



Alternative housing tenures – the opportunity for New Zealand

Research Update 4:
Affordable alternative housing tenure enablers and barriers in a New Zealand context

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1. Context

“Housing is fundamental to our economic and social wellbeing and plays a central role in individual and community health outcomes, family stability, and social cohesion. A responsive housing market facilitates labour market mobility, allowing people to move to take up job opportunities and enhancing the productivity of the economy.”¹ Unfortunately, housing markets around the world, including in New Zealand, have struggled to provide adequate, good quality affordable housing with long term security of tenure to meet their populations’ needs. Some housing markets have responded to pressures within their housing systems to provide a range of alternative tenure structures and these responses have varied between countries. New Zealand is also a signatory to a number of United Nations conventions that state households’ ability to access good quality housing at an affordable price is considered a human right.

This research update is the fourth in a series which presents the initial results of our research project “Alternative housing tenures – the opportunity for New Zealand”. This research update focuses on the results of 30 semi-structured interviews across a range of organisations involved in the wider housing system. The focus of the survey was on factors enabling or barriers limiting the growth of alternative affordable housing tenures in New Zealand. Previously published research updates from this research project summarised the results from our analysis of housing market outcomes including trends in the intermediate housing market, renter housing stress, and renter housing need and unmet need.

2. Industry sector interviews

The objective of the industry interviews was to investigate the barriers and enablers impacting on providers offering alternative tenure models in New Zealand, how they operate within the housing and related systems to provide affordable housing and their ability to operate at scale. Semi-structured interviews² were used with sector participants to identify and collect information on alternative tenure models already in use domestically. The interviews included affordable housing providers interested in alternative tenures, iwi groups offering or developing alternative tenure models, financiers and equity investors, property sector participants and their advisors; and local and central Government representatives.

A total of 30 interviews were conducted which included 17 affordable housing providers and iwi groups, 13 financiers and equity providers, property market participants, their advisors, and local and central government organisations.

¹ New Zealand Productivity Commission (2015) Using land for housing. Page 1.

² A copy of the survey instrument is included in Appendix xx.



3. Interview outcomes

The semi-structured interviews suggested there are a number of system based issues impacting on the ability of alternative tenure housing models to grow. These include a range of factors which were largely consistent with the results of our rapid review of overseas literature. The outcomes of the Iwi housing providers' interviews are included in a separate research update.

The key factors emerging from our interviews impacting on the potential growth of alternative affordable housing tenures included:

- Government policy;
- Market's lack of knowledge and absence of standardised documentation;
- Household stewardship;
- The economic viability of alternative affordable tenure model housing developments;
- Access to finance and low cost patient capital; and
- Local government policies and procedures.

Note: a more extensive commentary of the interviews will be presented in the full technical report which will be published in mid-2023.

Government Policy

The lack of a consistent, focused and appropriately funded housing policy in New Zealand is seen as a barrier by potential alternative affordable tenure providers. New Zealand lacks a focused appropriately funded national housing policy with clear measurable goals. The Government's current National Policy Statement on Housing and Urban Development sets out a vision and a pathway to affordable secure housing options. However, the process has been slow and funding underwhelming. For example, although Government has increased the amount of support for households to move into owner occupation via grants and alternative tenure models (progressive homeownership which is a form of shared equity tenure), the level of funding is such they will only provide real benefits for a limited number of households. At best this support may assist less than a decimal point of intermediate market households into secure affordable owner occupation.

Successive New Zealand governments have failed to develop effective bipartisan housing policies and as a result potential alternative tenure housing providers have had to cope with an ever changing policy landscape. Funding sources and grants come and go as the political parties in government change. The "on again, off again" sources of funding and potential delivery mechanisms create uncertainty and additional risk within the sector thereby limit organisations' ability to grow and upscale their operations. As government policy evolves over time, funding programmes for different components of housing needs have varied. To continue to operate and support more households, not for profit housing providers have had to refocus their operations on the parts of the housing continuum which are supported by current policy.

There is a growing requirement to measure and monitor housing need so as to be able to measure the impact of different policies on housing market outcomes. Without measuring the extent of the level of housing need and whether this is changing, it is not possible to track the impact on any policy changes.



Market's lack of knowledge and absence of standardised documentation

A lack of general knowledge of alternative tenure models and the differences between affordable and social housing can drive NIMBYism and opposition to alternative models. Lack of knowledge about the different alternative affordable housing tenure models includes potential purchasers, their advisors, banks, property sector participants and developers, and local and central government. As a way of improving knowledge within the sector, partnering with established providers willing to outsource their expertise was seen as an “enabler”. This allows smaller organisations to establish themselves in the sector and access skills and knowledge they cannot afford to employ full time.

A lack of standardised documentation for the different types of alternative tenures also adds to the lack of market knowledge. Banks in particular were keen on tenure document standardisation as this reduced the time involved in internal sign offs from legal and risk management teams.

