



2014/15 Estimates for Vote Housing

Report of the Social Services Committee

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Vote Housing

Recommendation

The Social Services Committee recommends that the appropriations for the year ending 30 June 2015 for Vote Housing as set out in Parliamentary Paper B.5, administered by the Ministry of Business, Innovation and Employment, be accepted.

Introduction

Vote Housing is administered by the Ministry of Business, Innovation and Employment. Hon Dr Nick Smith, who is both the Minister of Housing and the Minister for Building and Construction, has responsibility for the appropriations in the Vote.

The appropriations sought for 2014/15 total \$405.983 million, a decrease of \$646.779 million, or 61.4 percent, from the estimated actual spending in 2013/14. We understand the decrease is largely due to restructuring of the Vote, with income-related rent subsidies transferred to Vote Social Development in 2014.

The Minister told us that implementing the Government's social housing reform programme is a major activity under the Vote in 2014/15, with the objective of building a more diverse social housing sector. We were told that other key priorities include improving the corporation's performance and continuing its redevelopment programme, increasing the post-earthquake supply of housing in Canterbury, and improving the affordability of housing throughout the country.

Social housing reform

The Government's social housing reforms seek to increase the supply of social housing in the community, improve the quality of state houses, and ensure that state houses are allocated to those who need them most.

Social housing supply

The reform programme is increasing the supply of social housing by involving more third-party providers of social and affordable housing. We heard that the Social Housing Fund, which totals \$145.288 million over three years, has allowed the size of the community housing sector to be trebled, and that 891 homes had been built to date.

The Minister said the intention is to have the sector eventually provide 20 percent of social housing in New Zealand, and the corporation the remaining 80 percent. He intends to achieve this balance through a combination of grants to providers, better access for providers to the income-related rent subsidy, and asset transfers from the corporation. We understand that the Ministry of Social Development has been providing income-related rent subsidies to registered community housing providers since April 2014, and that additional funding has been allocated to this initiative. The subsidy is intended to incentivise the community housing sector to provide social housing by allowing providers to receive market rent for their properties.

We asked whether community housing providers were in a position to provide tenants with services that the corporation does not. The Minister said many social housing tenants have

high needs and that third-party providers are often better equipped to offer the necessary wraparound services. For example, Comcare Trust in Christchurch provides a specialised service for tenants with mental health issues. He believes an additional advantage of third-party providers is that unlike the corporation they are not subject to political changes.

Redevelopment programme

Among the corporation's current redevelopment projects are major projects in Hobsonville and Tāmaki, and the Infill 500 and Project 324&5 developments. The Minister acknowledged that these projects continue to cause disruption in some communities, but said that they are critical to improving the quality of social housing.

We were pleased to learn that the corporation's redeveloped properties are of a substantially better quality than those they replaced. For example, new state houses built in Maraenui were given six stars (of a possible 10) under the Homestar system for rating the healthiness and energy efficiency of homes. To receive a high rating, properties must have features such as double-glazed windows, high-quality insulation, and mechanical ventilation, and be designed to capture natural sunlight. We were told that some of the existing housing stock would probably receive as few as two stars.

Recently we considered three petitions regarding the corporation's redevelopment projects in Maraenui, Glen Innes, and Pomare. We heard that there had been shortcomings in the corporation's consultation processes in those areas and were given assurances that there would be better community consultation regarding any future redevelopments. Some of us were concerned that the corporation had since issued tenants in Petone with 90-day notices without any consultation on its plans for Petone. We were told that redevelopment projects will always be "bumpy" and that the 28 affected tenants have been offered alternative accommodation, but do not want to move. The chief executive explained that the vast majority of units have been vacant for some time as social issues in the area have made it difficult to tenant the properties. The corporation expects to sell the land to the private sector for development once it is vacated.

Housing affordability

The Minister said that the Government is working on a number of initiatives to improve the affordability of housing. For example, it has established housing accords in some areas, and expanded the KiwiSaver first-home deposit subsidy. We heard that legislative reform is also being carried out to address aspects of affordability, such as development contributions, the cost of building materials, and the residential building contracting process.

Housing accords

We discussed the Auckland housing accord with the Minister and were told that it was intended to deliver 9,000 properties by the end of its first year, 13,000 by the second, and 17,000 by the third. We heard that the accord is progressing well and, on the basis of building consent numbers, will reach its 9,000 target by 1 October 2014. Some of us questioned the Minister's optimism that the target will be met, given that only 3,417 building consents were issued in the first six months of the housing accord. We understand that the target figure includes not only consented houses, but also consented sections, of which there has been a lack in Auckland. The Minister said he is encouraged by the 34 percent increase in the number of consents granted over the past year.

