New Zealand’s housing reforms

Professor Laurence Murphy
School of Environment
University of Auckland

‘The future of housing assistance’
AHURI Conference
19th October, Adelaide
Introduction

Post GFC governments and financial regulators sensitised to the potentially destabilising impacts of house price booms.

Housing Affordability has assumed policy significance at Central and Local Government levels

Key reforms

New Legislation

Housing Accords and Special Housing Areas Act 2013

Social Housing Reform (Housing Restructuring and Tenancy Matters) Act 2013
Structure

Review Origins and Impacts of Legislation

1) Housing Affordability Debates (Housing Supply debates)

2) Social Housing Reforms
# Housing Affordability and Supply Issues

**Trace:**
Evolving construction of Housing Affordability (its sources & solutions) Potential for Emerging Central/Local Government Conflict

<table>
<thead>
<tr>
<th>Article</th>
<th>Urban Studies</th>
</tr>
</thead>
<tbody>
<tr>
<td>The politics of land supply and affordable housing: Auckland’s Housing Accord and Special Housing Areas</td>
<td>Laurence Murphy, University of Auckland, New Zealand</td>
</tr>
</tbody>
</table>

**Abstract**
Increasingly, planning for housing development involves political conflict between local government planning practices, based on urban sustainability and housing intensification, and central government housing policies, centred on land supply and housing affordability. This paper examines a key historical moment in the politics of housing supply and planning in New Zealand. Drawing upon a discourse analysis of a range of housing policy documents and urban plans, this paper traces the dynamic of local and central government negotiations and conflict arising from the development of Auckland’s spatial plan, the development of the Auckland Housing Accord (a central and local government agreement to fast-track planning permission for new housing) and the implementation of the Housing Accords and Special Housing Areas Act. The paper focuses on the manner in which certain policy knowledge is prioritised and applied in the construction of affordable housing policies and how this process, which is presented as objective evidence-based policy formation, is inherently political. It is argued that the legislation supporting housing accords alters central/local government power relations and represents a challenge to the existing planning system.

**Keywords**
affordable housing, evidence-based policy, inclusionary housing, land supply, urban intensification

**Introduction**
Increasingly, housing affordability represents a problem for both central and local government. In recent years the twin problems of ‘asset bubbles’ and housing affordability have exercised the minds of central government policy-makers around the world (Bramley, 2013). While mortgage deregulation facilitated a significant boost in consumer demand for housing, policy-makers have also recognised the role of housing supply and the planning system (Ball, 2011; Ball et al., 2009; Barker, 2004) on house prices. In the UK
Politics and Affordability

**National Party** – elected 2008
conservative/neoliberal

**In 2010 Repealed** Affordable Housing: Enabling Territorial Authorities Act 2008

**2011 Established** the NZ Productivity Commission inquiry into Housing Affordability
Summary of Findings

- **Urban Planning** (Adds costs)
- **Infrastructure costs** (Development contributions)
- **Building consent costs**
- Building costs (productivity issues)
- Taxation (no case for changing the taxation of housing in isolation)
- The Private Rental Market
- Social Housing & Maori Housing

**Figure 0.1** House prices, real and nominal

Source: Quotable Value and Statistics New Zealand

**Cut to the chase**

Housing affordability inquiry
Final report – April 2012
Urban Planning

“Urban containment policies have an adverse impact on housing affordability. **There is an urgent need to increase land availability, to ease supply constraints and price pressure**, particularly in Auckland, ... The Commission has found that Auckland’s Metropolitan Urban Limit is a binding constraint on the supply of land for urban growth and has increased section prices within Auckland city”

*(Productivity Commission 2012 – Cut to the chase)*
Auckland Plan 2012

Housing Action Plan
(address Housing Affordability)

Draft Unitary Plan (Mar 2013)

Moving away from the Metropolitan Urban Limit (MUL) to a Rural Urban Boundary (RUB)

“maximum extent of urban development in greenfield land to help meet the growth projected in the Auckland Plan”.

