002). New dwelling construction last year (2006) was 20% below underlying demand and rents are one of the few items in the Consumer Price Index basket to be rising strongly. Yet some key observers, for example, the Master Builders Australia Chief Economist, argue that it will take another 18 months of rent rises before investors will be attracted back into the market in numbers. Meanwhile, purchase prices remain unaffordable to large segments of the 'middle income' population.

Such concerns are echoed in the New Zealand Housing Strategy, which states…

> *The decline in owner-occupation has been accompanied by increased investment in rental property. This investment may not continue, however, if rental yields fall too far behind house prices. In some regions, rental housing returns are below the cost of capital, and investors may be relying on capital gains and tax advantages to make a return on their investments. This may not be a sustainable basis for ongoing investment that delivers a stable rental market.*

The upshot of these dynamics is that the market is not well geared to supplying housing at an affordable price to the intermediate sector. Moreover, it seems unlikely that the current affordability stresses faced by the intermediate sector can be resolved through spontaneous market correction, at least not any time soon. These circumstances also point to the need for a new, large scale player in the housing market, focussed on the delivery of affordable housing on a not for dividend basis. The cost of capital of these organisations tends to be less than the "hurdle" risk-adjusted investment rate required by commercial (for profit and dividend) businesses and arguably private investors (even though rental yields are in some cases below the cost of capital)..

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[16] http://www.chranz.co.nz/pdfs/future-of-home-ownership-and-the-role-of-the-private-rental-market-in-auckland-bulletin.pdf

6.1.3   The Sustainability Agenda

Strategies to deal with the shifts outlined above must address a sustainability agenda. Certainly, this means locating, building and modifying housing so that its environmental impact, or 'footprint', is minimised. These issues relate to the thermal performance of buildings, their embodied energy, the recycling of materials, water conservation and maintenance of bio-diversity.

Of particular interest in this study are the social, cultural and economic dimensions of sustainability. Housing markets 'left to their own devices' can generate a number of challenges in this regard, including:

- **Social polarisation** within cities, with lower income groups forced into distant or fringe locations which are jobs and infrastructure poor. In more extreme cases, lower income and marginalised groups may become so spatially concentrated that private disadvantage is compounded and 'locked' in by place disadvantage. As noted, there is some evidence of this happening in older HNZC estates which have been 'bypassed' by structural economic change.
- **Social dislocation and loss of cultural cohesion**, as younger people, and, perhaps older home owners looking for more compact accommodation, are forced out of their familiar environments and away from support networks of friends and family.
- **Diminished regional economic performance**, as businesses in high cost districts of the city struggle to attract and retain quality staff because of shortages of affordable accommodation. This has long been recognised as a serious issue in London and New York, where the authorities have initiated various forms of 'key worker' programs. These are increasingly relevant in cities like Sydney, Melbourne and Auckland (and several other New Zealand cities) which have sustained some of the fastest rises in housing prices in the OECD (SGS & CS, 2007). The 'essential worker' rationale is being increasingly cited in Australasian policy practice (see text box).

Docklands Affordable Housing Project - Melbourne
Lend Lease has formed a partnership with the State Government and a fledgling Housing Association to incorporate affordable housing into the otherwise 'up market' Docklands District in central Melbourne

In launching the scheme in November 2006, the Housing Minister specifically highlighted that the 50 new apartments would be ideal for Melbourne's essential workers.

The project will include a mix of one, two and three-bedroom apartments in the new building at below market value.

The project will go ahead thanks to a $10.8 million funding injection from the Bracks Government ($5.4 from the Office of Housing and $5.4 from the Victorian Property Fund). Other contributors to the project include the National Australia

Bank ($12.5 million through a commercial loan), a GST rebate (worth $1.7 million) and Melbourne Affordable Housing ($300,000).

The building will also contain 102 privately owned residential apartments. The affordable housing will have the same floor plan as the private apartments and will be located on five floors in the new 12 storey building on Bourke Street.

"Melbourne Affordable Housing will manage the development and encourage essential workers to take up the offer of a new Docklands apartment," the Housing Minister said. "Until now many Victorians have been priced out of the city. This project is in the ideal location for Melbourne's workers – it is close to job opportunities, public transport and all the entertainment the city has to offer. It involves a fresh approach to housing for lower income families and an innovative partnership between government, community and the private sector."

Source http://hnb.dhs.vic.gov.au

The sustainability agenda requires housing market players who are adept at forging partnerships and making links to education, jobs, health services and other parallel drivers of household and community well-being. In its current role as a largely 'safety net' provider, HNZC is not especially well placed to perform these linkage and brokerage functions, at least not exclusively. The private sector in its own right cannot be relied upon to address these issues. The sustainability agenda also points to the need for a large scale 'Third Sector' in the housing market.

6.2 Strategic Direction for Affordable Housing Policy in New Zealand

Based on the considerations outlined above, this study has arrived at the conclusion that New Zealand policy on affordable housing requires a significant overhaul. The efficacy of current arrangements which, in broad terms, rely on the (commercial) market to meet the vast majority of housing needs whilst a safety net is offered via State housing and the Accommodation Supplement, is now highly questionable. These arrangements do not adequately address the rise of the intermediate market. They offer limited choice to lower income New Zealanders. Moreover, there is no inbuilt policy response to the potential for social polarisation within the major cities, generated by the spatial stratification of housing prices and rentals.

Thus, regardless of the course taken for the community housing sector's development, we believe New Zealand needs a strategy for the rapid development of a Third Sector. The question for the community housing sector concerns what role it wishes to play in this wider reform process. We now turn to this question.

6.3 The Options for Community Housing

6.3.1 Overview

The broad choice facing the community housing sector in New Zealand is whether to lead development of a large scale, commercially oriented 'Third Sector', which will address the affordable housing needs of the intermediate market as well as those requiring 'safety net housing', or, focus on playing a supplementary role within the social housing sector, that is, taking care of largely very low income groups with special needs. These options are elaborated in the following pages, drawing on the discussion introduced in Section 2.1.1 at page 6.

The two visions presented below are not mutually exclusive. In fact, Vision 2 represents an *extension* to the current remit of the community housing sector, as distinct from a departure from or abandonment of this role. In other words, Vision 2 incorporates Vision 1, but holds a more ambitious aspiration regarding the breadth of the community housing sectors contribution to affordable housing outcomes in New Zealand.

6.3.2 Vision 1: Community Housing as a Niche Social Housing Provider

Option 1 envisages that there will be a large scale Third Sector in New Zealand but this will be driven by entirely new not for dividend businesses, seeded under purpose designed legislation. Some of the larger, more commercially minded, community housing groups currently in operation may seek to transfer to this new legislative environment, but in the main, the community housing sector as observed today would continue to work as specialist providers within the social housing sector.