The alternative tenure community does not have a peak body to promote the alternative housing tenures, increase communities', their advisors' and financiers' knowledge about them, assist with the development of industry toolkits about how to undertake alternative tenure developments, and drive the standardisation of market acceptable legal structures and documentation (including the unique challenges and opportunities facing Māori collectives). Te Matapihi he tirohanga mō te iwi Trust supports iwi and Māori housing providers, and Community Housing Aotearoa supports a broader range of housing organisations. Both support housing providers working on responses to homelessness, emergency/transitional housing, public housing, affordable rentals and some alternative tenure models. With such a wide coverage, and smaller numbers of alternative tenure providers, their focus and capacity to meet the substantial demands required for alternative tenures is limited. In addition, other alternative tenure models such as co-housing and cooperatives are not currently ones their providers are delivering.

Household stewardship

Household stewardship prior and during their time as part of an alternative affordable housing tenure programme is likely to improve household outcomes. Providing support and education regarding alternative tenure products and preparing households to access them is a key component of many providers' programmes. Target households' circumstances are such they are not typically in a position to enter alternative tenure programmes immediately. The challenges facing these households include an accumulation of short term debt, the need for them to further develop their financial knowledge and budgeting skills, developing a belief that they can achieve a different form of tenure with some support and changes in the ways in which they operate their household.

Alternative affordable tenure models economic viability

The economic viability of alternative tenure model housing and the need for some form of subsidy is seen as a “barrier” limiting the sector's ability to grow. Providers and others within the wider housing system commented on the necessity of land or capital subsidies for the alternative tenure models to assist lower income households. Lacking that, financial viability limits their ability to leverage private sector capital and attract developers to partner with them.



Access to finance and low cost patient capital

Access to finance and low cost equity is also a major constraint within the sector. Finance mechanisms which are beyond the scope of changing government policy (like inclusionary housing) could be advantageous. The absence of long term sustainable low cost capital is considered a barrier to growth. In addition, the “on” “off” and “on” again nature of government funding and grants hinders providers’ ability to grow to scale.

The affordable housing sector has a large number of small innovative but typically undercapitalised housing providers. These organisations have limited working capital and find it difficult to fund the pre-development costs associated with a project and secure funding for the overall project. Funding this stage of a development is high risk, however some seed funding would allow organisations with limited resources opportunity to grow.

A significant majority of interviewees identified banks’ risk averse lending policies which have hindered innovation and growth within the sector. Respondents were also concerned about banking regulatory policies limiting flexibility within the sector whereas regulatory authorities suggest the issue is with the way in which banks interpret policy and their attitude to risk.

Local government policies and procedures

A number of potential barriers and enablers strongly identified by providers and others operating in the wider housing system relate to local government policies and procedures. Working with councils was seen as desirable although councils’ attitudes to partnering with affordable housing providers is variable. For example, Queenstown Lakes District Council has been innovative in supporting a housing trust and Christchurch City Council has also been supportive to a number of providers. Conversely, some councils consider affordable housing as a central government issue which they should not concern themselves with.

Providers focused on trying to provide innovative housing solutions commented that council rules and regulations tended to hinder their ability to maximise their sites, particularly when they were developing non-standard designed developments. The inflexible approach resulted in higher consenting costs, extended timeframes and increased uncertainty over whether the project could proceed. The risk averse nature of council staff decision makers and existing householders, combined with a lack of understanding of the difference between social and affordable housing has resulted in delays in developments and increased resistance within the community.



4. Summary

The semi-structured interviews suggested there are a number of system based issues impacting on the ability of alternative tenure housing models to grow. These traverse a wide range of areas with the key themes in the responses identifying:

- The lack of a consistent focused and appropriately funded housing policy in New Zealand is seen as a barrier by potential alternative affordable tenure providers. The housing market has longer time frames than the three year electoral cycle and policies that change with each successive government hinder the development of a well-functioning housing market with appropriate tenures catering across the full spectrum of housing need. New Zealand currently lacks a focused appropriately funded national housing policy with clear measurable goals;
- The economic viability of alternative affordable housing tenure developments is such they require some form of subsidy. Access to development sites at values reflecting the intended social outcomes and/or low cost long term patient capital is essential if the sector is to grow to scale;
- Housing system participants' knowledge of alternative affordable housing tenures is limited. The sector lacks a peak body to champion affordable alternative tenures and assist in preparing best practice guides and standardised tenure documentation; and
- Local Government and their policy and regulations can either hinder or enable alternative tenures. Some see housing affordability as a central government issue and want nothing to do with the sector. Others such as Queenstown Lakes District Council have been innovative in supporting a housing trust and Christchurch City Council has also been supportive to a number of providers.

Note: the outcomes of the Iwi housing providers' interviews will be included in a separate research update.

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