



Community Housing
Nga Wharerau o Aotearoa

BUILDING HOUSES BUILDING COMMUNITIES



A Strategy For New Zealand's Community Housing Sector

Our focus

Where we are with housing

The rate of homeownership in New Zealand has been falling since 1991 and now stands at the lowest level in over 50 years. Some predictions¹ are for further falls at least until 2016. However, there are a number of significant economic and demographic factors at play in the immediate future that will make any forecasts quite speculative.

Two factors have contributed to this trend away from home ownership. One factor is the rising cost of housing relative to household incomes and the other is the relatively low level of adoption of recent government programmes to assist modest income New Zealanders into home ownership². These factors are of course driven by other influences within the economy and in public policy, which include the emergence of a housing bubble in many western countries during the period from 2002 to 2007.

The recession, which began in late 2007 with the meltdown of US housing markets and brought about rising unemployment and financial uncertainty during 2009, offers a number of opportunities and threats for housing markets. The threat of unemployment and falling household incomes, together with a tightening of housing credit, has dampened house prices and made it more difficult for first time buyers to buy their first homes. For some households the affordability problem may be diminishing as the housing market heads for a period of price consolidation. For many other households this adjustment may not quickly translate into more affordable housing if interest rates remain relatively high and if household incomes remain static and vulnerable. Furthermore, if house values decline or remain static over an extended period it seems likely that construction of new homes will decline as well.

Over the past decade between 25,000 and 30,000 new houses have been built each year in New Zealand. This rate of house building has barely kept pace with population growth, so it seems likely that any significant decline in the rate of new house building will eventually translate into a housing shortage. This shortage is likely to be more pronounced in the rental rather than ownership sector, on account of the declining appeal of rental property as an investment and the selling up of rental properties into owner-occupation.

Such a prospect suggests a housing policy based largely on the market, and a residual role for state owned rental housing would not be sufficient to meet the housing needs and aspirations of tens of thousands of New Zealanders.

1 For example DTZ New Zealand's report for the Centre for Housing Research Aotearoa New Zealand suggests that homeownership rates will fall a further 4% through to 2016 to 61.8% of households, p.64 in "The Future of Home Ownership and the Role of the Private Rental Market in the Auckland Region" by Ian Mitchell and Steve O'Malley - DTZ New Zealand / Dr Laurence Murphy / Ian Duncan - NZ Institute of Economic Research (March 2007). Available from Centre for Housing Research Aotearoa New Zealand at www.chranz.co.nz/publications.html.

2 Government's home ownership assistance programme is based on a mortgage guarantee scheme known as Welcome Home Loans. For the 2007/08 fiscal year Housing New Zealand Corporation approved 690 mortgage guarantees against a target of 900-1100 (see p.16 Housing New Zealand Annual Report 2007/08). Over this same period nearly 83,000 additional mortgages were provided by New Zealand banks (Reserve Bank of New Zealand figures) In other words the Welcome Home Loans programme accounts for less than 1% of all home mortgage in New Zealand.

INTRODUCTION

The community housing sector is made up of a wide variety of not-for-profit groups and organisations which are seeking to provide affordable housing to low and modest income New Zealanders. These groups and organisations include iwi and hapu organisations, social service agencies, community development groups, housing trusts, housing cooperatives, housing associations and owner-builder organisations amongst others.

This Strategy is an attempt by those working in the community housing sector to address a number of challenges which at present limit the sector's ability to expand and grow. This strategy has a relatively short term and pragmatic focus that is aimed at providing a set of collective actions, which those working in the sector may align their efforts to.

The recent reversals in the housing and financial markets offer us an opportunity to consider a broader range of approaches to providing New Zealanders with affordable housing. The emphasis in this strategy is on identifying and utilising these opportunities through stronger partnerships with the private sector, Maori organisations and local government as well as our traditional central government partners. Any individual, organisation or sector with contributions to the development of community based housing in Aotearoa is welcome to contribute to the development and roll-out of this strategy

The strategy has been prepared and published by:

Community Housing Aotearoa
PO Box 11543
Manners Street
Wellington

www.communityhousing.org.nz

The role of community housing

The community housing sector believes that it can play a role in providing modest income New Zealanders with secure, good quality affordable housing. To date this sector has not played a significant role in New Zealand's housing outcomes. This is mainly due to a policy bias toward demand side policies and a reliance on markets to provide the necessary housing. Since 2000 the move back toward supply-side policies has been dominated by programmes, which have rebuilt the public sector rental stock owned by central government and by some local councils, albeit with further central government subsidies.