As specialist providers, their focus would be on low income and disadvantaged groups whose special requirements are not readily reconciled with the routine rent operations of HNZC. Such groups might include tenants with disabilities, the aged, youth, ex-prisoners, refugees and Maori and Islander communities, particularly in regional locations.

The driving principles behind the culture and purpose of community housing under this model will be tenant development and support, with financial entrepreneurship important but of a second order. Housing portfolios and management costs per tenant may be quite high but nonetheless acceptable given the broader personal and community benefits delivered by the service in question.

The great majority of community housing providers in this option would remain dependent on Government capital grants and recurrent funding for their ongoing viability. They would operate as contracted providers of (acknowledged) high cost human services. In a sense, their role would be to act as 'sub-contractors' to the mainstream public housing providers (HNZC) albeit that they may have direct funding streams and accountabilities to Central Government. Continuing financial

dependence on government funding inevitably means that the sector will be exposed to future changes in national housing and budgetary policy.

In terms of institutional arrangements to support this vision for the community housing sector, the emphasis would be on embellishing and evolving current structures. These include a 'capacity building' organisation within the sector (CHAI) and a diverse set of program rules for monitoring effective use of government resources. CHAI's role and resources would be boosted over time, in line with the greater specialist role taken on by the community housing sector. Because of the over-riding importance of crafting services to suit observed needs, it is unlikely that a centralised registration and supervision system for community housing providers would be appropriate. Successful delivery of the desired service outcomes would be audited on a program by program basis. Ultimately, CHAI would become the principal source of sector wide intelligence on service performance, and this information would be collected largely through voluntary means as part of a self initiated sector development process.

There could be a case under Vision 1 for evolving current supervision arrangements away from the central role played by HNZC, towards the establishment of an independent policy and funding agency with a particular focus on community housing. The sector is independent of government, but this is often forgotten when it is administered from within an agency with primary responsibility for state housing. A separate institution would have a clearer understanding and focus on the role of community social housing.

Nevertheless, Vision 1 is essentially for 'more of the same', but operated with additional resources to enable providers to learn from, and support, each other.

6.3.3 Vision 2: Community Housing as the Mainstay of the Third Sector

In this vision, the community housing sector diversifies aggressively into two new fields, whilst retaining its function as a provider of specialist social housing services. The two new fields would include:
- Provision of *mainstream* social housing services, potentially in competition with HNZC; and
- Provision of housing services for the intermediate market, including affordable rental housing for moderate and lower income working households, and various forms of subsidised and unsubsidised home ownership products targeted at moderate income groups that would otherwise struggle to move into this tenure.

Whilst a proportion of current community housing organisations may choose to retain a narrow focus on groups with special needs, the majority would seek registration as 'affordable housing providers (AHP's)' and adopt business development strategies to rapidly commence or expand activities in the above two fields.

For some community housing providers making this choice, a significant change in organisational culture and direction will be required. The necessary business model, as illustrated in Table 1 on page 9, will demand a much greater emphasis on mainstream financial and business management skills, aimed at pushing the organisation to a self-sustaining footing as quickly as possible. For the

two new areas of business, the imperative will be for economies of scale and innovative property development to capture value and recycle it into affordable housing.

Cultural change is likely to flow from the jump in portfolio size if nothing else. Successful 'Third Sector' providers will need to aspire to rental rolls of at least several hundreds, if not thousands (see discussion below).

Community housing providers in this model will still be contracted to provide various subsidised services, and can expect significant capital and recurrent funding from Government to this end. However, in some contrast to Vision 1, providers are likely to hold unencumbered title to their housing assets (including those provided by Government) and will be expected to leverage these in attracting further (private) capital into the provision of affordable housing. Supplementary funding sources could also be harnessed under this vision, including mandatory development contributions for affordable housing.

The institutional arrangements for the community housing sector under this vision are likely to feature a new prudential / supervisory body at the national level. This would be responsible for:

- Registering AHP's;
- Making capital allocations to AHP's according to Government funding guidelines;
- Auditing the financial performance of the AHP's to safeguard the Government investment in these organisations;
- Monitor the overall performance of the Third Sector in meeting the Government's affordable housing objectives.

CHAI would remain as a capacity building resource within the sector, though its focus may change along with the more commercial orientation of most providers. Alternatively, it could continue to play a support role for those parts of member organisations charged with delivering housing services to groups with special needs.

6.4 The Visions and the New Zealand Housing Strategy

On our reading, the first of the above visions – where community housing continues to focus on its niche services role - aligns more readily with New Zealand Housing Strategy (NZHS). The Strategy has a strong emphasis on improving housing market efficiency, in terms of such matters as land supply, skills supply and development costs including infrastructure contributions (*Area 1: Sustainable Housing Supply*). With respect to lower income groups suffering housing stress, the NZHS re-emphasises the current Government's long standing view that "State housing is central to meeting the housing needs of those requiring direct assistance and will remain at the core of Government assistance".

The Strategy is premised on the belief that "the New Zealand housing market successfully caters for the housing needs of about 90% of New Zealanders". It goes on to say that ..

> *"Where the market does not adequately provide, Government will work with community organisations, local government, iwi and other agencies to improve the delivery of social housing for low and modest income families in all areas of the country".*

This perspective accords with the view that community housing can play a supporting or 'adjunct' role to the prime mover in the Government's plan to manage housing stress – the State Housing Program.

More generally, while the NZHS appears to acknowledge some structural deficiencies in the housing market in the modern New Zealand economy, and alludes to the emergence of an 'intermediate market', it falls short of either strong advocacy or explicit objectives for rapid expansion of a major, not for dividend, 'Third Sector'. The Strategy does outline some initial funding initiatives such as the Housing Innovation Fund and Local Government Fund which seek to develop community housing, and includes an objective of 'exploring opportunities to foster large-scale, third sector housing providers'. But this is conceived of in relatively narrow sense, with local government a prime target. Moreover, as we have noted, there is little urgency attached to this action, with it being ascribed medium to long term status. In general, the NZHS does not outline a case for a new force within the housing market to cater for working households who, unlike their counterparts of a generation ago, may have to indefinitely shelve aspirations of home ownership.

More recently, the Government has suggested that it is looking for solutions beyond those foreshadowed in the NZHS. For example, the Housing Minister has indicated that an 'Affordable Housing Act may be necessary to, amongst other things, require developers to incorporate a proportion of affordable housing in their projects[17]. Based on UK experience, such a move would require a well developed Third Sector to take custody of the stock so generated.

