

Building our Sector for 2030

Workshop Summary

Community Housing sector leaders met on 24 October 2017 to build consensus on the settings that would increase supply of social and affordable housing and working toward 'all New Zealanders well-housed by 2030'.

We heard from Alan Johnson, Salvation Army Social Policy and Research Unit, on the *Taking Stock* report he produced earlier in the year, with discussion facilitated by Kay Saville-Smith of CRESA. Consensus was reached on the goals and the settings necessary. Four policy areas need to be aligned and coordinated to ensure the goal is achieved: Funding; Procurement; Land; and Regulation.

The key takeaways from the workshop are summarised below.

At the highest level - a Homes Accord

Create a high level, cross-party, cross-sector homes accord that brings together stakeholders to make a long-term commitment to addressing housing need across the continuum, to ensure 'all New Zealanders well-housed'.

Annual delivery goals through to at least 2030:

- Social Homes: 1,000 newly built homes per year, increasing to 2,500 per year
- Affordable Homes: 10,000 newly built homes per year, with at least 10% through community housing sector partnerships

Parallel delivery: Activate capacity at both community housing provider (CHP) for at least 1,000 homes per year and HNZA for at least 1,500 homes per year, and grow from there with system settings supporting at least 40% delivery by CHPs. The intention is to increase supply of net new homes, above and beyond replacement, refurbishment, and regeneration requirements.

Why? Proven delivery capability: The CHP sector delivered 890 new, additional affordable homes over three years with \$140m of Social Housing Unit capital funding. During the three years of 2014-2017 this figure was greater than HNZA production of net additional homes.

FUNDING – a coordinated package of capital, rent subsidy, and services

Capital – for both social and affordable housing – start with a \$1BN annual fund

- Access to capital is the proven method that fosters CHP delivery
- Capital funding should be available for all stages of the housing affordability continuum, based on the local needs
- Provide capital in a variety of forms:
 - Equity provided as capital grants or land contributions (including deferred settlement) at a sufficient level for project feasibility in the local market
 - Debt at low interest rates, fixed for 25 years, supported by rent subsidy for those on the lowest incomes
 - Source capital on the wholesale markets, making it available at the preferred government rate
- Deliver capital for maximum impact:
 - Structured to incentivise local leverage (e.g. Crown land, local authority, iwi, or other partner contributions)
 - Tailored based on local market and products, which may mean a mix of loans and grants and rent subsidy (see below)
- What needs to change?
 - Source of capital needs to be stable and long term – commit to a ten-year allocation and purchasing strategy offering certainty for providers
 - Flexibility and willingness to partner towards systemic growth is more important than a one-year announcement of funding
 - Government providing certainty and stability of pipeline settings will reduce risk, lower costs, and improve delivery performance- effectively facilitating growth in supply
 - As project funding builds a pipeline, transition to enterprise funding for exponential growth; recognise the exponential growth will require capacity building investments as well
- What this will deliver: a pipeline of new supply projects delivered by CHPs and their commercial partners

Rent subsidy – an annual allocation of \$32M to support 2,500 new homes per year

- Continue, improve and expand the current Income Related Rent Subsidy (IRRS) programme with Registered Class 1 Social Landlords
- Use IRRS subsidy as recognition of more complex tenancy situation - higher liabilities, constraints on price, intensive tenancy management, tenure security, compliance with CHRA, restrictions on stock
- Clarify the separation of IRRS funding from services funding
- Provide consistency across regions in administering the subsidy
- Allocation would grow by \$32.5 million each year as 2,500 new units are delivered
- Calculation based on average of \$13,000/home annually for the 2,500 new homes

Services – an annual allocation, amount to be determined, dedicated specifically for supportive services linked to housing

- Foster clear separation of supportive services funding as separate from capital and rent subsidy, aligned with the regulatory system settings
- Identify, scale and coordinate services funding linked to housing across government

PROCUREMENT – a relationships approach that fosters transparent benchmarking across CHPs and public agencies

Consistency and transparency

- Create a set of standardised contracts for partnering with government
- Make contracts and reporting requirements publicly available online
- Produce a guide for CHPs on supplying to government
- Build confidence in a high-trust procurement system on a long-term basis
- Align procurement of housing and related services across ministries
- Government to clearly communicate what it wants to achieve, with buy-in evidenced through the Homes Accord

Partnering

- Move the process away from competition and towards achieving better outcomes
- Adopt a benchmarking approach that is fully contestable as well as transparent and fosters knowledge sharing to raise quality and delivery from all parties
- Resource sector partners to bring forward best practice, for example design guidance for Māori and Pasifika housing
- Partnering with Māori that acknowledges “nothing about Māori without Māori”
- Collaborate to provide professional and organisational development
- Explore the possibility of shared procurement

Funding administration

- Produce clear guidelines on how to partner with government to access resources
- Adopt transparent processes for accessing funding with publicly available templates
- Remove uncertainty by implementing pre-allocations for the next 3-4 years so CHPs can establish a pipeline
- Use consistency across the processes to build trust in the funding system
- Commission more data on housing need and share it openly
- Improve government’s approach to managing risk with providers

Research

- Commission detailed modelling of housing need by demographic and cohort
- Take a more open approach to data sharing to document overall value for money over time, to ensure long term sustainability and quality.

LAND – a new approach to a critical resource

Housing as infrastructure

- Develop the kaupapa where housing and affordability sit within critical infrastructure thinking
- Coordinate between housing developments and infrastructure building
- Pair housing to be included as a part of Crown developments in transport, health, or education

Government and CHP partnership

- Leave the door open to CHPs to partner on developments on Crown and HNZN land
- Create an option for CHPs to lease Crown land
- Recognise that CHPs bring tools for mixed tenure developments that enhance community development

Inclusionary zoning

- Introduce a best practice inclusionary zoning framework at a national level that incentivises social and affordable housing as a part of new developments
- Match delivery with CHP capability and regulatory certainty, building trust and confidence in the private sector that IZ land will retain affordability long-term

Encourage development

- Provide more consultation and flexible leasing options for iwi
- Incentivise land bankers to develop affordable or mixed tenure homes
- Survey CHPs, iwi, churches, and local authorities on land availability
- Look at opportunities to increase density and streamline planning
- Diversify land use; leasing not just sales
- Incentivise local government land contributions for affordable housing

REGULATION – make sure the settings enable the goal

Regulatory certainty as a lever for scale

- Activate the Class II (Asset Management) and Class III (Development) regulations with the Community Housing Regulatory Authority (CHRA) which are already provided for in legislation. This would supplement the current Class I (Social Landlord) regulations, and provide for rent-to-buy, shared ownership, and a clear framework for delivery partnerships between CHPs, iwi and private sector interests, speeding up the delivery pipeline
- Align reporting between CHRA and Charities Services and MSD
- Include recognition of the value of tax exemption (charitable status and community housing entity status) within all classes of regulation
- Advance reform of the Charities Act to include social and affordable housing as an object

Planning

- Support TLA housing taskforces and their local plans
- Support mixed developments priced at what households can afford
- Upgrade special housing areas to provide retention of affordability and protect against speculation; require a portion of value uplift to be used specifically for social and affordable housing purposes
- Foster consistency of the toolkit across TLA's
- Enable more high-density developments, when they meet high quality design standards and include affordability

Housing Standards

- Make minimum housing standards into law: consistent housing WOF across the country; bring the Homestar levels into the scope of the Building Act
- Create an incentive environment linking our goals to be carbon neutral with financial incentives when new homes are net zero energy generators, which rewards reaching for high standards not just minimums