



# ***Making REAL-Value: The Community Sector for a Better Housing Future***

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March 2011

# Today I want to reflect on:

- Our current housing future
- What we really need from housing
- The capacity and willingness of the housing sector to deliver the housing NZ needs
- Role of the community housing sector in delivering REAL-Value housing

# Crowded, Cold, Insecure, Unaffordable Unsafe Housing for Children

- Crowded children
  - 17.2% 0-9 year olds
  - 15.3% 10-14 year olds
  - 46.3% of Pacific children
  - 27.8% of Maori children
  - 22.3% of Asian children
- 375,000 children in dwellings cold, damp and expensive to heat.
- 80,000 children in temporary dwellings
- Most likely to be living in rental housing

# Crowded, Cold, Insecure, Unaffordable Unsafe Housing for Children

- Our most vulnerable young people
  - 14,500-20,000 in insecure or unsafe housing.
  - 12.6% in unaffordable housing, overcrowded housing, dilapidated housing and/or mal-adapted housing.
  - 13.8% in dwellings in which they are exposed to criminality, sexual or physical abuse, gang activities/members and/or drug making.
  - 2.5% no fixed abode or living on the street

# Crowded, Cold, Insecure, Unaffordable Unsafe Housing for Children

- Poorly designed dwellings and sections contributing to 1 child a fortnight hospitalised with serious injuries from driveway incidents and 4 killed annually.
- By 2016, 200,000 children in working families unable to enter home ownership.
- Less than half of private sector landlords prefer families with children as tenants.

# Let's Not Mention

- 42,000 (possibly 88,000 leaky homes)
- Dismal rental housing:
  - 41.1% of rentals without ceiling insulation
  - 39.9% of landlords making no provision for repairs and maintenance
- Under supply of lifetime design homes
  - 136,197 dwellings undersupply currently
  - 240,000 dwellings undersupply by 2039.

# Let's Not Mention

- Building cost increases fuelled by provider-driven demand (McMansions) and pricing practices (cover-bidding)
- Economic impacts associated with our failure to meet affordable housing needs. Over 20 yrs, regional growth in the Bay of Plenty reduced by \$720m
- The failure of multi-units in medium density neighbourhoods and their stigmatisation
- Significant stock and site failure in new subdivisions in the recent CHCH earthquake

# These:

- Indicate multi-faceted and systemic housing stress
- Profoundly under-performing homes
- Significant market failure in the residential construction industry and housing sector
  - split incentives
  - externalisation of costs
- Persistent delusional, displacement, and distancing behaviours in policy, regulation and delivery in housing, planning and building

# We Need:

- A fundamental rethinking of:
  - institutions of housing delivery
  - housing assistance and investment
  - tenure.
- A housing approach underpinned by:
  - Transparent outcomes
  - Recognition of the:
    - Value of housing
    - Integrated nature of housing
  - A solutions focus based on evidence
- To rid ourselves of:
  - Self-rationalisation
  - Displacement
  - Distancing ourselves from responsibility

# Barriers to Change – Tenure Debate

- Both tenures can be sub-optimal
- Home owners are exposed to negative outcomes by:
  - Overheated house prices
  - A culture of speculative housing
  - Predatory financing
  - Excessive new house prices gouged by cover bidding and McMansion building to optimise margins
  - Poor building and renovation practices
  - Poor industry productivity
  - Inadequate design and price pressing

# Both tenures can be sub-optimal

- Renters are exposed to :
  - A supply side dominated by speculators, passive investors and amateurs
  - Landlord churn and unstable tenure
  - Poor landlord skills and under-capitalisation
  - Poorly designed and performing stock
  - A belief that renting is transitional

# Barriers to Change – The Downturn

- The downturn rationalises two views:
  - Nothing can change in the downturn
  - Falling house prices will solve everything
- Some of the worst access and quality problems have arisen during the boom.
- Housing recessions have not been marked by significant benefits in new build pricing or affordable housing supply.
- House prices will need a very big fall for the intermediate housing market to contract significantly

# Barriers to Change – Silver Bullets

- Rental stock expansion
- Home ownership
- Deregulate
  - Building controls
  - Release urban boundaries
  - Rental market
- Transfer the public housing stock:
  - Make tenants home owners
  - Sell it to the private sector
  - Transfer it to the community housing sector
- Expand the public housing stock
- Private/Public partnerships
- Loosen prudential guidelines
- Tighten prudential guidelines
- Economies of scale

# Ripping Off Our Housing Future

- Pretending the past can be restored and/or that the housing sector isn't broken
- More than a billion expenditure on an unevaluated AS that:
  - Doesn't deal with the affordable gap
  - Is untied
  - Places no requirement on dwelling performance
- Changing the tax treatment of landlord maintenance costs rather than deal with compliance among speculators.
- Over targeting housing assistance and reducing it to welfarism
- Exposing children and young people to unsafe housing because children have no eligibility or entitlement to housing assistance separate from their caregivers or parents
- Dwellings that are not fit-for-purpose.