In today's environment, it is not clear that the market 'successfully caters for 90% of New Zealand housing needs'. Notwithstanding its relatively recent vintage, the NZHS may well require an overhaul. In such a scenario, a much stronger focus on an innovative and dynamic Third Sector might be anticipated. This would open the door to a new development pathway for community housing, along the lines of Vision 2.

Vision 2 would offer a range of additional benefits vis a vis Vision 1 and the current arrangements in New Zealand. It would provide:

- an enhanced capacity to finance expansion of social housing, by harnessing the asset leveraging flexibility that non-government providers enjoy;
- a 'mainstream' housing alternative to HNZC for low and moderate income earners;
- a potential spur to innovation in tenancy and asset management within the social housing sector, through greater 'competition by comparison' within the sector;
- a platform for the development of affordable housing products targeted at the intermediate sector, including cross-subsidised rental housing, shared equity, rent to buy and assisted home loans;
- a vehicle for deploying the proceeds of Inclusionary Zoning, value capture and other planning mechanisms which might generate cash or stock for affordable housing; and

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[17] New Zealand Herald, April 28, 2007

- a more diverse affordable housing / social housing sector and wider variation of business models, which can better support skills development.

Ultimately, whether this vision is pursued or not is a matter for individual providers. But to assist the sector to contemplate its strategic options we outline in the next and final chapter how Vision 2 might be realised.

7   Recommended Strategy

7.1   Rethinking the System

A strategy for the development of the community housing sector in New Zealand under Vision 2 as set out in the previous chapter requires some fundamental rethinking of the social housing system. The principal building blocks in this re-engineered framework for delivering housing assistance include:

- A **continued commitment by Government to direct capital investment in affordable housing**, recognising that supply side inelasticity effectively rules out strategies that rely exclusively or predominantly on providing needy households with income top ups.

- **Establishment of a large scale 'Third Sector'**, that is neither purely a social housing provider, nor purely a private sector provider in the sense that it is motivated by optimising profit and shareholder value. These would be not for dividend corporations bound by social objectives. They would actively seek contracts to deliver safety net and special needs housing services, potentially in competition with the traditional provider of such services (HNZC), but would also offer a range of other services in sub market rental housing and affordable home ownership products. They would seek out profitable development projects but with a view to ploughing the returns back into expansion of affordable housing opportunities.

- **Retention of niche providers of housing services for groups with special needs**, possibly under the auspices of larger scale Third Sector organisations, or greater use of shared services and partnerships, to capture economies of scale and scope.

- **Independent supervision and publicly reported auditing of Third Sector entities** to support institutional investment in affordable housing and to provide Government with sound advice on the performance of the sector.

- **Recognition of the 'intermediate market' as a likely indefinite feature of the New Zealand housing system**, requiring separate Government funding, above and beyond that required to secure safety net housing for those in the lowest income groups, to address issues of social polarisation and sub-optimal performance of key metropolitan and regional labour markets.

- **Continuous and systematic assessment of housing needs at the local and regional level**, involving close collaboration between local governments and the regional/district offices of HNZC. Information so collected would be pooled and appraised independently at the national level to inform regional housing budgets and the allocation of capital funding to various affordable housing providers.

- Related to the foregoing issue, **a single point of registration**, **assessment and referral at the local level for households seeking some form of social housing assistance**, whether they come from the lower income groups or from the intermediate sector. This service could be provided by local government and/or local offices of HNZC.

- **Retention of CHAI as a key agent for capacity building within the Third Sector**.

Achievement of Vision 2 is likely to require the establishment of a new agency, the 'New Zealand Housing Programs Board (NZHPB)', which would act as the Government's purchaser of affordable housing services, awarding long and short term contracts on a regional, district or target group basis to HNZC, Third Sector Providers and, potentially, private sector providers. The NZHPB would also be responsible for registration of all eligible providers and for their prudential supervision.

Vision 2 is unlikely to be realised unless Third Sector providers achieve a significant scale as independent enterprises. Scale is necessary if this Sector is to be genuinely innovative in attracting new resources, including private sector funding, into affordable housing. Scale will not eliminate the need for a degree of public subsidy when lower income groups are being offered housing at sub-market prices, but the amount of subsidy per household assisted and for a given housing outcome can be reduced significantly.

The following pages elaborate on this vital issue of scale and viability.

7.2　The Scale Imperative

Community housing by definition relates to communities and providers that have grown in response to those communities of need - as they, not government, have defined them. There will always be a need for niche providers. Likewise, there will be a continuing need for the community housing sector to focus on specialist housing, if for no other reason than the fact that currently, the only large community housing providers are organisations that offer housing as an adjunct to social and health services. It is in consideration of these factors that Vision 2 does not involve *replacement* of the community housing sector as it currently operates in New Zealand. Rather, as noted, it envisages an *extension* of community housing functions into a broader market. Under this vision, a proportion of community housing providers will continue to operate as at present, focussing on special needs or particular local requirements, whether these relate to iwi/Maori and Pacific Islander communities, older persons, students or other groups where housing issues are linked to health, labour market or cultural development objectives. Having said this, we iterate that scale in the wider community housing sector under Vision 2 is essential.

7.2.1　The minimum viable size for community housing providers

It is apparent that the community housing sector ("third sector") throughout New Zealand is characterised by many small organisations that either have very small stocks of houses, or which

are seeking funding to build or purchase their initial housing stock[18]. There are only a few medium and large organisations in existence in the New Zealand community housing sector.

Any organisation faces a range of fixed costs irrespective of size, and then a range of other semi-variable and variable costs that range in magnitude according to the size and functions performed by the organisation. There is an interlinked relationship between functions, form of organisation, and funding (Figure 41)

Figure 41   Key Elements in Organisational Design and Governance
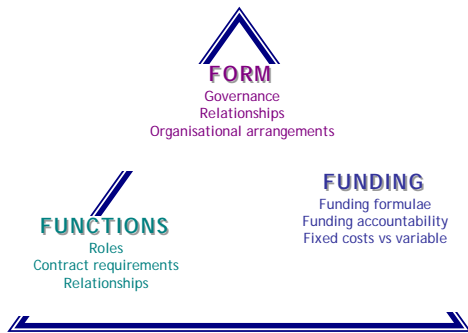
Many of these small organisations with only a few houses will not be sustainable, and will in general, as compared to the ability of an adequately resourced and staffed organisation with appropriate governance and management:

