



Affordable Housing: The Community Housing Sector in New Zealand

The community housing sector is made up of an estimated 160 non-government, not for profit organisations that provide social housing.¹ The sector owns and manages between 3,426 and 6,713 housing units. In recent years, there has been an increasing emphasis on growing this sector as a way to provide housing solutions where the government or the market cannot meet demand. However, the community housing sector is still in its infancy. Providers of community housing struggle to fund their activities and face capacity constraints due to their small size.

Based on research by Capital Strategy / SGS Economics and Planning. This research assesses the current size, value and impact of the community housing sector and develops recommendations for improving the sector's ability to address housing affordability problems. The research was funded by CHRANZ.

This research has found that considerable opportunities exist for growing and developing the community housing sector. The sector could continue to develop and improve in its role as a niche provider of social housing. It could also take on a much broader role, diversifying into mainstream social housing and providing affordable housing solutions for the growing number of working households who cannot afford home ownership.

In both cases, considerable governance and management capability-building among community housing providers will be needed to realise these opportunities. Government could assist the sector to develop by setting clear national goals and providing longer-term funding certainty. Subject to improvement of providers' governance and management capability, transfers of local and central government housing stock to the sector could be used as a way to rapidly expand the community housing sector.

¹ The community housing sector was defined in this study as *non-government, not for dividend providers of generalist or special needs housing to lower and moderate income groups, where below market rents are made possible by capitalised or recurrent subsidies from the State or local government and/or the dedication of private assets at zero or sub-market rates of return and/or the provision of volunteer effort.*

Key Points

Sector Characteristics

- The community housing sector is small. The study estimates that it owns between 2,100 and 5,387 units, and manages an additional 1,326 leased units.
- Most community housing organisations are small. The median number of units owned by each organisation is nine, and the median number of leased units is 12. Most (58%) do not own any units. A handful of larger providers exist.
- One-fifth of the organisations that do not own units are trying to buy their first dwelling.
- The sector is fragmented, with a wide range of housing provider models operating. A significant proportion of organisations are niche focused.
- Many organisations face capacity constraints. Expertise can be lacking in finance, management and governance.
- Community housing providers experience problems securing funding and usually make use of several different funding sources.

The Need for Change

- The community housing sector sees a need for a longer-term vision for the sector, including the development of clear, quantitative national goals. It also sees a need to streamline funding processes and provide funding on a longer-term basis rather than annual funding.
- There is a pressing need to improve governance and management capability among providers. The sector could benefit from greater information sharing and partnerships between organisations.
- Current arrangements insufficiently target areas of New Zealand with acute shortages of housing, do not adequately support longer-term, higher capacity housing providers and do not address the availability of land for affordable housing development.

Future Visions

- The authors present two alternative visions for the future of community housing in New Zealand. In one, the community housing sector continues its niche role. In the other, the sector diversifies rapidly to provide additional services for mainstream social housing and the new intermediate housing market. Both visions require building the sector's management and governance capability.

Findings

Size and Nature of the Community Housing Sector

Compilation of a list of community housing providers revealed that approximately 160 providers exist in New Zealand. Forty-nine of them (30%) responded to the research survey. Results of the survey showed that the sector is small, owning 2,100–5,387 units and managing an additional 1,326 leased units. As well as providing dwellings for longer-term tenure, the sector provides 63 hostels with 1,030 beds and uses 167 housing units for short-term transition or emergency accommodation. In comparison, in 2005, over 66,500 rental properties were provided by Housing New Zealand Corporation, and around 14,000 were provided by local authorities.

Most providers are small; 58% do not own any units, and those that are owners possess very few units. The median number of units owned by a provider is nine and the median number of units leased is 12. However, a handful of much larger providers exist; three of the 49 survey respondents owned more than 100 units. Some providers are aspiring owners; one-fifth of those that did not own units said that they were trying to gain funding to buy their first dwelling.

Barriers and Opportunities

Regional workshops were held with community housing providers and their representative bodies to discuss the nature of the sector and the barriers and opportunities they face.

The sector is small and fragmented, with a wide range of housing provider models. A significant proportion of organisations are niche focused, while some provide housing in addition to commercial, social and health services. Providers face significant barriers. Their small size means that they lack expertise in finance, management and governance. Many struggle to obtain funding and therefore focus on cost saving instead of growth and providing good service. Funding is usually available only on an annual basis.