The challenges facing the community housing sector are not just those of policy bias but more of the fundamental challenges of reputation, influence, resources and capacity. This strategy focuses on these four challenges as the basis for a series of actions, which may expand the role of the community housing sector in New Zealand.

This strategy also has a relatively short-term focus of five years. This short-term focus is due in part to the immediate challenges that the sector faces and in part to the high level of uncertainty around housing markets and housing policies at present. A longer-term focus in these circumstances is less likely to provide the pragmatic responses, which are required at this time.



Our sector

The community housing sector can most easily be defined by what it isn't. The sector is not driven by profit objectives of the private sector but by social needs and values. Unlike the public sector, the community housing sector is not driven by public policy but by the needs and interests of its stakeholders, although there may be a coincidence between public policy and these needs and interests.

The Australian Community Housing Forum³ has provided an extensive definition of community housing from an Australian perspective. This definition has direct relevance to the community housing sector in New Zealand although it addresses the needs of tenants rather than co-owners or owners. This definition includes the following elements:

- **Affordability:** To ensure that housing costs do not create hardship for tenants
- **Choice:** To provide people in need of housing with a diverse choice of housing options
- **Responsiveness:** To respond to the needs of individual tenants and their changing circumstances by ensuring that housing is appropriate to tenants' needs and is managed flexibly
- **Security:** To ensure that tenants are secure in their housing, are housed for as long as they wish to be and meet the tenancy agreement
- **Sustainability:** To contribute to successful tenancies and the development of sustainable communities by being supportive of tenants' wider social needs and building their independence
- **Fairness:** To ensure equitable access to community housing regardless of people's cultural identity, gender, disability, sexual orientation, age and household composition, and to treat tenants fairly in all matters relating to their tenancy
- **Respect:** To ensure that all tenants' rights are respected and to treat tenants with respect in all dealings
- **Participation:** To actively seek the participation of tenants in decisions about their tenancy and the

³ See the Australian Community Housing Forum at <http://www.nchf.org.au>

management of organisations

- **Partnerships:** To work in partnership with governments and communities in developing housing and related services that meet tenant and community needs.
- **Quality:** To provide the best possible accommodation and housing services to tenants
- **Accountability:** To be accountable to tenants, the community and government for the effectiveness of service provided and for the use of public funds, and by doing so, enhance the credibility of community housing options

Two additional features distinguish community housing in New Zealand from this Australian perspective. One feature that distinguishes New Zealand's community housing sector from the social housing provided by central and local government agencies, is the **focus on community** as well as individual need. For example, a community housing provider may become involved in a project to ensure a variety of people with different incomes and backgrounds will be able to live in a neighbourhood which is becoming gentrified or going up market.

The second distinguishing feature is the focus by some New Zealand community housing providers on the intermediate market of would be homeowners. This focus has led to the provision of various home ownership options such as shared equity and sweat equity programmes. As a result of this focus, a further distinguishing characteristic of the community housing sector in New Zealand is its focus on **providing for a variety of tenure forms**.

In New Zealand the community housing sector has been adopted by or associated with five broad groups of interests and activities as follows:

- Agencies and groups with an interest in community development and local economic development, such as the New Zealand Housing Foundation
- Maori organisations, including iwi and hapu organisations, which are interested in providing housing for their members and developing communal lands and tribal assets
- Community organisations that are interested in providing housing for those who fall into the so-called intermediate market⁴, such as the Queenstown Lakes Housing Trust
- Charitable trusts and community organisations that provide affordable housing and other accommodation assistance to people with serious unmet housing needs
- Social service agencies and agencies providing health and welfare services which see housing as an integral part of the service they provide to their clients, such as IHC

A recent survey⁵ of the community housing sector suggested that it controlled around 7,000 housing units which is less than 1% of the national housing stock. There are perhaps 50-100 providers within the sector, with the largest provider controlling 3000 units, but the typical provider is managing 20 units or less. This and other surveys⁶ have characterised the community housing sector as being:

- Very diverse in its focus, motivation and scale
- Generally small scale, aspirational and opportunistic



⁴ The intermediate market refers to a group of would be homeowners and tenants who are not wealthy enough to afford a home in the prevailing market but not poor enough to qualify for public housing. Often such households struggle in rent traps or move to locations with cheaper housing.