- provide an inadequate range of services to tenants or families targeted for assisted home ownership;
- fail to maintain the condition (service potential) of the housing assets;
- result in an inefficient and ineffective use of limited funding available, as a result of not achieving economies of scale, that could otherwise provide a greater "return on the investment" of scarce capital;
- be unlikely to be able to prepare a credible business case to funding organisations that they have the balance sheet and governance/management capability to secure loan finance; and
- struggle to grow and in some cases to survive

It is our view that there is a minimum sustainable size of community housing organisation. This view is supported by the parallel findings in a study completed by Capital Strategy on Primary Health Organisations ("PHO") Management Services in New Zealand[19], in which it was also concluded that there was a minimum sustainable size of PHO, and that mergers and shared service arrangements should be pursued among the smaller PHOs to achieve economies of scale. This study also produced some illustrative models of costs associated with two sample organisations which are applicable to this study. As referred to below, further research is required to identify the

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[18] Source – interviews and analysis for the Affordable Housing in the BOP – A Solutions Study by SGS Economics and Planning Pty Limited and Capital Strategy Limited (2007 in progress)., and from interviews and analysis on the Community Housing Sector in New Zealand project

[19] Review of Primary Health Organisation Management Services. Report to the Ministry of Health. Capital Strategy Limited. August 2004.

actual sustainable size of community housing organisations. This section addresses the issues and also provides an indication of sustainable size at an overview level.

7.2.2   Governance and Management

There is a high reliance on in-kind/unpaid work from staff and Board members/Trustees in the sector. While given the nature of the sector this is likely to continue it is nonetheless an undesirable situation as it does not necessarily deliver the best skills and focus required for governance, management and staff roles.

The reality of New Zealand is that it is small, the labour market is tight, and the breadth/depth of experience in housing in New Zealand is limited. Therefore there are a limited number of people available to work in governance and management roles in the sector.

This all supports the desirability of establishing a limited number of community housing organisations in New Zealand rather than encouraging the proliferation of small and fragmented organisations to continue. Organisations need to be of sufficient scale to achieve economies and establish the necessary depth of governance, management and systems to be credible to financial sector, government organisations and developers from which they are seeking funding and/or partnership relationships.

7.2.3   Fixed Versus Variable Costs

All community housing organisations require a core of staff resource and funding to undertake:
- management services such as Board or Trustee support, general management, contract management, information collection, analysis and reporting and business planning;
- transaction processing such as rents and accounts payable and receivable;
- payroll and staff records; and
- IT purchase, set-up, operation and maintenance.

There is a group of costs that range from fixed to variable including:
- tenancy management;
- property maintenance (including property records); and
- project management.

There is also a range of sometimes "hidden" additional costs in the sector, including:
- attendance at affordable housing workshops and seminars (time and travel costs);
- advocacy to central and local government;
- the time/cost of managing relationships (e.g. inter-sectoral relationships);
- communications and marketing; for example, marketing and promotion documents often have to be translated into multiple languages adding significant costs. This particularly applies to urban organisations that deal with diverse communities, and large refugee and immigrant populations.

National bodies such as CHAI that are able to speak on behalf of the sector, provide training and development services, and disseminate information on best practice, etc will enable individual organisations to reduce their costs.

7.2.4   An Illustration of a Sustainable Community Housing Organisation

An example is provided below for a basic organisation structure that is adequately resourced for effective governance, and has a basic level of management capability. The revenue requirement to match expenses is then considered which highlights the minimum estimated housing stock required for the organization to be sustainable.

The assumptions in this illustration are:
- the Community Housing Organisation (CHO) is a stand alone organisation;
- it owns its stock and has no loans;
- it has 3.5 FTEs plus associated overheads;
- there is an overhead allowance at 40% of remuneration costs; (the overhead factor is derived from comparative sector information[20], and from overhead proportions in the PHO study referred to previously);
- average rent per unit of $250 week; and
- average value of property $250,000, with the building replacement value $100,000 and land and section improvements comprising $150,000.

Table 17   Sample Community Housing Organisation

Position	FTEs	$000
Directors/Trustees	3-5	30-50
Executive officer	1	80
Administration support (including financial management)	1.5	60
Property management	0.5	35
Tenancy/client management	0.5	35
Sub-total		240-260
Plus overheads @ 40% (office rent, IT, utilities, other staff related costs, D&O insurance, etc)		84
Total		324-344

This highlights that the CHO needs at least 25-26 houses just to meet the fixed costs of an organisation to provide a basic level of service. This does not provide any ability to achieve surpluses from economies of scale such that reserves can be built up to fund growth or to meet unanticipated capital expenditure, or unanticipated costs.

This cost in the table above however does not address provision for maintenance expenditure, other operational expenditure (interest on loans, bad debts, contract cleaning, property insurance, etc) or depreciation provision.

It could be assumed that renewal expenditure according to a programmed cycle of preventive and responsive expenditure to maintain the service potential of the assets would match the

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[20] [20] Ernst Young unpublished benchmarking study of a sample of Territorial Local Authorities (TLAs) overhead costs (expressed as a % of total operating expenditure).

2003 New Zealand Business Benchmarking Survey, Management Research Centre, University of Waikato

depreciation provision over an assumed life of 25 years. Twenty six dwellings would on this basis generate a further funding requirement of $104,000 per annum, equivalent to the rent from a further 8 houses, for a total of 32 houses. The depreciation (non-cash) provision should also be of the order of $104,000 per annum for 26 houses – suggesting a minimum of 40 houses to cover these accumulated costs. This is an iterative calculation as the addition of further houses to provide rental coverage for these other costs, gives rise to a further 4% for each of maintenance expenditure and depreciation provision.

The CHO could potentially utilise a proportion of the depreciation pool for other capital purposes along with reserves, increased equity with value increase, and borrowing to grow its housing stock.

Anecdotal evidence from interviews in the community housing sector study in New Zealand, and from experience with housing associations in the UK, is that to achieve real economies (and good levels of service) community housing organisations need to have housing stock levels in the hundreds not in the 30-40-50, etc range. For instance, a professional property manager with specialist property management systems can look after 300-400 properties, and a tenancy manager approximately 150 properties similarly using specialist computer software. Established practitioners in the UK report that at least 5,000 dwellings should be under management for a Housing Association to be a real force in local development on housing outcomes.

7.2.5   Cost Saving Options

Options for the sector, in terms of cost savings, include:
- mergers;
- formation of clusters/networks of affiliated organisations establishing a shared service operation (whether regional or national shared services across like minded organisations);
- formation of clusters/networks of individual community housing organisations agreeing to specialise in certain functions and sharing knowledge and expertise with others to avoid duplication of some staff and functions;
- establishment of national bodies establishing a shared service operation for some or all of its members; and
- purchasing management services from an independent organisation, whether another Community Housing Organisation or a specialist service provider.

