

KĀINGA STRATEGIC ACTION PLAN

A plan to improve housing outcomes for Māori in Tāmaki Makaurau

Issues paper: September 2019

2019 | 09 | 04 | THE KIWIBUILD RESET

It's fair to say the **KiwiBuild promise** of 100,000 homes over 10 years played a role in the 2017 election, and while the long-awaited **KiwiBuild reset** shakes the policy loose from that target what was always likely to emerge was simply a more robust policy with more achievable aspirations. Less interference and contention, and more commitment and transparency were also likely to follow.

KiwiBuild momentum has been thwarted but the UDA delivery mechanism is also a lot closer now...

How will the KiwiBuild Reset optimise the future outcomes of and for Māori whānau, iwi and organisations?

Kāinga Strategic Action Plan priority areas this issue relates to:

- Optimising Associate Minister delegations relating to housing
- Inclusionary zoning – inserting inclusionary zoning into the Auckland Unitary Plan
- Contribute to the Government Policy Statement
- Ministry of Housing and Urban Development Māori Housing Unit work programme

Issues

- *Wait...!?! KiwiBuild was always more than just a target?*
- *Now the target is gone, how many homes will be built?*
- *What \$400M means in terms of supply and opportunities in the community housing sector?*
- *What's the difference between investing in the CHP sector compared to HNZ or KiwiBuild housing?*
- *The balance between KiwiBuild affordable housing (potentially a 'middle-class' intervention) and social housing (where we see acute need and an under-supply that will not be levelled under current planning).*

What we've been advocating for

- *KiwiBuild and the question of balance:* The Board recognises state intervention in the housing market was needed to do what KiwiBuild promised: stimulate open market supply, stimulate an affordable market, and turn the social housing supply switch back on. The Kāinga plan takes a similar stance.
- *Areas where Māori outcomes* could be optimised: iwi development, Māori access to KiwiBuild, and re-doubling social housing targets to get near demand, along with more nuanced housing mix equations...
- The Kāinga plan and advocacy highlights the potential role of the community housing sector - a sector which optimises outcomes for whānau. This paper explores the impact of the \$400M injection.

KIWIBUILD: and not through rose-tinted glasses

KiwiBuild before the reset

The bare bones of the KiwiBuild policy have never been all that clear. Most will recall there were four pillars of activity and investment collectively making up the number of units delivered, but these were still not the operational policies per se. And there was also this big *KiwiBuild* brand – a grand opposition idea and campaign fundamental. At its heart it resonated because if the 2017

election meant anything at all (MMP politics aside), it was that voters wanted acknowledgement of the crisis and state intervention in housing... And, of course, there was also a target.

As a purely random example of coverage of the pre-reset policy, here is Thomas Coughlan writing for Newsroom in late 2018:

“KiwiBuild is essentially a piece of clever branding for Labour’s flagship housing policy. Under the hood, it’s several different policies masquerading as one.

Some of the houses will be built by the Government underwriting private developers to build the homes. It will step in and purchase for itself any houses that don’t get bought. In other cases Government will acquire land and license the right to build housing on that land. When the house is complete, both land and house will be sold to the purchaser. Sometimes the Government will build the homes itself, alongside [HNZ] which has been tasked with building 1600 homes a year.”

The ‘clever branding’ was only clever because it was simple: it was then and remains code for government mucking in directly to increase housing supply across the board. Elsewhere in his article, and in many others, the 100,000-home target was also discussed. But as Minister Woods has said in the reset, robust policy and operations should drive implementation, not a target.

KiwiBuild after the reset

Many commentators are ‘dining out’ on the scrapped target, but there is no evidence the reset conditions will reduce actual production and in fact the opposite is more likely.

The bare-bones of KiwiBuild remain fairly obscure (it was a ‘high level’ announcement with details tbc) but it is at least now clear that the government has taken the chance to create a more balanced set of policies with a broader scope, rather than whittling it down and sweeping it under the carpet. The reset was certain to do either one of those things and in the face of heavy criticism there was a high risk of a reduced work programme, just as the UDA was coming on-line.

The reset does clarify some policy fundamentals and state new ones including commitments to:

- Shared-ownership schemes
- Boosting supply by building more homes where evidence shows they are needed
- Letting friends and family join their \$10,000 deposit assistance together
- Reducing to 5% the deposit required for a government-backed mortgage
- Reducing developer return under govt. underwrite (incentive to find KiwiBuild buyers)

Clear or not, the reset signals that this government’s commitment to housing remains in-tact. Further, given the scope of the reset announcement it appears that the scrapping of the target itself has a net zero impact. It almost certainly does not change the actual number of homes the government will in fact deliver or support into existence over a 10-year period (political fortunes and moves to shore-up the process for selecting locations and typologies notwithstanding). In an environment of less noise, perhaps there will be a gross gain achieved through observations and lessons from 18 months of implementation of a new policy.

Finally, the reset indicates a new pragmatic and inclusive approach to delivery and the development of inclusive and vibrant communities, with key policy changes responding to:

- what had become obvious barriers (deposit requirements)
- previously excluded solutions (community housing provisions) and
- getting the incentives right (government underwrite settings)

Community Housing Aotearoa responded to the reset: “We’re especially heartened by the Government’s intention to partner in a more meaningful way with community housing providers.”