Allows for up to 40% of new development to be greenfield

Discussed Inclusionary Housing
Housing Accord (10 May 2013)

Purpose - increase housing supply and improve housing affordability until the Auckland Unitary Plan becomes operative

Identification of Special Housing Areas
Fast Track Planning

Target: 39,000 consents in 3 years

Required new legislation
i) Government identifies regions where SHAs can be created

ii) Seek accord with local council
If no accord, then SHA can be created by the Minister of Housing

iii) Consents considered by relevant council or Chief Executive of the Ministry of Business, Innovation and Employment.
Government Perspective on the Bill

“What’s stacked against first home buyers are planning laws that are explicitly designed to drive up housing values... They’re explicitly designed to ensure that house prices go up so that they can afford the intensification and the very high-value, high-cost urban design that goes with that.

... here is legislation that allows us to give the councils the tools that they need and makes it clear that ... if that doesn’t work well, then the government has the ability as a reserve power to issue consents itself. Now, this is the most significant step that a government’s taken around working with councils in a long time.”

(Bill English, Transcript Q&A TV programme 19th May 2013)

Hon. Bill English,
Deputy Prime Minister,
Minister of Finance,
Minister of Infrastructure
Government Perspective
Minister of Housing, Dr Nick Smith- Third Reading of the Bill stated

“We have got a constipated planning system bogging new residential construction, and this bill is a laxative to get new houses flowing. It will enable plan changes and resource consents to be approved simultaneously. It overrides Auckland’s metropolitan urban limit, freeing up thousands of hectares of land for housing. It fast tracks the consents process... It makes plain that the Government’s strong preference is to get this work done in partnership with councils, through housing accords, but it also provides that the Government can get on with the job if councils stand in the way of delivering an increased supply of affordable housing” (New Zealand Parliament Debates, 2013).
The purpose of this Act is to enhance housing affordability by facilitating an increase in land and housing supply in certain regions or districts, listed in Schedule 1, identified as having housing supply and affordability issues.

(3) The Minister, in determining whether a region or district is experiencing significant housing supply and affordability issues,—

(a) must have regard to whether, according to publicly available data, 1 or both of the following apply to the region or district:

(i) the weekly mortgage payment on a median-priced house as a percentage of the median weekly take-home pay for an individual exceeds 50%, based on a 20% deposit;

(ii) the median multiple (that is, the median house price divided by the gross annual median household income) is 5.1 or over; and

(b) must have regard to whether the land available for residential development in the region or district is likely to meet housing demand, based on predicted population growth; and

(c) may have regard to whether any other information indicates that there are significant housing supply and affordability issues in the region or district.
Supply Vs Affordability

Part 1 s15

(3) For the purposes of subsection (2), one of the criteria that may be prescribed is the percentage of dwellings that must be affordable dwellings, according to the affordability criteria specified in the Order in Council for the special housing area or part of the special housing area.

(4) The affordability criteria that may be specified are not limited by section 9(3)(a) but may include, without limitation, criteria defined by reference to median house prices, median household income, individual income, the median multiple (as referred to in section 9(3)(a)(ii)) or any other matter relevant to affordability as it applies to the district in which the special housing area falls, the special housing area, or part of the special housing area.
Housing Accords and Special Housing Areas (Auckland) Order 2013

Percentage of dwellings that must be affordable dwellings: 10%, for developments relating to 15 or more dwellings only.