The advantages and disadvantages of these strategies are summarised in Table 18.

Shared or contract services could include:
- property management;
- tenancy management;
- accounting transactions e.g. accounts payable or receivable, payroll, etc;
- IT systems and software (e.g. several organisations accessing a single server running a jointly purchased property management system);
- insurance; and
- bulk purchasing.

Table 18   Cost Saving Strategies

Options	Pros	Cons
Mergers	Avoids duplication of staff and overheads Economies of scale by providing services to a larger pool Better utilisation of specialist resources	Small CHOs risk loss of own identify if absorbed and aligned to larger CHO philosophy Risk of diminished focus on particular communities of interest
Clusters/networks of affiliated CHOs establishing a shared service operation	Information sharing and collaboration Avoids duplication of staff and overheads Better utilisation of resources Provides depth of staff resources and systems Driven by the CHOs.	Potential for conflict between shared service operation and autonomous CHOs Need for leadership to drive and co-ordinate across network Diverse CHO philosophies may be a barrier
National body establishing a shared service operation for its CHO members	Better utilisation of resources. Avoids duplication of staff and overheads	Success dependent on relationship with its members
Purchasing all or some services from a management service organisation (MSO)	MSOs have experience in delivering management services Economies of scale by accessing services supplied to a larger pool of contracted parties	CHO uncertainty as to whether it is getting value for money. Inability/inexperience of CHO to monitor performance of MSO.

The cost benefits can easily be seen by taking the example of one variant of a network approach; that is, where one CHO in a network establishes capacity for the network in one or more management service areas that is then shared across the other CHOs. This approach:

- Avoids duplication of staff and overheads (whether full or partial FTEs) in each individual CHO
- Provides depth of staff resources and systems in one organisation that caters for staff leaving and also where particular skills are hard to recruit or attract to a particular area.

For example a single full time property maintenance specialist could serve (say) 3 small organisations.

Table 19   Network management of property maintenance: Estimated Cost Savings for 3 Small CHOs in a Network versus Stand Alone Provision

Network Provision		Stand Alone Provision		Total Cost Saving	Cost Saving Per CHO
1 FTE	$70,000	3 x 0.5 FTEs	$105,000		
Overheads	$28,000	Overheads	$42,000		
Total	$98,000		$147,000	$49,000	$16,300

7.2.6   Further Research Required

It is recommended that further research is completed to develop some models of costs of sustainable organisations in the community housing sector in New Zealand.

This work should incorporate:

- Identification of core functions;
- Identification of minimum fixed overhead costs regardless of organisation size;
- Identification of semi-variable and variable costs;
- Modelling of housing stock requirements to meet costs at various equity and debt levels and different scenarios of growth in housing stock;
- The required revenue from rental, sales, and/or development income to match fixed and variable costs and to determine the relationship between size/revenue/costs as the housing stock increases;
- Analysis of the impact of shared equity and rent-to-buy arrangements on revenue and cost structures over time;
- Breakpoints that enable organisations to purchase specialist systems;
- Development of "costed" scenarios for community housing organisations both on a standalone basis, and also for those engaging in shared service and/or contracting out arrangements;
- Issues and options associated with management of the relationship with the "communities of interest" as size of the organisation changes and impacts of shared service arrangements; and
- Consideration of appropriate policies in relation to depreciation, renewal expenditure, etc in order that housing stock is maintained at an appropriate condition (maintain the service potential of the asset).

7.3   Institutional Framework

7.3.1   Overview

Figure 42 outlines an institutional framework within which the community housing sector might develop into the mainstay of the New Zealand Third Sector. As noted, based on the analysis in this report and related studies, including recent CHRANZ projects examining the future of rental housing in Auckland and affordability issues in the Bay of Plenty Region, the framework set out below would, with some refinement, remain relevant and worthwhile even if the community housing sector chose a more confined role within the social housing industry (Vision 1, as described in Section 5).

An important reform from current arrangements in moving to the structure shown in Figure 42 is that HNZC would focus on its housing service delivery roles, while policy advice and needs assessment would rest with the new NZHPB.

It should also be noted that under the proposed institutional framework, it is envisaged that HNZC would ultimately be encouraged to diversify back into the provision of services for the intermediate sector, as the retention of a government business operating solely as 'landlord of last resort' is problematic from a social sustainability point of view. Similarly, the proposed framework envisages that eventually, private sector providers would be freed to bid for service contracts to provide rental housing for the low income and intermediate housing groups and, perhaps, shared equity product for the intermediate sector, as well.

Local government is currently a significant provider of affordable housing with some 14,500 dwelling units under its direct or indirect influence. Typically, those local governments that have chosen to remain in the direct provision role do so to meet specific community defined needs, particularly for older persons housing. In this sense, they are best seen as part of the community housing sector, embedded within the 'Third Sector' in the terms of Figure 42, rather than the 'State housing' sector.

Local government's most critical role under these institutional arrangements would focus on local housing needs assessment and demand trends. This information would inform the gamut of providers, being they the HNZC, large scale Third Sector providers, niche Third Sector providers (focussed on particular needs groups, iwi/Maori and Pacific Island people or other special local requirements), private sector providers and, indeed, local government providers themselves. Local government could also play an important role in garnering supplementary financial resources via the planning system for affordable housing, through mechanisms such as Inclusionary Zoning and betterment capture.

7.3.2   Implementation

The research reported here shows clearly that the community housing sector in New Zealand is still in its infancy. Organisational capacity is typically well below the requirements to deliver the strategy summarised in Figure 42.

We recommend a staged implementation strategy with the initial focus on two priorities;

- Resolving institutional arrangements for the registration and prudential supervision of 'Third Sector' providers; and
- Capacity building within the sector, including;
    - the accelerated growth of a handful of community housing entities through priority funding, and provision of additional targeted support to boost governance, management and systems capability; and
    - the expanded resourcing of CHAI to provide enhanced professional development services for the sector, especially in financial management and corporate governance issues.

In our view, there is some urgency to deal with these institutional and capacity building issues. But, recognising the magnitude of the reforms required, and the organisational, legislative and cultural changes they imply, we would expect that this initial implementation stage might require between 24 and 36 months to fully bed down.

Beyond this time frame, stock transfers to capable community housing providers and/or further major capital injections from Central Government would be warranted.