“This makes so much sense as housing providers and other groups have decades of knowledge and expertise delivering progressive home ownership products, including rent to buy, shared ownership, and home ownership on leasehold land.”

KIWIBUILD + A TOUGH TARGET + KIWIBUY = A POLICY RESET?

The equation is not really this simple but the direct and progressive KiwiBuy campaign played a role alongside general political pressure in the move toward the KiwiBuild reset and – it seems - informing the reset. What has emerged is simply a more sector-sensitive policy approach which plays a little less ‘winners and losers’ and a little more attention to the building blocks of the sector already in play and ready to scale up and support solutions. The policy has learned and evolved...

This will have a direct impact on housing options for Māori whānau as Māori make up a strong proportion of whānau accessing community housing products in New Zealand.

The Housing Foundation’s Dominic Foote also welcomes the Government’s progressive home ownership announcement. “Every day we see the difference our affordable rent to buy and shared ownership products make to people’s lives,” he says. “We have the energy to work with Government in developing a strong national programme that will help many more hard-working renting households become homeowners.”

But it is not yet clear whether this new funding will flow into the community housing sector or be held within government agencies one way or another. HNZ is already a registered community housing provider. Kāinga Ora Homes and Communities could become one too in the near future, enabling these progressing home ownership resources to be kept ‘in-house’.

\$400M for “a progressive home ownership scheme, like shared equity”

Another proposition that is not all that simple. Firstly it is important to understand differences between the Housing New Zealand approach and the community housing sector approach generally.

The role of HNZ is to house qualifying New Zealanders primarily as tenants in state homes. Tenancy management is a complex business and political winds also have a regular impact on how HNZ operates. The recent move to introduce ‘social objectives’ to HNZ’s mandate speaks volumes about what its prior objectives asked of it.

While HNZ operates some equity and ownership schemes these products are not well subscribed and in general HNZ is only able to sell properties at market value, meaning that in most areas they are well out of the reach of most social housing tenants.

Across the community housing sector a range of organisations use a range of products to enable whānau into ownership, affordable ownership and affordable secure rentals.

An unsettling aspect of this is the relatively low number of Māori organisations who are registered community housing providers, and able to access this funding. Māori under-representation on the community housing register is a familiar issue to the Ministry and the regulatory authority, and this announcement raises the question of how it has been addressed.

What \$400M buys*

Building a house is possible for around \$600,000. That doesn’t sound affordable, but a critical factor in that equation is that that new home is a ‘no-corners-cut, insulated, safe, well-planned and fit for purpose’ home, not a cold damp public health risk.

So that could be 660 homes built (the timeframe is not clear, but it won’t be tomorrow) at around the same price point as HNZ would build them (they are not miracle workers), and to similar specs.

But that is not the end of the equation. The community sector suggest that for every dollar invested in the sector there is a return of \$2 – double your money. How? At the heart of it are two conditions:

- a community housing home leverages investment from the organisation and the family, so for government there is a benefit in using its investment to attract other investment; and
- in the course of its fit for purpose life, the home itself will be the vehicle for delivering social, cultural and economic empowerment for more than one and potentially up to 7 or 8 families. [* Policy settings are not yet clear and this funding could be used on options other than construction]

Striking a balance: KiwiBuild v Social housing in the AKL Housing Programme

We have discussed the critical issue of housing mix elsewhere and a further issues paper looking at current development practice - cluster-potting - in Mangere, will be circulated soon. But the KiwiBuild reset begs the question and offers the chance to talk about whether the proposed 1/3 -1/3 – 1/3 mix right or good.

Achieving 66% non-open market development pipeline is actually a huge achievement in itself. The problem we have had previously, partially addressed by the reset, is that KiwiBuild has simply been so far from affordable for many Māori whānau in Auckland because of a combination of factors including the price point and deposit requirements.

Taking income and wealth data into account a case can be made that for Māori generally, a greater investment in social housing would deliver better outcomes for more whānau. Notwithstanding that, those outcomes would involve renting as state tenants, rather than ownership options.

This is also a bit of common sense. At the current rate of Housing New Zealand build, the **current social housing waitlist** will not be housed by homes completed in the four-year build programme. The waitlist is likely to grow in the next 4 years so the deficit in four years will be even greater.

The Kāinga plan suggests the right to housing (derived from Te Tiriti and United Nations obligations) needs to be at the heart of our national housing agenda, at the heart of our government's intervention into the housing market, and at the heart of both informing the nature of the intervention and shaping the supply.

The reset provides some new approaches in the right direction. Some of the notes hit in the reset will support improved housing outcomes for some Māori whānau but will be heavily dependent on strong informed navigation of existing and new systems and opportunities.

Purely hypothetically, the Auckland Housing Programme could be 'reset' to deliver 45% social housing in an attempt to meet current social housing demand sooner, 30% open market to retain income generated through sales, and 25% KiwiBuild retaining the KiwiBuild policy driver to ensure the government remains committed to intervening.

The \$400M investment in *progressive home ownership* would then compliment a faster growing social/state housing provision, hopefully being seen as *adding to* rather than *taking supply out of* the government programme of work.

While the broad policy sweeps of the KiwiBuild reset strike the right notes, direct lines to downstream outcomes for Māori remain obscure, and the risk of new progressive home ownership funding channelling around within government agencies is real and would miss the point of growing the scale and capacity of the ready and able community housing sector.