⁵ See "Affordable Housing: The Community Housing Sector in New Zealand" by Capital Strategy and SGS Economics and Planning (October 2007) and available from Centre for Housing Research Aotearoa New Zealand at www.chranz.co.nz/publications.html

⁶ See Libby Clements' 2007 report "An Infrastructure for New Zealand's Community Based Housing Sector" commissioned by and available from Community Housing Aotearoa.

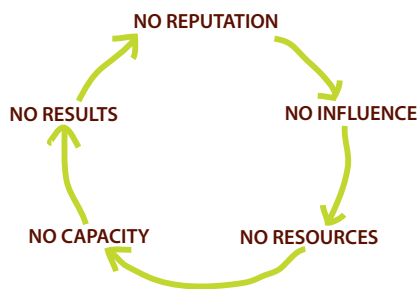
- Largely beholden to Housing New Zealand for finance and direction
- Lacking in capital, capacity and influence
- Passionate and keen to grow
- Well connected to the communities and people it serves

Community Housing Aotearoa (CHA) (Inc) is an umbrella group for the community housing sector. CHA was formed in 2004 with the assistance and initiative of Housing New Zealand. CHA is a membership organisation with over a 100 members – most of whom are community housing providers. It is expected that CHA will take a leadership role in implementing this strategy, although it presently has only modest resources available for this task.

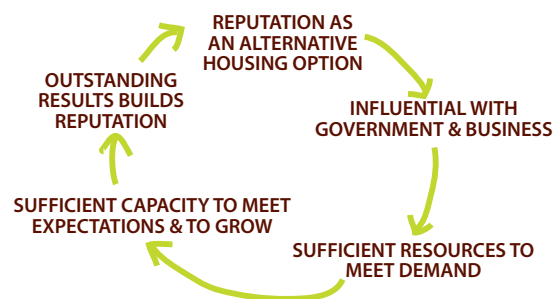
Our challenges

The community housing sector at present lacks the size and scale to play a significant role in the future of New Zealand’s housing. This lack of size and scale means that the sector has insufficient influence either in the market or the policy making process to gain sufficient resources to grow. In turn this insufficiency of resources and poor growth prospects compound to mean that the sector does not have the means or even incentive to build the capacity to break out of this deadlock. Effectively, the community housing sector is stuck in vicious circle which may be characterised as follows:

A key challenge for the community housing sector is to break out of this vicious cycle and in its place set up a virtuous cycle which may be as follows:



The elements of this virtuous circle can provide the basis the community housing sector’s strategic goals. These goals are as follows:



Building reputations

The first stepping-stone for the sector’s development is to build a stronger and more credible reputation with the New Zealand public. To do this we need to have some good news stories, which showcase the best achievements of the sector in order to illustrate that the sector has viable business and community models

to offer to the housing equation. To tell these good news stories the sector requires suitable vehicles such as a high profile website, a regular hard copy magazine and a sound research base on which to base our claims and plans. In particular, the sector requires an accurate picture of itself including information on the number, scale and type of community housing providers active in New Zealand at present. In addition, the sector needs to be able to demonstrate that it can add value within the housing process.

Building influence

On the back of a stronger, more credible reputation the community housing sector needs to become more influential within Government, business and community. The sector has traditionally looked to Government for assistance and in doing so has tended to ignore the role which the private sector, local government, community and iwi/hapu can and do play in the housing process.

The downturn in the housing market and economy in general provides an opportunity to look at new ideas and approaches. Although the community housing sector already has such alternative approaches if they are to become a reality the community housing sector itself needs to promote them and begin to build partnerships with other sectors outside of Government. These partnerships need to be both tangible and tightly defined so that they are attractive to would be partners.

The attractiveness of partnerships to business and community interests rests with what the community housing sector can bring to the table. Presently the sector has only modest resources so it is important to consider how these resources can be used tactically to leverage interest and resources from elsewhere. This strategy suggests that we start modestly and focus on four to six projects and partnerships that will provide credible examples of the value of community housing. The timeframe for these projects and partnerships is two years.