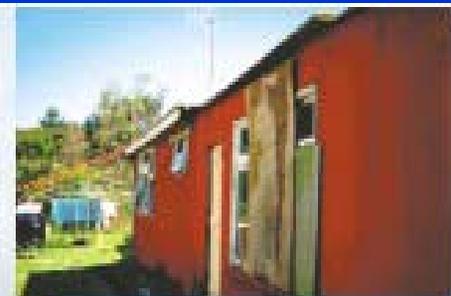
# For a Bright Future

- Make housing central to settlement planning and economic, social, environmental and health policy.
- Make optimising the future and well-being of adults, young people and children the core housing policy goal.
- Diversify tenures and generating step-wise pathways for households into homeownership.
- Develop a rental market that works and delivers secure, affordable, healthy housing to tenants.
- Ensure home and neighbourhood design, renovation and construction deliver resilience, efficiency, adaptability, livability and affordability:
- Invest in and support a diversified value-chain.

# It will Need a Change in NZ Housing Culture:

- Passive commodification
- Fashion not design and performance
- Preoccupied with capital gains
- Move out and move on
- A private problem not a public good
- Rife with myth, prejudice and misconception

# Home Ownership – Always Good Myth



# Home Ownership – Unachievable Myth



# We will Need to Banish RIP-Off Homes

- Costly for people to get to important places
- Too big for purpose
- Costly to repair and maintain
- Prioritise cars over people
- Unaffordable prices
- Unaffordable operating costs
- Unaffordable and/or physically difficult to adapt
- Costly to the households that live in them and to the community
- Poor resource performance
- Don't deliver healthy, comfortable living environments
- Are not resilient to shock and/or changing circumstances

# Some Annual Savings from Fit-for-Purpose Homes

Household energy saved by bringing stock to Beacon's HSS® (reducing CO2 emissions by 3600kt/year)	\$9.6 million
66% new homes to Lifetime Design – Savings on modifications	\$40 million
Value of Statistical Life preventing child driveway deaths	\$12.2 million
Annual reduction in 2021 cost of residential care take-up through adaptable housing provision	\$800 million

# Unaffordable Homes Cost Us

- Bay of Plenty undersupply of 3,000-5,000 affordable homes will have big impacts
- Projected job growth reduced by:
  - 5,000 jobs direct
  - 6,640 jobs with flow on effects
- Projected regional growth reduced by
  - \$500 million direct
  - \$720 million with flow on effects
- Projected value added reduced by
  - \$196 million direct
  - \$280 million with flow on effects

# REAL-Value (not RIP-Off) Homes

- REAL-Value homes are:
  - Resilient - homes and neighbourhoods able to protect and support people in the face of shocks and hazards.
  - Efficient - through minimising energy and water use
  - Adaptable - to changing lives and needs.
  - Liveable - healthy, attractive, safe places connecting people to friends, family, communities, services, work, and play.
  - Value by providing:
    - Affordable entry costs
    - Affordable operating costs
    - Supporting affordable living.

# Community Housing Sector Can Drive A Change

- Primacy given to use value
- People responsive not commodity driven
- Stability, commitment, and the long term
- Active housing solutions not passive consumption
- Performance matters
- Housing is a community issue

# But It Takes Commitment and Courage

- Under resourced
- Poor service from the regulatory, policy and financial sectors
- Low awareness and understanding
- Over-burdened with expectations
- Given the skim-milk

# And Leaving Our Traditional Coping Mechanisms

- Adopting a siege mentality
- Being inward looking
- Being self-referential
- Becoming compliant:
  - Competitors
  - Conformists

# Competition and Conformism

- Competition for Government funding
- Conform to the prevailing paradigm:
  - Housing markets work for most people
  - Housing support is welfare
  - Rental is the answer
  - Community housing really should just help with 'problem' people
  - Economies of scale is about stock ownership and organisational structure
  - Its price not performance that's the problem

# The Community Housing Sector Can

- Press down on price
  - Economies of scale
  - Market responsiveness
  - Procurement
  - Be demanding
- Reduce the operating costs of dwellings
  - Families with more disposable incomes
  - Potential for increased rent yield
- Increase the capacity of households to take care of their housing needs
  - Non-speculative housing
  - Mixed tenures
  - Skill development and support
  - Partnerships: Design; Build; Finance; Households
- Be different

# REAL-Value Dwellings Give Real Value

Not-Fit for Purpose Dwellings –  
Unaffordable at Any Price No Matter  
Who Provides Them