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Community Housing in New Zealand: A view from the Coal-face A Case Study of a Community Housing Organisation in New Zealand.

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Introduction

This is very much a report from the coal face that reflects on how government policies and strategies to support a thriving community housing sector in New Zealand are measuring up to groups' attempts to expand and meet growing housing need.

New Zealand is unusual, when compared to other OECD countries, in not having a strong, developed housing 'third sector' – also known as the community housing sector. In the 1990s there were sporadic attempts to establish a sector and within the last decade governments have shown interest in supporting a community housing sector and some community housing organisations (CHOs) have been established. However growth has been slow and very difficult.

Finding one all-encompassing definition of Community Housing is difficult. The peak body, Community Housing Aotearoa's *Good Practice Guide* defines it as '*housing opportunities and services delivered through a community*' and lists some of the attributes that community housing organisations share. These include:

- Not-for-profit, managed by voluntary or nominally rewarded governing bodies
- Provide homes for rent and affordable models of home ownership
- Provide general needs housing and/or supported and emergency housing
- Funded from a variety of sources including government, private sector lenders, donations
- Locally or regional/nationally based representing "communities of interest" such as mental health consumers

In this paper I want to describe one CHO: the Nelson Tasman Housing Trust (NTHT), and use its experiences to illustrate how a housing trust can thrive in a challenging climate. I also want to look at why it is so hard and explore what changes to central and local government policy could make development and growth so much easier.

Policy framework

I do not intend to go into the detail of ‘affordable’ or ‘social’ housing provision. Suffice it to say that in New Zealand there is a strong policy bias towards state housing. Housing New Zealand Corporation (HNZC) is by far the major provider of social housing but this still represents less than 5% of dwellings and Council housing makes up less than 1% with only Auckland and Wellington having significant local authority stock and other authorities possibly having residual amounts of ‘pensioner housing’. Revenue subsidies such as the Accommodation Supplement are available for low income people who rent in the private rental sector. Community housing has less than 6% of social housing stock and a mere 0.34% of New Zealand housing stock.

Several milestones have lit the way in the sector’s growth: the main one in recent years being the Housing Innovation Fund (HIF), administered by HNZC. Launched in 2004 as a pilot project and provided on an annual basis since then it is a competitive fund that initially provided a mixture of grants and loans to develop and increase the capacity of CHOs and provide development funding to established groups. Some of the funding also went towards establishing a peak body for the sector: Community Housing Aotearoa. The initial scatter-gun approach to supporting groups resulted in many small groups being established but the paucity of the capital funding meant that all but a very few groups were able to actually provide housing. In recent years the funds have since been targeted to a dozen or so established groups in areas of severe housing affordability that have housing as their core business and that have the capacity to grow. Fortunately NTHT fits the bill.

Funding is generally in the form of loans that are interest free for 10 years; initially HIF also provided grants to the value of 15% of scheme costs and the group/community had to match this with a ‘community contribution’. In recent times the grant is only available for rental schemes in exceptional circumstances and HIF funding has reduced from 85% of scheme costs to a maximum of 50%. More of the implications of this later.

This year several new reports to government recommend significant investment in establishing a robust community housing sector (along the housing association model). These reports include:

- the Housing Shareholders Advisory Group report to the Housing and Finance ministers: Home and Housed: A Vision for Social Housing in New Zealand
- A report commissioned by the Housing Minister on growing the community housing sector (not yet released)
- HNZC’s 2010 – 2015 Strategic Plan which promises to develop tailored responses to meet the needs of partners and build genuine partnerships.

Change may be afoot.

Nelson Tasman Housing Trust (NTHT)

Here is a thumbnail sketch of the housing trust:

The Trust was set up in 2004 as a community response to a Social Wellbeing report that identified housing affordability as a critical issue in Nelson Tasman that underlay many of the social problems of the region. Nelson is the third least affordable region of New Zealand. The report publication coincided with the launch of the HIF programme and the Trust's formation benefited from the experience of a number of former UK social housing professionals who had worked in housing associations and now lived in Nelson. Seven trustees from the business and community sectors run the Trust through monthly meetings and regular email contact and they estimate that they collectively put in an average of 50 hours/week voluntary effort. The Trust recently appointed two part-time staff to coordinate activities and provide tenancy and asset management.

The Trust has grown relatively rapidly in the last six years and in many ways its most valuable role has been to act as a catalyst to bring partners together to provide local housing solutions. Thus it works closely with HNZA, the local councils, the District Health Board, emergency housing agencies and key funders such as the Canterbury Community Trust. This year the Trust signed a Memorandum of Understanding with the Nelson City Council and was recognised by being the recipient of the TrustPower Nelson Community Award overall winner.

