

## *Housing, good progress but vital gaps*

### ***Progress since our last meeting***

During the 2018 meeting with the Prime Minister, Church Leaders drew attention to their ongoing concern around the impact of the housing crisis on vulnerable Kiwi families. The paper presented on that occasion suggested a government housing framework and offered the Church Leaders' priorities for housing policy implementation.

The Churches are grateful for the leadership the present Government is showing in responding to the housing crisis. Church Leaders accept the current crisis has developed over some years and so equally understand correcting supply, affordability and quality issues in housing will take a decade of consistent efforts, and extensive planning with staged implementation.

### ***Churches experience of the present housing situation***

Church Leaders remain concerned however about some housing issues facing the New Zealand households, to which churches and their agencies connect. These issues include:

#### **Supply and affordability**

There are welcome developments of supply and affordability in the New Zealand housing market. These include:

- The slowdown in Auckland housing price inflation
- New dwellings consents in Auckland during 2018 reaching the highest volume since 1974 at 32,900 dwellings
- Prices and rents easing in Christchurch as that city moves into a post-recovery era
- The start of Kiwibuild initiatives.

The overall situation, however, remains grim for low-income New Zealand households. In the major urban areas of New Zealand housing costs have risen faster than incomes making it increasingly difficult for families living below the average median income to afford

homeownership. Building activity in Auckland is still failing to deal with the vast backload of housing demand created over the last ten years.

Over the last five years, house price inflation was double that of incomes. Homeownership rates continued to fall to their lowest rate since 1953. The homeownership situation for Māori and Pacific families are of more significant concern, with the homeownership rate for Māori households declining 20 per cent between 1986 and 2013, while for Pacific households the decline was 35 per cent over this period.

Church Leaders support the concept of Kiwibuild, but the delivery on this policy is not keeping pace with public expectation for its delivery. It is vital for this programme to deliver its promised number of houses at affordable prices. Presently Kiwibuild is only providing a minimal number of homes in the housing market. We are concerned under the existing model of delivery that expanding to the required number will be very difficult.

The affordability of Kiwibuild houses is also of concern. It appears the first flush of applicant households may be better off households who have been unable to access affordable housing and can afford houses at the Kiwibuild cost levels. In our view however, many other households will not be able to purchase Kiwibuild houses unless there are additional Government programmes to address affordability.

### **Social housing not meeting demand**

Priority demand for public and other social housing has more than doubled in two years. At the end of September 2018, 9536 households were on the social housing waiting and assessed as being a Priority A or B applicants. In September 2017 this figure was 5844, and in September 2016 it was 4602.

Against this almost 3,700 priority applicants in a year, the reported number of houses available through income-related rent contracts (IRRS) expanded by just over 1400 and the number of social housing units available for IRRS grew by 1200.

We are concerned that there appear to be few permanent housing options for households in emergency and transitory housing, with people not being able to move on because so few places are available in social housing for them.

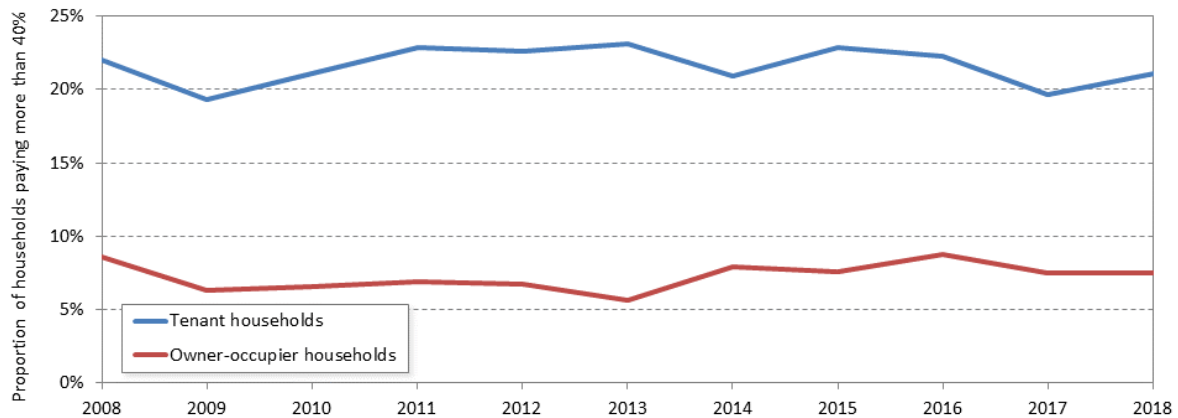
### **Too many households are paying 40% or more on housing costs**

Regional rental housing markets had mixed fortunes across New Zealand during 2018 as rents stabilised in Auckland, continued to decline in Christchurch and rose at more than twice the rate of wages and salaries in many North Island cities.