Building Resources

At present the resource base of the community housing sector is quite limited – particularly in terms of access to capital and land. The capital problem is twofold in that the sector lacks the venture capital to initiate projects and the investment capital to fund projects long-term⁷. Any rapid expansion of the role of the community housing sector depends critically on overcoming this problem of access to venture capital. However, behind this venture capital problem is the broader question of addressing housing affordability issues for modest income New Zealanders. This broader question is fundamental behind the long-term investment capital problem - if modest income families and households could afford to pay higher rents or mortgage payments, the necessary investment capital would be available for their housing⁸.

The recession and consequent consolidation of house prices is throwing up some opportunities for community housing providers that have not previously existed. For some providers, economic factors such as interest rates, land prices and construction costs now provide them with increasingly viable business opportunities to provide affordable housing, although these opportunities still require some level of public subsidy. Gaining access to these opportunities still requires business acumen and sound business practices and there is an emerging role for CHA in assisting community housing providers with training, accreditation and in improving business practices as well as in facilitating relationships with banks and other lenders.

⁷ Until now interest costs and land costs have meant that it has not been financially viable to develop affordable housing. The result has been that affordable housing has only been provided with the support of state subsidies and that the building industry has focused on developing medium and high priced housing. Without an underlying commercial viability or promise of state support, the community housing sector has not had practical access to long-term finance for projects.

⁸ There are a number of ways of overcoming this affordability problem including income supplementation, (e.g. Accommodation Supplement), shared equity schemes, deposit gap assistance (such as no interest loans for a deposit, suspensory loans and grants), mortgage interest subsidies and tax credits.

The question of land is related to the question of capital to some extent. It is always possible to use a specific block of land as the basis for a proposed project although such options depend on the ownership and tenure of the land. As part of the resource building proposed in this strategy it will be necessary to develop a land access programme where potential sites for community housing projects are identified and projects and partnership fashioned around these sites. This land access programme may be based on joint ventures with private companies, local government agencies, Housing New Zealand, churches and iwi and hapu organisations. The recently announced Gateway initiative of central government may also offer additional access to land for affordable housing.

Building capacity

The capacity issues facing the community housing sector are a circular problem in that the sector does not have capacity because it does not have the opportunity to use it. For example, there is little value in building a stronger skills base within the sector if people who acquire these skills never get the opportunity to use them. Furthermore, if the people with valuable skills never get the opportunity to use them within the sector they will eventually leave and seek opportunities elsewhere.

This circular problem suggests that capacity needs to be built as the resource base to utilise this capacity. This strategy suggests that any resource base will most likely be built gradually and incrementally, and so similarly the sector's capacity should be built gradually and incrementally.

This strategy proposes that the capacity challenge be addressed across six fronts:

- Capital, especially venture capital
- Generic skills for those working within the sector
- Access to technical and specialist skills
- Governance structures and practices
- Networks and relationships within the sector
- Building stronger relationships both with Government and the broader building industry



Specific responses suggested within this strategy to address these challenges are as follows:

1. That CHA continue with its existing training programmes and begin to provide more specific training to support the pilot projects and partnerships.
2. That some attention be paid to both governance practice and operational processes within the sector through the development of a competence framework and best practice guide. Amongst other things these initiatives will ensure that financial and reputational risk is minimised and that robust and accountable governance structures evolve as the sector grows.
3. That relationships within the sector be first built at a regional rather than national level to ensure that the networks built within the sector are as supportive and inclusive as possible.

First steps

Additional resources are required almost immediately if the proposed strategy is to move beyond being a set of ideas. There is, however, some potential for more strategic use of resources that already exist within

the sector, and this potential may in fact be enhanced by the recent downturn in housing markets. This 'more strategic use' of existing resources challenges larger or more influential operators within the community housing sector to provide leadership and take on and divide the key tasks outlined in the table above, and in doing so, accept the need to work beyond their immediate organisational objectives. Such a shift will require some wisdom and courage in uncertain times given that most operators within the community housing sectors face the same pressures as those within the private housing sector. Clearly a stronger and extended partnership with central government agencies would reduce the financial risks associated with the larger community housing providers taking on a larger leadership role within the sector.

Important milestones for making progress in terms of resources are:

- Improving access to capital through more effective lobbying to central government and building stronger relationships with one or two banks
- Development of a more critical policy analysis function which can begin to credibly question current housing policy settings and to offer alternative ones
- Identifying and developing four to six pilot projects which will be used as showcase projects
- Identification of possible partners for these pilot projects

COMMUNITY HOUSING AOTEAROA'S ROLE

Community Housing Aotearoa (CHA) is the peak body or umbrella organisation for the community housing sector. Its role is one of providing leadership and services to the sector and lobbying on the sector's behalf to Government and others. As such, CHA is not a provider or developer of housing and so cannot on its own deliver the various elements of this Strategy. The delivery of this Strategy will require the enterprise and efforts of community housing providers as well as those of the communities, iwi and hapu that are partnering with these housing providers. The goodwill and concern of Government, local councils and business is also required for this Strategy's success.