The Trust has developed a range of activities which broadly fall into three categories:

- building affordable houses to rent and managing these houses and their tenants;
- providing emergency accommodation to local people in need of housing; and
- improving the energy efficiency of homes occupied by people on low incomes or with ill-health.

Building homes

The Trust currently owns 15 houses and has a further 9 in the development pipeline. Its first four-unit scheme won the Housing New Zealand Community Development Award of the Registered Master Builders House of the Year competition in 2007. Its houses are all built to a high specification with high levels of energy efficiency such as additional insulation, double glazing, solar water heating and heat-pumps. Most of the houses are built to universal design standards and the Trust uses a Design & Build model using either local companies or volume builders. Its next scheme will feature passive solar design, grey-water reticulation, rainwater harvesting, locally sourced materials as well as the Trust's usual energy efficiency features.

The houses are let at an 'affordable' rent of around 75% of market rents. The Trust works with local agencies such as the Salvation Army, Presbyterian Support and HNZA to identify potential tenants who will be local people on low to moderate incomes who do not qualify for HNZA properties. Because of the housing schemes' relative high densities care is also taken to achieve a community balance. The Trust does not keep a waiting list for its property as there is so little turnover of tenancies and in fact only one tenant has moved on since its first house was built. This stability is one of the features that is most valued by tenants, the community and the Trust. Unlike the private sector, the Trust offers its tenants security of tenure which means that so long as the tenancy conditions are not breached the tenants can remain in their home until they choose to leave.

The Trust is keen to diversify into low-cost shared-ownership housing as and when the equity in its asset base allows.

Finance

The Trust received a \$200k grant from the Canterbury Community Trust towards its first (\$1.3m) scheme. This enabled it to lever a matching \$200k suspensory grant and a \$900k loan from HNZC's Housing Innovation Fund. The loan is interest-free for ten years.

Its second nine-unit scheme was funded by a \$2.2m grant from the Canterbury Community Trust and a \$200k bank mortgage.

Its third \$2.6m scheme is being funded by a \$0.5m low-interest loan from the Canterbury Community Trust, a \$450k in-kind contribution of land and development contribution waivers from Nelson City Council and a \$1.3m HIF loan. The HIF loan is again interest free for ten years and provides half the funds for the scheme. The Trust has negotiated a commercial bank loan supported by the equity and rental stream from its second scheme to make up the deficit.

In return for a government investment of \$200k grants and \$2.2m loans, the Trust will have produced \$6.3m housing investment for the local community by the end of 2011. By any measure this represents good value for the public purse.

It is not an exaggeration to say that without the support and investment of the Canterbury Community Trust the housing trust would still be sitting on its hands with no stock.

Emergency help

The Trust co-ordinates an emergency housing response and also operates a Bond Bank. The Trust acted as a catalyst bringing together seven local agencies under a Memorandum of Understanding to streamline and coordinate emergency housing provision. It now operates two units at the Tahunanui Beach Camp, offering up to two weeks emergency accommodation to families whilst they sort out their housing options. Again, the Trust was able to act as a catalyst to coordinate the activities of the local House Builders Federation and local colleges to build the accommodation. Demand for these units has increased substantially this year and since the scheme's inception in 2008 over 100 families have been helped.

The Trust's Bond Bank is a first in New Zealand and provides interest free loans to help families to pay the bond they need to acquire a tenancy from a private landlord. This revolving fund has been supported by United Way, St Vincent de Paul, the George Brown Trust and Nelson City Council and since it was established, it has helped 40 families with a total loan value of \$25,000. The loan is repaid according to the tenant's means and whilst it has proved expensive to operate, there have been very few defaults and write-offs.

Healthier homes

A partnership principally with the Nelson Marlborough District Health Board and the Energy Efficiency & Conservation Authority enabled the Trust to run a scheme to retrofit 500 homes in the Nelson Tasman region in recent years. The Trust engaged a Wellington company to manage the scheme with local labour supplied through Work & Income schemes. The work includes loft and under-floor insulation, draft-proofing, pipe lagging and cylinder wraps and is targeted at the homes of people on low income and with health issues.

Review

By most measures the housing trust has been, and continues to be, a success. However it has been hard graft and the framework within which the trust operates is not conducive to a rapid growth of the sector or its component organisations. If the government's aspirations for a

significant third sector are to be realised some fundamental changes will be required to the environment in which trusts like NTHT operate.

The challenges that the Trust has faced are not unique to the NTHT and are generally shared by other similar community housing organisations nationally. These can be grouped around:

- Responsibility for housing issues
- Funding options
- Land and development issues
- Stereotyping and NIMBYism

Who is responsible for ensuring people are adequately housed?