Statistics New Zealand Household Economic Survey reports that 20% of tenant households pay at least 40% of the income on rent. Unaffordability for this group of Kiwi households has

in our view become a significant and intractable part of the housing problem in NZ. Figure 1 indicates the proportion of households which pay more than 40% of their income on housing and shows that little has changed in this respect for at least ten years. It is worth noting this graph has a striking similarity to the percentage of children in child poverty, which suggests that such ratios of housing cost to an income, may be a key driver of child poverty.<sup>i</sup>

**Figure 1: Proportion of household spending more than 40% of income on housing – 2008 to 2018<sup>ii</sup>**



### **Housing crisis contributes to growth in inequality**

The housing crisis is contributing to the growth in inequality in New Zealand by denying low-income families the only chance most have of acquiring an asset base. This has been particularly marked for Māori and Pacific households. From the 1950s until well into the 1980s, low income New Zealanders had widely available opportunities to purchase their home, through capitalising the Family Benefit that existed then and being able to take out fixed-rate low-interest loans. This policy was effective in reducing old-age poverty because the majority of households were able to pay off their mortgage before retirement. Given our falling rates of homeownership since the early 1990's we now have large cohorts of renters who will become superannuitants moving into their later years without housing security.

### ***Where Church Leaders encourage the Government to act***

Church Leaders believe three further policy initiatives are required if as a country we are to address the issues identified in this paper.

#### **1. Movement to Increase the provision of social housing.**

Building much more social housing is critical to addressing waiting lists and the situation facing households paying more than 40% of their income on rental housing. The present

Government programme of building 1,600 social houses is unlikely to correct this situation. An increased commitment to build more social housing is required. The Government should as quickly as possible, move the current investment in emergency/transitional housing into both the building and provision of more permanent social housing places.

## **2. More support for Community Housing**

We strongly support substantially increasing the development of third sector non-profit community housing providers to contribute to the delivery of social housing with secure rental and homeownership housing options for low and middle-income families with social and budgeting support for those who need it. We believe better incentives will lead to a willingness in the community agencies and philanthropic entrepreneurial organisations to become more involved in the supply of social housing.

Two changes in the regulatory environment would assist the community and private sector house builders, in their attempts to increase the supply of housing:

- 1) A review of the Building Act as a matter of urgency.
- 2) Implementing a mechanism that sets standards for Local Government on what acceptable timeframes and costs are for consenting new developments. This should include a regime of government imposed penalties on Councils that do not meet these standards.

## **3. Ensuring the affordability of homeownership, through innovative house purchase programmes.**

The Church Leaders encourage the Government to develop homeownership options for low and middle-income households. The KiwiBuy scheme put forward by The Salvation Army, and other leading community housing providers<sup>iii</sup> offers one example. The KiwiBuy scheme they propose is an overall programme which aims to extend home-ownership opportunities for low and modest income households and families. Overall it is suggested that KiwiBuy have two strands. The main one is a shared equity programme which is anticipated might reach as many as 5000 households per year as an extension of KiwiBuild. A secondary agenda is that of progressive homeownership which assists poorer households and families including those who may have the potential to move out of or buy up their state house. Such a programme might be able to reach as many as 500 families/households per year.

The Church Leaders think it is essential to develop a range of innovative housing financial products that enable low and middle-income New Zealanders to grow an asset base if they choose. This can be done by building on the range of creative options already developed including secure low-interest loans, shared equity, progressive home ownership and rent to buy schemes.

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<sup>i</sup> Information in this section sourced from “The Salvation Army 2019 State of the Nation Report”

<sup>ii</sup> Data from Statistics New Zealand’s Household Economic Survey which is available at <https://www.stats.govt.nz/information-releases/household-income-and-housing-cost-statistics-year-ended-june-2018>

<sup>iii</sup> Campaign to introduce KiwiBuy includes The Salvation Army, Habitat for Humanity, Community Housing Aotearoa, New Zealand Housing Foundation