We asked how many of the properties resulting from the Auckland housing accord would be affordable for first-home buyers. The Minister said it is impossible to regulate the number of houses built in specific price bands because the capital comes from private investors. He also said we should not expect all the homes to be in the “affordable range”, and that affordable properties for first-home buyers are likely to be older houses. He explained that the housing accord is intended to help make housing more affordable over the whole market by increasing the supply of housing in Auckland.

We heard that the establishment of housing accords in Wellington, the Western Bay of Plenty, and Queenstown is being discussed.

Overseas speculation

We asked the Minister why the Government does not collect data on foreign buyers to establish the extent of overseas speculation in the New Zealand residential property market. The Minister said that on the basis of figures provided by the Inland Revenue Department the level of foreign ownership appears to be relatively low, and is not having a substantial impact on house prices in New Zealand. The Minister also said it is very difficult to distinguish between genuine investors and speculators, and that in effect there is little difference between overseas and New Zealander speculators. He thus implied that there would be limited value in collecting data on foreign buyers for regulatory use.

Canterbury earthquakes

The Minister told us that 10,500 of the corporation’s properties, and others that the ministry is less directly responsible for, were damaged beyond repair in the 2010 and 2011 earthquakes. We understand that many more properties were damaged and are being repaired in a multi-year programme. Repairing and rebuilding these homes, and supporting the wider rebuilding efforts in Canterbury, remains a Government priority for 2014/15.

We heard that the current housing shortage in Christchurch is having a dramatic impact on rent prices, with prices increasing faster than elsewhere in the country. The Minister said he is satisfied with the speed at which new homes are being built in the region, and that the corporation is on track to repair 5,000 state homes and build 700 new ones by the end of 2015. He did, however, note challenges to the rebuilding programme where there have been problems with the local council regarding the issuing of building consents. We were assured that they are being resolved, but told that challenges are inevitable, given the scale of the damage, and that the Minister’s responsibility is only to ensure there are systems for responding to them.

The Minister told us his biggest “concern” is addressing the shortage of temporary accommodation for residents while their homes are rebuilt and repaired, particularly as more difficult repairs are now being done, and alternative accommodation is needed for longer periods. We were told that the Government is contributing \$75 million, via the new Canterbury Housing Accord Fund, to developments on Welles Street and Columbo Street. The Minister said that these developments will provide temporary accommodation for residents and reduce pressure on rent prices. The intention is that the properties will be sold to the private sector, to increase the overall supply of affordable housing in Canterbury, once the demand for temporary accommodation has subsided.

Some of us are concerned that the Government is not providing enough temporary accommodation for residents while repairs are undertaken. The Minister told us that developments funded from the Canterbury Housing Accord Fund will provide

approximately 500 further properties by the end of 2014, and assured us that the Canterbury Earthquake Temporary Accommodation Service will continue helping residents to find temporary accommodation in 2014/15.

We were pleased to hear that the number of building consents being granted indicate that housing supply in Canterbury will be restored to pre-earthquake levels by late 2016. However, we understand that further housing development may be necessary to accommodate the substantial population growth that has occurred in the region.

Appendix

Approach to this examination

We met on 28 May and 18 June 2014 to consider Vote Housing. Evidence was heard from the Minister of Housing Hon Dr Nick Smith, Housing New Zealand Corporation, and the Ministry of Business, Innovation and Employment, and advice received from the Office of the Auditor-General.

Committee members

Melissa Lee (Chairperson)
Hon Phil Heatley
Jan Logie
Le'aufa'amulia Asenati Lole-Taylor
Hon Peseta Sam Lotu-Iiga
Sue Moroney
Alfred Ngaro
Dr Rajen Prasad
Mike Sabin
Hon Chris Tremain
Louisa Wall

Phil Twyford replaced Louisa Wall for this item of business.

Evidence and advice received

We considered the following evidence and advice during this examination:

Office of the Auditor-General, Briefing on Vote Housing, received 26 May 2014.

Minister of Housing (Presentation), received 28 May 2014.

Minister of Housing, Response to standard Estimates questionnaire.

Minister of Housing, Response to standard Estimates questionnaire (Four year plan).

Response to additional questions, received 3 June 2014