Figure 42   Vision 2 – Institutional Framework
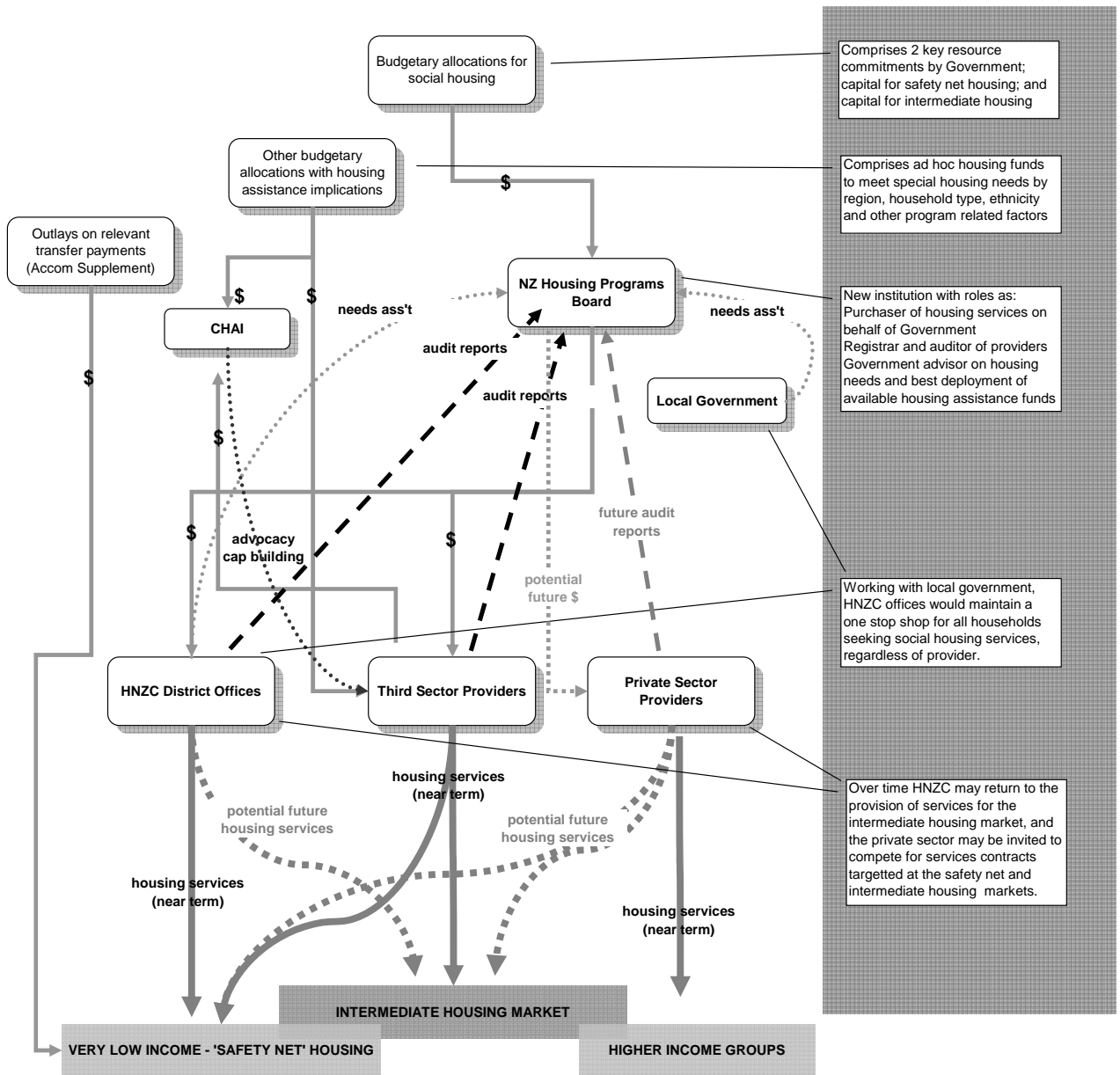
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Appendix A: Questionnaire for Community Housing Providers

Privacy: ***Please note that all survey responses will be aggregated and used for statistical purposes by Capital Strategy Ltd and SGS Economics and Planning Pty Ltd alone. Individual responses to the survey are treated as confidential information and will not be published or discussed with any third party including CHRANZ, HNZC or CHAI.***

Part A. Basic Organisation Details

A1	Name of Organisation (Please note that all responses will be treated confidentially. This information is for reference purposes only).	_____	
A2	Please indicate the City and District Council areas in which your organisation provides housing-related services	_____ ❑1 _____ ❑2 _____ ❑3 _____ ❑4 _____ ❑5 _____ ❑6 National (New Zealand-wide) ❑7	
	Please indicate the Iwi / Hapu area(s) in which your organisation provides housing-related services	_____ ❑1 _____ ❑2 _____ ❑3 _____ ❑4 _____ ❑5 _____ ❑6 Not relevant ❑7	
A3	Size of organisation	Single Office ❑1 Multiple Offices (only in New Zealand) ❑2 Multiple Offices (worldwide) ❑3	
A4	Number of employees	____ paid FTEs ❑1 ____ voluntary FTEs ❑2	
A5	Organisation structure (tick all that apply)	Trust ❑1 Incorporated Society ❑2 Limited Liability Company ❑3 Housing Cooperative ❑4 Housing Association ❑5 Community Service Organisation ❑6 Maori Organisation ❑7	

		Pacific Islander Organisation	❑8
		Other _____	❑9
A6	Status of organisation	Not-for-Profit	❑1
		For-Profit	❑2
		Registered Charitable Organisation	❑3
A7	Governance of organisation	❑ _____ (Number of trustees)	❑1
		❑ _____ (Number of directors	❑2
		❑ _____ (Other – please specify)	❑3

A8	What were the main housing-related services carried out by your organisation in the **2005/06** financial year? (Please tick all that apply)	
	1. Provider of Low-Cost Housing for Rent or Home Ownership	
	Owner of medium or long-term rental accommodation	❑1
	Manager of medium or long-term rental accommodation	❑2
	Owner of boarding house accommodation	❑3
	Manager of boarding house accommodation	❑4
	Development or construction of low-cost accommodation for rent	❑5
	Development or construction of low-cost accommodation for home-owners	❑6
	Self-build projects	❑7
	Shared-ownership scheme	❑8
	Papakainga Housing	❑9
	2. Provider of Specialist Accommodation	
	Disability accommodation	❑10
	Aged Care accommodation	❑11
	Emergency accommodation	❑12
	Night shelters	❑13
	Refuge accommodation	❑14
	Transitional rental accommodation	❑15
	3. Other Housing-Related Services	
	Information	❑16
	Advocacy	❑17
	Landlord Liaison	❑18
	Home Ownership Training	❑19
	Home Loan Advice	❑20
	Lending	❑21
	Home Maintenance	❑22
	Retrofit	❑23
	Other (please specify) _____	❑24
A9	Are you a stand-alone organisation, or are you in a joint-venture or partnership with any other organisations? If so, please indicate who you are in partnership with and the nature of the relationship	❑1
A10	Number of years involved in housing-related activities	____ years ❑1
A11	Target Client Groups – please indicate (up to 3) main client group(s) targeted by your organisation	Low-income Families ❑1
		Low-income Individuals ❑2
		New Immigrants to New Zealand ❑3
		Women ❑4
		Maori ❑5
		Pacific Islander ❑6
		Youth (20 years or less) ❑7

