New Zealand Council Of Christian Social Services

Street Address: 3-5 George St, Thorndon
Wellington, 6011
Mailing Address: PO Box 12-090, Thorndon
Wellington, 6144
Phone: (04) 473 2627
Fax: (04) 473 2624
Email: admin@nzccss.org.nz

Productivity Commission
PO Box 8036
Wellington 6143

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Tēnā koe

Productivity Commission Draft Report on Housing Affordability – NZCCSS comment

The New Zealand Council of Christian Social Services (NZCCSS) welcomes the draft report from the Productivity Commission (PC) on Housing Affordability. The housing market analysis contained in it is sound and based on sound evidence and reaches conclusions broadly similar to a number of other reviews of the housing sector that have taken place over recent years (e.g. Housing Shareholders Advisory Group 2010, Prime Ministers Department Review of Housing Affordability 2008). We note the significance of the housing impact of the Canterbury earthquakes and the need for thousands of good quality and affordable homes that is immediate and large and ask whether the PC analysis has taken sufficient account of the impact of this on future affordable housing demand and supply.

NZCCSS member agencies are involved primarily in social services provision working with disadvantaged families, children and vulnerable older people. That work includes dealing with the housing issues that families face and the impact this has on their ability to cope and contribute as members of our communities. Some of our member agencies are themselves housing providers, offering emergency housing, night shelters as well as affordable rental accommodation for individuals and families as well as rental housing and retirement housing.

Given the limited resources of our organisation we have chosen focus our comments on the area where we have most expertise and capacity to "add value" to government housing policy. Our comments are in response to Chapter 11 "Where housing affordability bites" in the draft report and the questions and recommendations contained in it. We do however point out that wider regulatory, economic and technical considerations interact with these issues and we urge the PC to integrate the experience and perspective of the most vulnerable participants into its analysis of the other areas more fully. As an example, the PC appears to be recommending reducing and/or streamlining regulatory processes around new land and housing developments. Yet the draft report also documents the huge costs of the leaky homes problem that is an example of massive regulatory failure. In the light of this experience recommending reducing regulation and scrutiny when the tenancy market is still under-regulated is unwise and contrary to the lessons of history. NZCCSS would suggest that building and housing standards need to be high and rigorously enforced to ensure no repeat of such regulatory failure and to protect the most vulnerable in our communities.

We would also point to the economic significance of the building industry as an employer. More than 20,000 jobs have been lost in the sector over the past three years and it is clear that investment in quality housing provision that is affordable for lowest income families will also generate considerable employment and wider economic benefit.

F.11 Transfers of state housing stock.
We agree fully with the finding that any transfers of state housing stock should not be of "obsolete stock". We note the PC has identified the relatively small size of the total social housing sector in NZ as an obstacle to effective stock transfers and the logical conclusion of this is that a "both and" approach is needed – expanding the overall size of social housing through government investment in more state houses as well as third sector houses. Indeed, combined state and third sector housing projects could be further explored as a wise investment in future wellbeing and increase in the physical asset stock of our country.

R.11.2 Social Housing Fund be increased.
NZCCSS fully supports this recommendation because the third sector housing market will only grow if it receives significant additional investment. The Housing Innovation Fund was consistently over-subscribed during the years it operated and this suggests there is immediate capacity available to utilise further funding. A significant increase in the size of the new Social Housing Fund in the medium to long term will need to be in the order of hundreds of millions of dollars to meet the needs already identified. It may also be possible to establish the fund as a combination of government and non-government financed funding and we recommend mechanisms for doing this be investigated.

We note that the PC has more questions than recommendations in this area of its report. This is disappointing after months of work and no doubt significant expenditure. We welcome the efforts of the PC to consult widely and openly with the sector but our sector is not resourced to the same extent as the PC but it is being asked to answer the PC's questions for it. We recommend the PC fund together with the third sector housing organisations a series of feasibility studies of projects to improve the scalability of the third sector housing market.

Capital costs are a huge obstacle and risk for the third sector in housing investment. Successful housing projects historically have been based on making significant amounts of capital available at highly discounted rates. This will have to be a feature of future social housing policy for it to be successful. The cost/benefit of this discounted capital made available by government must be counted in holistic measures of improved social wellbeing (e.g. as documented by Treasury's Living Standards work).

We emphasise the interest and willingness of our member agencies and similar organisations to invest in social housing but the obstacles and risks at present are large.

Q11.3 & 11.4 Private Rental market
We agree with the analysis that the trend to more long-term renters is established and will not be changed in the short term. It is more likely to become a permanent feature of our housing market and therefore it is important and urgent to address the weakness in the private rental market for those households seeking long-term secure and affordable rental arrangements.

This is crucial for older renters whose main income is NZ Superannuation. NZ Super is not sufficient to keep older people out of poverty if they do not own their own home mortgage-free. The trend is for more older people to enter retirement age either renting or with mortgage payments still owing and current housing allowances are not necessarily set-up to ensure they live with dignity.

We share the PC concern about the trends in market rentals as the effect of the house price boom eases and landlords seek to increase rents to cover the reduced capital profits through slower house price appreciation.

Our agencies report the effects of policy changes by HNZC leaving families with no option but to seek over-crowded housing, caravan parks or take on private rentals that they really cannot afford. (NZCCSS Vulnerability Report 11 January 2012). Changes are being made to one part of housing policy without paying attention to whether in fact the private sector rental market can deliver secure and affordable tenancies for vulnerable families.

The Accommodation Supplement (AS) is a vital tool for private renters to be able to afford any kind of rent but we share concerns about the effectiveness of the $1.2 billion spend on AS. The amount an individual can receive is capped meaning that even with additional support through AS households are struggling to meet rent commitments. The proposal to make subsidised rental like the Income Related Rents available for third sector housing agencies must be further pursued to help grow third sector housing options. We strongly emphasis that any change to the AS must be carefully managed to ensure that the vulnerable families who depend on this support are not further disadvantaged.

We have noted the need for stronger regulation of housing quality as a key contributor to improving the wellbeing of vulnerable children, families and older people. Despite recent reviews and changes to tenancy legislation, the private sector rental market continues to fail lower income renters by delivering poor quality housing in insecure tenancies at rentals that are above acceptable levels of affordability.

The private rental market needs stronger regulation of housing standards and ways to increase availability of secure long-term tenancies. While increased regulation may bring with it additional costs for landlords and possibly impact on rentals, these issues need to be addressed as part of the process of raising standards and not be used as arguments against taking action that will clearly benefit hundreds of thousands of low income children, their families and older people who are renting in the private market. In the foreseeable future the housing market will continue to be dominated by small scale landlords ("Mum and Dad investors") and there must be more action to assist and require them to manage their tenants better and deliver a better housing service. Existing initiatives are good but require beefing up to improve the market in the short-medium term.

We look forward to the final report leading to significant and effective action from Government to address housing affordability crisis for low income New Zealanders.

Naku noa, nā,

Paul Barber
Policy Advisor
NZ Council of Christian Social Services