A development relating to 15 or more dwellings meets the prescribed criterion for the percentage of dwellings that must be affordable dwellings if,

(a) in relation to 10% of the proposed dwellings, the price at which a dwelling may be sold does not exceed 75% of the Auckland region median house price for the most recent full month of September (in relation to the date that the relevant resource consent application or request to vary the proposed Auckland combined plan is made under the Act, whichever is the earlier), published by the Real Estate Institute of New Zealand; and

Affordability Issue
Price Only (What about size?)
75% of median house Price
2012=$386,250
2015=$578,250
Increased by 49.7%

Source: MBIE & Auckland Council (2016)
May 2016
154 SHAs declared
Potential yield 55,757

Source: MBIE & Auckland Council (2016)
Greenfield Special Housing Area establishment in relation to 2010 MUL and Future Urban Zone – North and West

<table>
<thead>
<tr>
<th>SHA</th>
<th>2010 MUL Status</th>
<th>Estimated SHA yield (dwellings)</th>
<th>Yield FUZ only (dwellings)</th>
<th>Application status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Whenuapai Village</td>
<td>OUT</td>
<td>1000</td>
<td>1000</td>
<td>Approved - Live zoned</td>
</tr>
<tr>
<td>Orakei Road</td>
<td>OUT</td>
<td>293</td>
<td>293</td>
<td>Approved - Live zoned</td>
</tr>
<tr>
<td>Scott Point</td>
<td>OUT</td>
<td>4900</td>
<td>3000</td>
<td>Approved - Live zoned</td>
</tr>
<tr>
<td>Huapai Triangle</td>
<td>OUT</td>
<td>1200</td>
<td>1200</td>
<td>Approved - Live zoned</td>
</tr>
<tr>
<td>Crows Road, Swanson</td>
<td>OUT</td>
<td>277</td>
<td>277</td>
<td>Lodged/underway</td>
</tr>
<tr>
<td>Redhills (Fred Taylor Drive) - Stage 1</td>
<td>OUT</td>
<td>3735</td>
<td>3735</td>
<td>Lodged/underway</td>
</tr>
<tr>
<td>Argent Lane, Wainui</td>
<td>OUT</td>
<td>2400</td>
<td>2400</td>
<td>Awaiting lodgement</td>
</tr>
<tr>
<td>Ockleston Landing, Hobsonville</td>
<td>OUT</td>
<td>70</td>
<td>70</td>
<td>Awaiting lodgement</td>
</tr>
<tr>
<td>Total dwelling yield</td>
<td></td>
<td>13875</td>
<td>11975</td>
<td></td>
</tr>
</tbody>
</table>

Source: MBIE & Auckland Council (2016)
Greenfield Special Housing Area establishment in relation to 2010 MUL and Future Urban Zone – South

<table>
<thead>
<tr>
<th>SHA</th>
<th>2010 MUL Status</th>
<th>Estimated SHA yield (dwellings)</th>
<th>Yield FUZ only (dwellings)</th>
<th>Application status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wesley College</td>
<td>OUT</td>
<td>4500</td>
<td>4500</td>
<td>Approved - Live zoned</td>
</tr>
<tr>
<td>Hingapa</td>
<td>OUT</td>
<td>6927</td>
<td>6927</td>
<td>Approved - Live zoned</td>
</tr>
<tr>
<td>Flat Bush Strategic</td>
<td>IN</td>
<td>4222</td>
<td>1700</td>
<td>Approved - Live zoned</td>
</tr>
<tr>
<td>Oruaruangi Road, Mangere</td>
<td>OUT</td>
<td>630</td>
<td>630</td>
<td>Approved - Live zoned</td>
</tr>
<tr>
<td>McLarin Road, Glenbrook</td>
<td>OUT</td>
<td>800</td>
<td>800</td>
<td>Lodged/underway</td>
</tr>
<tr>
<td>Bellfield Road, Papakura</td>
<td>OUT</td>
<td>300</td>
<td>300</td>
<td>Awaiting lodgement</td>
</tr>
<tr>
<td>Clarks Beach Road, Clarks Beach</td>
<td>OUT</td>
<td>110</td>
<td>110</td>
<td>Awaiting lodgement</td>
</tr>
<tr>
<td>Brenner Road, Drury</td>
<td>OUT</td>
<td>1300</td>
<td>1300</td>
<td>Awaiting lodgement</td>
</tr>
<tr>
<td>Quarry Road, Drury</td>
<td>OUT</td>
<td>700</td>
<td>700</td>
<td>Awaiting lodgement</td>
</tr>
<tr>
<td><strong>Total dwelling yield</strong></td>
<td></td>
<td><strong>19489</strong></td>
<td><strong>16967</strong></td>
<td></td>
</tr>
</tbody>
</table>