			Elderly (55+ years)	❑8
			First home-buyers	❑9
			Key workers	❑10
			Mental Health	❑11
			Physical Disability	❑12
			Intellectual Disability	❑13
			Homeless	❑14
		Other (please specify) _____		
A12	Does your organisation **own and manage** low-cost rental accommodation		Yes ❑ (Go to **Part B**)	
	If your organisation **manages** low-cost rental accommodation		Yes ❑ (Go to **Part C**)	
	None of the above		Yes ❑ (Go to **Part D**)	

Part B. Owner & Manager of Low-Cost Housing

B1	Please indicate the total number of housing units <u>owned</u> by your organisation in **2005/2006** in each Council area per household size on the attached table. (*note that a housing unit is a self-contained place of residence which includes spaces and facilities for sleeping, eating, food preparation, relaxation and bathing.*)
B2	Total Number of Housing Units _____ 1
B3	Please indicate the number of beds provided in hostels or boarding houses <u>owned</u> by your organisation per Council area on the attached table.
B4	Total Number of Boarding House & Hostel Beds: _____ 1
B5	Please indicate the total number of wheelchair accessible units owned by your organisation per Council area on the attached table.
B6	Purpose built fully accessible ❑ _____ (Number of housing units) 1 Fully adapted ❑ _____ (Number of housing units) 2 Partly adapted ❑ _____ (Number of housing units) 3
B7	Please indicate how you came to acquire the housing units <u>owned</u> by your organisation in 2006 Purchased by your organisation ❑ _____ (Number of housing units) 1 New housing units built by your organisation ❑ _____ (Number of housing units) 2 New housing units bought by your organisation ❑ _____ (Number of housing units) 3 Property donated to your organisation ❑ _____ (Number of housing units) 4
B8	Historically, what has been the primary source of capital funding for the <u>purchase</u> of any housing units owned by your organisation Bank Loan ❑ _____ (estimated % of total funding) 1 Donations / Fundraising ❑ _____ (estimated % of total funding) 2 HNZC Housing Innovation Fund ❑ _____ (estimated % of total funding) 3 Operational Reserves ❑ _____ (estimated % of total funding) 4 Shared Equity Scheme ❑ _____ (estimated % of total funding) 5 Housing Cooperative ❑ _____ (estimated % of total funding) 6 Philanthropic Loan / Donations ❑ _____ (estimated % of total funding) 7 Other Government Assistance (please specify) ❑ _____ (estimated % of total funding) 8
B9	Historically, what has been the primary source of capital funding for the construction or major alterations of housing units by your organisation Bank Loan ❑ _____ (estimated % of total funding) 1 Donations / Fundraising ❑ _____ (estimated % of total funding) 2 HNZC Housing Innovation Fund ❑ _____ (estimated % of total funding) 3 Operational Reserves ❑ _____ (estimated % of total funding) 4 Shared Equity Scheme ❑ _____ (estimated % of total funding) 5 Housing Cooperative ❑ _____ (estimated % of total funding) 6 Philanthropic Loan / Donations ❑ _____ (estimated % of total funding) 7 Other Government Assistance (please specify) ❑ _____ (estimated % of total funding) 8
B10	Please specify the condition of the units <u>owned</u> by your organisation Good _____ (Number of housing units) 1 Fair _____ (Number of housing units) 2 Poor _____ (Number of housing units) 3

B11	On average what do you estimate the following costs of ownership to be	
	Repairs & maintenance	❏ _____ (estimated % of total revenue) 1
	Loan costs	❏ _____ (estimated % of total revenue) 2
	Insurance	❏ _____ (estimated % of total revenue) 3
	Local government rates	❏ _____ (estimated % of total revenue) 4
	Other	❏ _____ (estimated % of total revenue) 5
B12	If you lease any units out to other organisations, please indicate the number and which organisations you lease to	

(Go to Part C)

Part C. Manager of Low-Cost Housing

C1	Please indicate the total number of rental tenancy units <u>managed</u> by your organisation in each Council area per household size on the attached table. (*note that a housing unit is a self-contained place of residence which includes spaces and facilities for sleeping, eating, food preparation, relaxation and bathing.*)	
	Total Number of Tenancy Units	_____1
	Total Number of *Occupied* Tenancy Units	_____2
C2	Please indicate the number of beds provided in hostels or boarding houses <u>managed</u> by your organisation per Council area on the attached table.	
	Total Number of Boarding House & Hostel Beds:	_____1
		_____2
	Total number of *occupied* beds:	_____3
C3	Please indicate the total number of wheelchair accessible units managed by your organisation per Council area on the attached table	_____1
	Purpose built fully accessible	❏ _____ (Number of housing units) 1
	Fully adapted	❏ _____ (Number of housing units) 2
	Partly adapted	❏ _____ (Number of housing units) 3
C4	Please specify tenancy unit management arrangements	
	Leased from HNZC (Community Group Housing)	_____ (Number of housing units) 1
	Leased from HNZC (Other)	_____ (Number of housing units) 2
	Leased from Local Government Authority	_____ (Number of housing units) 3
	Leased from Private Landlord	_____ (Number of housing units) 4
	Owned by your organisation	_____ (Number of housing units) 5
	Other Government Department (please specify)	_____ (Number of housing units) 6
		_____ (Number of housing units) 7
C5	Please specify the condition of the tenancy units <u>managed</u> by your organisation	
	Good	_____ (Number of housing units) 1
	Fair	_____ (Number of housing units) 2
	Poor	_____ (Number of housing units) 3
C6	Please indicate the number of prospective tenants on your waiting list in January 2007	
	Number of Applicants	_____1
C7	What best describes your policy for selecting tenants	
	Points based selection process based on housing need	❏1