The absence of homelessness legislation means that responsibility for housing issues is constantly batted between central and local government. Local government is responsible for social and community well-being but central government houses those in most need in HNZC stock and supports other's housing costs through revenue subsidy. For the housing trust this presents a key problem of engaging with some local councils in any meaningful and practical way in that housing is seen to be a government responsibility outside the remit of the local council. The absence of personal manifestos or party alignment in local body elections further compounds the problem so the trust can be operating in a policy vacuum. This means that the Trust can be a hostage to geography: For instance the Nelson City Council will gift land and waive Development Contributions to assist the Trust but has little flat, suitable building land whereas neighbouring Tasman District Council, which has a lot of flat land, will not provide any material support for the Trust. Local authority support can become a critical factor in raising a Community Contribution to lever government funds into a scheme.

Funding hurdles

Working with bureaucracies does add a certain frisson to the lives of trustees. There are several structural problems with the current HIF funding regime that need to be resolved if the sector is to grow and some groups have already decided that the return does not merit the effort required to meet the funding criteria.

The key weaknesses of the scheme are:

- Inadequate pool of funding either to grow the sector or to meet demand from housing trusts. Of the current year's \$20m allocation, \$12m is actually available nationally for general needs schemes and this was distributed by allocating \$6m to Auckland and \$6m to the rest of the country. This amount is an increase from previous years when HIF was also available to local authorities.
- Trusts have to raise a contribution of at least 50% of the scheme cost and are usually dependent in part on assistance from a local charity or in kind assistance from the local council. The ability to raise this contribution in its area of operation to trigger a HIF loan often does not marry with areas of greatest housing need and is often determined more by local politics. In the case of NTHT this means that future schemes will have to focus more on Nelson than Tasman
- Provision of loans not grants. The key implication of offering loans rather than grants is that the trust cannot use the equity in its current stock to borrow against for future schemes and so rapidly runs out of equity. Issues also arise over which lender has first charge over the property. This severely limits NTHT's growth potential. Interestingly the HIF criteria will provide grants for shared ownership schemes as it is recognised that

these schemes will not stack up using loans. If government is serious about growing the sector it needs to urgently address the issue of providing grants rather than loans.

- No ring-fencing of the HIF budget means that HIF loan repayments are not recycled to new projects and are lost into the government's General Fund
- Complexity: it took two weeks, two phone calls, one short meeting and simple documentation for the Trust to obtain a \$1m mortgage from the local branch of a commercial bank. To obtain a \$1.3m loan from the HIF required several rounds of interviews, submission of detailed proposals, credit checks on trustees, decisions by the HNZN Board and several months of uncertainty.
- Risk sharing: New HIF criteria have shifted development risk onto the Trust. New criteria assess the 'readiness' of schemes to determine the priority of proposals which means that the Trust has to invest fairly significant amounts in developing detailed proposals for HNZN without any guarantee of funding. At the same time grants for the group to undertake scheme feasibility studies have been discontinued which further increases the group's exposure to risk.
- The impracticality of HNZN budget time-frames: Budgets are set and allocated on an annual basis that does not mesh with the realities of a complex development programme. The chances of funding and land being available at the same time are remote and opportunities are regularly lost. A development pipeline and some form of pre-allocation that offers a guarantee of funding is essential
- Political cycles. Relatively short, three year central and local government political cycles can create havoc with long-term projects as priorities and policies change at short notice.
- No level playing field for government investment in social housing provision: CHOs receive 50% HIF loans whereas HNZN gets 100% funding for its operational costs and 100% funding for new acquisitions and maintenance. HNZN also receives subsidies to charge income related rents whereas CHOs get no subsidy beyond a 10 year interest holiday which means that their rents cannot meet acknowledged affordability criteria and opportunities to grow are limited.

These issues feed into land and development issues and jeopardise the affordability of the scheme. In order to make schemes stack up the Trust has to maintain a fine balance between keeping costs down and charging rents that are affordable and sufficient to service the loans. The reality is that the Trust's rents have to be at least 75% of market rents and most of its tenants still require financial support of the Accommodation Supplement or Domestic Purposes Benefit. Whilst a 25% saving on rents in the private sector has attractions, the Trust has found that its tenants value the tenancy security, low running costs and good design more.

Land and development issues

As any developer knows, land is a significant cost component. The only way in which the Trust has been able to make its schemes stack up is to build comprehensive developments (ie several houses on one title). This has worked well in its first scheme of 4 houses on 1000m² in inner city Nelson. However inner city land sells at a premium and the Trust has had to find sites on the periphery of town. This presents several problems:

- Development consortia have bought up most of the available flat land and control its release to maintain high prices. New developments on the outskirts of town are generally targeted at the upper end of the market and so sections that come on the market nearly always have restrictive covenants that prevent more than one building per section. The Trust spent over a year looking for sites for its second scheme and was fortunate to find a developer who was prepared to sell three adjoining sections with no covenants to help their cash-flow.