17 Greenfield SHAs (> 33K dwellings) (all in FUZ)

16 SHAs outside MUL (>29K dwellings)

Source: MBIE & Auckland Council (2016)
30 Apr 2016

1,010 dwellings completed in 24 SHAs

Source: MBIE & Auckland Council (2016)

First half of Accord Year 3 (31 March 2016) methods for calculating dwelling completions were still under development. Work since 31 March has contributed to the reliability of data significantly and it is useful to present the most recent results in this Monitoring Report with data up to 30 April 2016.
New houses on periphery not necessarily Affordable.
Auckland SHA

- Will produce housing output

- Will incorporate affordable housing (at time of first sale)
  (Will this be enough?
  Price per sq.m issue)

Issues:
- Will negotiations with developers become more complex as time goes on? Possible delays?

- Delays could trigger Central/Local government conflict
Broader Issues

- Housing Affordability Complex (‘Wicked’) Problem

- The political/public consensus around new housing supply as a solution to housing affordability problems is a political construct (cf Adams, 2011)

- The Accords Combine Political Cooperation & Coercion (unclear how this will unfold)

- The ‘new housing supply’ consensus diverts attention from other pressing drivers of housing affordability problems (mortgage market dynamics, wealth inequality, the presumption of capital gain etc.)

- The drive for new housing supply has implications for sustainability and liveability
Social Housing Reforms

Structure

Social Housing Reforms in Context
   Conceptual: i) Welfare State ii) Policy Transfer
   Empirical: i) Radical Neoliberal ii) ‘Third wave’ Politics
              iii) Stealthy Revolution

Genesis of Contemporary Reforms

Key dimensions of reforms:
   i) Funding of CHP via IRRS, ii) reviewable tenancies, iii) Stock
      Transfers.

Conclusions
Social Housing Reforms

Since 1930s central government dominant provider of social housing (Housing New Zealand (HNZ) Properties 60,000 plus, housing >180,000 people)
Local Authorities – 15,000 units, CHPs 5,000 units

Drivers of Change
i) Welfare state dynamics
Residualisation & marginalisation

ii) International Policy Transfer
- ‘Third Sector’
- Stock Transfer
- Reviewable Tenancies

Historic Phases of Change
i) Radical Neoliberal 1990s
Market Rents in SRH
Accommodation Supplement

ii) Third-way policies 2000s
Income related rents plus market rents- Hybrid

iii) Stealthy revolution post-2010
Genesis of post-2010 reforms

Housing Stakeholders Advisor Group (HSAG)

Provide advice on
- ‘The most effective and efficient delivery model for state housing services to those most in need
- More productive and innovative ways to use current social housing assets to better support the objectives of government
- Transparent measures of how the above are to be achieved.’ (HSAG, 2010, p4).
It espoused a new vision for the future: “...in which the public, private, non-government sectors and iwi [Maori communities] all work in concert to ensure that every New Zealander has decent, affordable housing. It is a future where help for people with the highest level of need goes hand in hand with opportunity for those who are ready to move on. It is a future in which all providers of social housing play to their natural strengths, concentrating on the core activities that they do best.” (HSAG 2010, p4).
The Reforms

Key Elements

1) **Legislation:**
Social Housing Reform (Housing Restructuring and Tenancy Matters Amendment) Act 2013 (SHRA)

i) Social housing allocation moved to Ministry of Social Development
ii) Introduced Reviewable Tenancies
iii) Expanded Income Related Rents Subsidy (IRRS) to fund CHPs

2) **Stock Transfers to expand Third Sector**
Post-2000 HNZ rents ranged from IRR to Market Rents
No pressure on tenants paying Market Rents to move.