		Waiting list	❏2
		Target client group	❏3
		Other	_____❏4
C8	Please indicate your current rent setting policy		
	Rent set as a proportion of tenants income	_____ (please specify % of income) ❏ 1	
	Rent set as a proportion of market rates	_____ (please specify % of market rent) ❏ 2	
	Rent set at market rates	_____ ❏ 3	
	Other (please provide details)	_____	
		_____	
C9	Please indicate the average tenure of your tenants	_____ 1	
C10	If you also provide short term (1 week up to 3 months) transitional or emergency accommodation for tenants, please indicate for the 2006 year	The type of short term accommodation provided _____ Number of units available for this purpose 1 _____ % of units available for this purpose 1 _____ Number of tenants accommodated 1 _____ Average length of stay 1 _____	

(Go to Part D)

Part D. Financials

E1	Revenue (for housing-related services only)	$_____	1
E2	Assets (housing assets only)	$_____	1
E3	Term liabilities (short and long term loans for housing purposes)	$_____	1
E4	Administration costs (please advise the total annual cost for governance costs, overheads, IT, accounting, HR, other corporate costs & admin salaries & wages)	$_____	1
E5	If you contract out any administrative or operating functions, please indicate what these are, and the annual cost	_____ _____ _____ _____	1
E6	If you carry out policy research and/or advocacy activities, please indicate either the annual cost and/or the number of FTEs involved.	_____ _____ _____ _____	1
E7	Please specify the sources of <u>operational</u> funding received by your organisation during **2005/2006** financial year (estimate as a % of total revenue)		

E8	Housing Innovation Fund (HNZC)	_____% ❑ 1
	Other Central Government Funding	_____% ❑ 2
	Philanthropic Donations	_____% ❑ 3
	Trusts	_____% ❑ 4
	Revenue from rental income	_____% ❑ 5
	Other business capital	_____% ❑ 6
	Bank loan	_____% ❑ 7
	Local Government	_____% ❑ 8
	Fundraising Ventures	_____% ❑ 9
	Sale of property	_____% ❑ 10
	Investor funds	_____% ❑ 11
	Shared equity	_____% ❑ 12
	Personal input	_____ _____% ❑ 13
	Other (please specify)	
E9	Please specify the sources of <u>capital</u> funding received by your organisation during 2005/2006 financial year (estimate as a % of total revenue)	
	Housing Innovation Fund (HNZC)	_____% ❑ 1
	Other Central Government Funding	_____% ❑ 2
	Philanthropic Donations	_____% ❑ 3
	Trusts	_____% ❑ 4
	Revenue from rental income	_____% ❑ 5
	Other business capital	_____% ❑ 6
	Bank loan	_____% ❑ 7
	Local Government	_____% ❑ 8
	Fundraising Ventures	_____% ❑ 9
	Sale of property	_____% ❑ 10
	Investor funds	_____% ❑ 11
	Shared equity	_____% ❑ 12
	Personal input	_____ _____% ❑ 13
	Other (please specify)	

Other Information

X1	Is there any other information you would like to provide about what would help further understanding and development of the community housing sector in New Zealand?	_____ _____ _____ _____ _____ _____ _____ _____ _____ _____ _____ _____ _____ _____ _____ _____ _____

X2	Would you be prepared to be contacted again to discuss the issues raised in this survey?	❑1 ❑2	Yes No

Please send the completed survey to:
Freepost No. 184316
Jewel Beazley
Capital Strategy Limited
PO Box 60-029
Titirangi
Waitakere City 0642

Or by fax to: (09) 817 7660

Table - Types of Accommodation Provided

District or City Council Areas	Boarding Houses & Hostels	Number of Housing Units (bedroom count excludes bedroom used by any support staff)				
	No. of beds	1 bedroom	2 bedroom	3 bedroom	4 bedroom	5+ bedrooms
Kaipara						
Far North						
Whangarei						
Rodney						
North Shore						
Auckland						
Waitakere						
Manukau						
Papakura						
Franklin						
Hamilton						
Otorohanga						
South Waikato						
Waipa						
Waitomo						
Hauraki						
Thames-Coromandel						
Opotiki						
Whakatane						
Kawerau						
Tauranga						
Western Bay of Plenty						
Rangitikei						
Manawatu						
Palmerston North						
Wanganui						
Horowhenua						
Kapiti						
Tararua						
Masterton						
Carterton						
South Wairarapa						
Rotorua						
Taupo						
Ruapehu						
Gisborne						
Wairoa						
Central Hawke's Bay						
Hastings						
Napier						
New Plymouth						

District or City Council Areas	Boarding Houses & Hostels	Number of Housing Units (bedroom count excludes bedroom used by any support staff)				
	No. of beds	1 bedroom	2 bedroom	3 bedroom	4 bedroom	5+ bedrooms
Stratford						
South Taranaki						
Porirua						
Upper Hutt						
Hutt						
Wellington						
Nelson						
Tasman						
Marlborough						
Kaikoura						
Buller						
Grey						
Westland						
Hurunui						
Waimakariri						
Christchurch						
Selwyn						
Chatham Islands						
Ashburton						
Timaru						
Mackenzie						
Waimate						
Waitaki						
Central Otago						
Clutha						
Dunedin						
Queenstown-Lakes						
Gore						
Invercargill						
Southland						

Appendix B – Workshop Attendee List[21]

Auckland City Mission	Wilf Holt
Canterbury District Health Board	Rachael Kirkbride
CHAI	Therese Quinlivan
Christchurch City Council	Carmen Lynskey
Christchurch City Council	Kevin Bennet
Comcare Trust	Annette Sutherland
Comcare Trust	Ann Marie Nathan
Habitat for Humanity - New Zealand (National)	Warren Jack
HNZC	Marc Slade
HNZC	Blair Badcock
Home and Family	Sandra Talbot
Just Housing Otepoti	Dennis Povey
Monte Cecilia Housing Trust / Auckland Housing Network	David Zussman
Nelson Tasman Housing Trust	Steve Richards
New Zealand Care Group Ltd	Donna Mitchell
Porirua Cook Island Association	David Isaia
Raukawa Trust Board	Marion Brown
Returned Services Association	Margaret Snow
Salvation Army	Rance Stewart
Salvation Army	Jenny Dalzell
Selwyn Foundation, Selwyn Care Ltd	Duncan McDonald
Te Puni Kokiri	Pauline Tangahau
Wellington Housing Trust	Alison Cadman
Whangarei Accessible Housing / Crippled Children Society Northland	Barry Moore

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[21] The list also incorporates written contribution from one organisation that was invited but was unable to attend.

Centre for Housing Research
AOTEAROA NEW ZEALAND