- The Trust's second scheme of nine two-bedroom houses on a 2000m² site was 'compact' and contrasts sharply with other houses on the development which are more palatial. Ironically the scheme was built in an area that has been zoned for high density, compact and comprehensive schemes but this has carried little weight with the developers and neighbours who raise concerns at the impact of our scheme on their property values.
- Comprehensive schemes raise a further hurdle for the Trust in that they invariably do not comply with the resource management plan and have to be notified. The planning process adds considerable cost, time and uncertainty to the process, all of which is borne at risk by the Trust. The Trust's second scheme proposal was the first of its kind in Tasman District Council and poor drafting of the Resource Management Plan made it impossible to fully comply as either a comprehensive development or a compact development so eighteen months later and \$150k poorer, the Trust finally received consent.

Stereotyping and NIMBYism

Everyone recognises housing affordability is a serious issue in Nelson Tasman that damages the local economy and creates a multitude of social and community issues. Everyone supports the work of the housing trust – providing it is not in their part of town. Part of the problem the Trust faces is the stigma of being confused with state housing and a legacy of poor planning decisions in the past (such as building state family housing cheek-by-jowl with pensioner housing). The Trust has had to go to extraordinary lengths to overcome this prejudice and in fact will not house people who are in sufficient housing need to qualify for state housing.

On completion of its second scheme the developers asked the Trust to agree a series of draconian conditions for a three year period in order to 'protect' their investment. These included a limitation on the number of children and pets; a restriction on single occupancy; parking restrictions and limits on the number of cars each family could own. Since the scheme opened in May there has been one instance of anti-social behaviour when a caravan belonging to one of the Trust's tenants was vandalised by an owner-occupier. The Trust did consider asking the developers if it could vet prospective purchasers on the rest of the estate.

The Trust's third scheme illustrates many of the prejudices that it faces. This proposal is to build nine eco-houses on 3000m², residentially zoned land that the council has gifted to the Trust. Local consultation generated well-organised and vociferous opposition, supported by the local newspaper with banner headlines such as 'Valley May Become Ghetto' and 'Brook Valley Housing Project has the Potential for Disaster'. With the local council elections on the horizon, the future of the scheme and the \$20k the Trust had already invested in the scheme were under threat as councillors started to get cold feet about gifting the land. Local concerns ranged from the impact on local property prices to wishing to retain the land as open space. The building design and scheme layout were not the issue so much as the sort of people that would become their neighbours. Equal concerns were raised about the Council giving away land and the cost to the ratepayer. This 'gift' will benefit the community by leveraging \$1.3m government loans and \$1m of funds raised by the Trust but was evidently not seen as a sufficiently good investment.

Tinkering at the margins

So the question has to be asked: why do it?? Government lends around \$12m a year for community housing schemes at an opportunity cost to Treasury (in lost interest) of around \$3m a year; local government sees the Trust's work as the state's responsibility; private landlords see the Trust as a threat and object to the 'huge subsidies' it receives to compete with them; developers fear that its schemes will impact on their sales and neighbours worry about the impact on their house value.

The Trust sees housing as its core business and recognises that community housing has numerous advantages over other forms of housing supply:

- It knows its community and has extensive community networks that can be called upon for assistance or to help. Being in touch with its community it knows its needs
- It has numerous partnerships and can draw in resources from different sectors: health; education; employment; local government; banks; government ministries
- It acts as a catalyst for other agencies. It doesn't carry much baggage and is entrepreneurial, seizing opportunities and bringing agencies together to create opportunities
- It has mana and can influence the policy makers both locally and nationally
- It provides a local, personalised tenancy and asset management service, in touch with tenants' needs and expectations. Arrears are low and tenants are assisted in ensuring they receive their entitlements
- The Trust board has an excellent balance of business and community skills. Trustees are appointed for their skill-sets to ensure that all facets of its operations are expertly governed.

If asked why the Trust does it, trustees would say there are two overriding reasons:

- We do it because we can achieve effective outcomes for our tenants, our community and our funders. Within six years we will have grown from nothing to an organisation with over \$6m assets; we can pull in resources that individuals and councils cannot access. Our frustration is that we have the capacity to do so much more if some of the issues outlined above were resolved.
- We listen to our tenant's stories and recognise that what seems like fairly small effort on our part can have huge impacts on the quality of life of local people. A recent feature in the Nelson Mail quotes some of our tenants, both of whom came from cold damp poky places where they lived in fear of being evicted when the landlord's situation changed:
 - Mrs Welch: *'I can't remember when I felt so settled. There hasn't been one day since I came her that I haven't woken up and rejoiced'*
 - Mrs Cornish: *'I still pinch myself that actually, this is mine. It brings some emotion for me to think that no-one is going to tell me that I have to move on'*

If we were asked what was the one thing that is really needed we would have to say it must be government commitment to match the rhetoric. Otherwise we will be forever tinkering at the margins.

Keith Preston. October 2010