**Intention**
to shift “expectations away from a social house for life, to one for the duration of housing need” and to ensure housing is provided to those with the highest needs. (MSD, 2013, p4)

**Implications**
- Attack on sense of ‘security of tenure’
- confirms SRH role as ‘ambulance service’ (cf Fitzpatrick and Pawson 2014)
- Approx 3,000 reviews by Sept 2016, 788 people moved

(Not just HNZ but all CHPs that receive a IRRS?)
Funding via IRRS

Ministry of Social Development publishes the number of IRRS that it is willing to fund and CHPS can apply for this funding.
MSD announced intention to purchase an additional 3,000 IRRS places by 2018

IRRS represents a rental stream of income that supports CHPs debt and equity capital

Implications
- IRRS represents new tenant governance system for CHPs
- Government envisage CHPs with a corporate governance structure involving debt and equity financing
Stock Transfers

Two Components

1) *Urban Regeneration* (social mixing)
   (e.g. Transfer of 2,800 Transfer of Tamaki Regeneration Company)
CENTRALLY LOCATED

Source: http://www.tamakiregeneration.co.nz/sites/default/files/images/TRC%20Market%20Opportunities%20ISS%202015%20CURRENT.pdf
TĀMAKI BY THE NUMBERS

- 2800 social houses/5000 total houses
- 23% Maori and 47% Pacific Islanders
- 30% of population under 15 years
- $1m per week spend on 3 key benefits
- 244 hospital admissions per 1000 ppl
- 17% unemployment rate (Akl 8%)

Source: http://www.tamakiregeneration.co.nz/sites/default/files/images/TRC%20Market%20Opportunities%20ISS%2020152016%20CURRENT.pdf
THE OUTCOMES

Physical Outcomes
- Redevelopment of 170 ha of social housing land, unlocking 7500 new dwellings
- Homes are fit for purpose, affordable, dry and warm
- Retention of quality social housing stock
- Better balance of social vs. private housing
- Mixed tenure communities, including provision of affordable housing

Social/Economic Outcomes
- Improved access to education and healthcare
- Quality community amenities and open space
- Economic opportunity and job creation
- Healthier and safer communities

Source: http://www.tamakiregeneration.co.nz/sites/default/files/images/TRC%20Ma rket%20Opportunities%20ISS%201952016%20CURRENT.pdf
Stock Transfers

Two Components
1) **Urban Regeneration** (social mixing)
   (e.g. Transfer of 2,800 Transfer of Tamaki Regeneration Company)

2) **Sales to CHPs** (expand third sector)
   Regional centres  - Tauranga
   - Invercargill

Implications
1) Conflicting logic (Ambulance Service Vs Social Mixing)
2) Financially complex processes
   - no capital grants for maintenance
   - CHPs required to rely on debt and equity finance
   - Government subsidy represented in ‘below market’
     price for stock but price a product of tender
Post-2010 reforms fundamentally alter the SRH sector in NZ
Involves a significant refashioning of the administration and financing of social housing

Aligns with temporal trajectory of neoliberal policy making in NZ but includes strong component of international policy transfer.

Reforms have significant implications for
- Existing and New Social Housing Tenants
- Financial and regulatory character of CHPs

Notwithstanding the discourse of tenant choice and increasing CHP involvement, this paper highlights the complex and potentially problematic nature of the reforms.
Reflections

- Housing Supply placed at the centre of affordability issues (problematic: Supply a necessary but not sufficient condition for affordability).

- Social housing reforms
  - Impacts on Tenants Unclear (Social Investment Logic)
  - Development on Crown Land (Development Finance Logic)
  - CHP role unclear