A number of opportunities to develop the sector were identified. The sector needs to undertake longer-term planning. Government could assist this by setting clear, quantitative national goals, streamlining current funding processes and providing longer-term funding certainty. Capability constraints facing small organisations could

be tackled by partnerships and by making better use of the services of bodies such as Community Housing Aotearoa Inc. (CHAI). Community housing could be developed as a professional field to enable the sector to attract and train qualified professionals. Transfers of housing stock from local and central government could be used to rapidly grow the sector, but governance and management capacity would need to be improved first.

Overarching Institutional and Administrative Framework

Interviews with key officials and observers of the social housing sector suggested that the sector lacks a coherent overarching institutional structure designed to consult with, support and grow the sector. While CHAI is a positive development, its job is difficult, given the variable capacity between providers. Interviewees felt that current arrangements insufficiently target geographic areas with acute shortages of affordable housing, do not adequately support higher capacity housing providers interested in long-term housing provision and do not address the availability of land for affordable housing development by community housing providers.

Lessons from Overseas

The project examined the English and Australian community housing sectors. Experience in these countries suggests that rapid growth of the sector would require supplementary funding, transfers of housing stock from government to the community sector and attraction of private investment through government subsidies and appropriate institutional and prudential supervision arrangements.

Wider Issues

The future of the community housing sector should be viewed in the context of several wider issues. These include the narrowing of Housing New Zealand's role to the provision of "safety-net" housing, questions over the advisability of having one dominant provider of social housing (the State), the need for social housing to contribute to environmental, social, cultural and economic sustainability, and the recent rise of the "intermediate housing market": working households unable to afford home ownership.

RESEARCH BULLETIN

Policy Implications

The research concludes that New Zealand's policy on affordable housing requires an overhaul. Currently, the commercial market is relied on for the great majority of housing needs, while State housing provides a "safety net". This offers limited choice for lower income households and does not address the rise of the intermediate housing market. There are no routes available to address the social polarisation that can be generated by spatial stratification of house prices.

The question for the community housing sector is, what role should it play in tackling these issues? Two alternative visions are presented for the future of community housing.

- Vision 1 – Community housing continues as a niche social housing provider, but with additional resources to improve capacity building, information sharing and monitoring.

- Vision 2 – In addition to its niche role, community housing is supported to rapidly diversify into providing mainstream social housing and solutions for the intermediate housing market, including affordable rental housing for moderate and lower income working households and various forms of subsidised and unsubsidised home ownership products targeted at moderate income groups that would otherwise struggle to move into this tenure.

The authors recommend pursuit of Vision 2 for the community housing sector in New Zealand, principally because it provides a reasonable existing platform for the development of a large scale "third sector".

Further Information

This bulletin is based on the report *Affordable Housing: The Community Housing Sector in New Zealand*. A copy of the report and this bulletin can be found on the CHRANZ website under "Our Publications".

Other useful reports include:

- *The Future of Home Ownership and the Role of the Private Rental Market in the Auckland Region*. (April 2007) DTZ New Zealand.
- *Census 2006 and Housing in New Zealand*. (August 2007) DTZ New Zealand.
- *Local Government and Affordable Housing*. (August 2007) Centre for Research, Evaluation and Social Assessment (CRESA) and Public Policy and Research.

CHRANZ, 28 Grey Street, PO Box 2628, Wellington, New Zealand
PHONE +64 4 439 3326
FACSIMILE +64 4 472 5752
EMAIL kainga.tipu@chranz.co.nz
WEB www.chranz.co.nz

ACKNOWLEDGEMENTS This research bulletin was produced by the Centre for Housing Research, Aotearoa New Zealand (CHRANZ). The CHRANZ Board gratefully acknowledges the financial and other support provided by Housing New Zealand Corporation.

DISCLAIMER The opinions in this research bulletin reflect the results of a research study and do not necessarily reflect those of the CHRANZ Board or its funding organisations. No liability is accepted by the CHRANZ Board or its funders for the accuracy or omission of any statement, advice or information in this research report and for any commercial, investment or other decisions made upon the reliability of this research bulletin.