CHA does however play a critical role in this Strategy and this role is seen to have three dimensions:

1. Providing an information portal for the sector which will include:
 - Providing internet sites and hard copy publications which showcase the sector and its progress,
 - Monitoring housing market conditions especially in the affordable and intermediate parts of the market,
 - Commissioning or undertaking policy analysis which highlights weaknesses in current policy approaches and offers alternatives based around the principles of the community housing sector.
2. Developing and facilitating relationships within the sector and between the sector, local and central government and businesses.
3. Providing services, especially to CHA members, including such services as training, credentialing and the organisation of hui, seminars and conferences.

OUR FUTURE

This strategy is not timeless but deeply rooted in the present with all its uncertainty and promise of adversity. There is huge potential within this adversity for the community housing sector because people still need houses and house building is an excellent means of rebuilding the economy, as well as hope and confidence when this is necessary.

The challenge we face is not just one of having a sufficient and compelling vision for community housing in Aotearoa, but also one of having practical suggestions for how this vision can be realised. This strategy provides some of these practical suggestions.

The time has now come for community-based housing. As a society we may now be moving into a phase where Government is expected to provide more leadership within the economy and where greater emphasis is placed on community enterprise. If this is so, the political stage may be set for the community housing sector to play a more prominent role in the creation of houses and homes for modest income New Zealanders.

It would not be foolish to contemplate the possibility of a far greater progress still.

John Maynard Keynes (1883-1946) – British economist

A Strategy for New Zealand's Community Housing Sector

	OBJECTIVES	OUR RESPONSES				
		2009	2010	2011	2012	2013
<p>The community housing sector has a strong reputation as a provider of good quality affordable homes for modest income New Zealanders</p>	To build a knowledge base of the community housing sector and its work	Undertake resource mapping of sector				
	To measure the social and economic value created by the community housing sector		Undertake social audit & EVA analysis of sector			
	To actively communicate the successes of the community housing sector	Showcase projects and profile research outcomes in quarterly magazine to the sector				
<p>The community housing sector is influential with Government, business and local communities</p>	To build projects and partnerships with local government	Identify 4 to 6 showcase projects and develop relationships with potential partners for these projects	Project based partnership programme with local government			
	To build projects and partnerships with the private sector		Complete 4 to 6 showcase projects with identified partners	Project based partnership programme with private sector		
	To build projects and partnerships with iwi and hapu		Project based partnership programme with iwi and hapu organisations			
<p>The community housing sector has access to sufficient resources to meet demand for its services</p>	To monitor housing markets to determine the extent of unmet demand for supported and intermediate housing	Establish monitoring framework and system	Ongoing monitoring and reporting of results			
	To lobby Government for policies which are more supportive of community housing and to meeting identified housing gaps	Establish relationships with new Government	Use results from research and partnership building to lobby Government for policy changes			
	To work with banks & other lenders with an identified interest in the sector to develop best practice business and governance models which will streamline funding approvals	Establish relationships with banks & other lenders Develop best practice models with 1 or 2 main lenders				
	To develop a pool of supportive consultants to assist the sector to initiate projects	Develop and maintain a register of consultants with relevant experience who are sympathetic to the sector and recommend these to stakeholders				
<p>The community housing sector has the capacity and infrastructure to grow and to meet the expectations of its stakeholders</p>	To build the sector's skills base by providing training opportunities for those working in the sector	Continue current training and skill development programmes through CHA				
	To strengthen governance practices and structures within the sector	Undertake governance needs assessment of community housing providers.	CHA to provide members with ongoing advice and support on governance issues			
	To strengthen regional networks within the sector	CHA to develop a greater regional focus for sector development	Annual regional hui-forum to consolidate regional focus – National conference biannually			
	To strengthen partnerships within the sector between providers of various scales and different focus	Establish partnership between a large scale provider and Pacific housing group	Broker partnerships between mainstream community housing providers and Maori communities interested in providing affordable housing			

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