



Rebuilding the Kiwi Dream

A proposal for affordable housing in New Zealand

Backgrounder to The Salvation Army report—27 August 2007

Access to good quality affordable housing is a critical component of social policy and an essential contributor to social well-being. Despite this quite apparent relationship, housing policy has been a sadly neglected area of social policy over the past two decades. One consequence of this neglect is a widening “housing gap” which has set back as many as 200,000 New Zealand families. This “housing gap” is witnessed by falling levels of home-ownership, the rising costs of public subsidies to support families in often poor quality private rental housing and the limited availability of state houses to only the most needy.

Rebuilding the Kiwi Dream is a proposal by The Salvation Army’s Social Policy and Parliamentary Unit to rekindle the vision that housing can be a vehicle for positive social change. This proposal suggests that housing policy should be more than just putting roofs over peoples’ heads and that investment in affordable housing is more than helping some people save for their retirement. Rather, housing policy is about how as a society we build neighbourhoods and communities and about how we support families and nurture children. By gaining such a broader appreciation of housing policy we are able to conceive of a far wider range of opportunities to shape New Zealand society and to define and redefine the Kiwi dream.

Since 1991 successive Governments have relied almost entirely on demand side policies to deliver affordable housing options to low and modest income New Zealanders. The reintroduction of income related rents in state housing in 2000 reversed this demand side policy reliance somewhat although such a move is fairly residual within a wider policy framework. For example around 60,000 households receive income related rents as state tenants while 150,000 private sector tenants with similar incomes rely on the Accommodation Supplement to subsidise their rents. The total cost of these rental subsidies has risen 32% in six years from just over \$1 billion in 2001/02 to nearly \$1.4 billion in 2007/08 with few improved housing outcomes to show for it.

Rates of home ownership have fallen over the last 15 years to the lowest levels in 50 years. This decline has been driven by rapidly rising house prices which have outstripped wage and salary increases by four to six times over the past five years. These rapid increases in house prices have been the result of a number of factors including rising global liquidity and easy availability of debt, the favourable tax treatment of residential property investment and the retirement investment plans of baby boomers as well rising as building costs, rising compliance costs and very modest household income growth especially for the poorest paid.

Government moves to support homeownership have to date been fairly minimal and largely ineffectual. The Welcome Home Loan scheme which provides mortgage guarantees for people who may be marginal lending risks has since its introduction never met targets, accounts for just over 1% of home lending and generally supports homeownership in regions where there is low housing demand. In May 2005 the New Zealand Housing Strategy identified the investigation of innovative home ownership programmes as an immediate priority yet it took until May 2007 for the Government to announce a \$1.4 million study of shared equity options for completion by July 2008.

The low priority given to housing and housing policy is inexplicable when we consider the resources which Government has had available to it to respond to housing need in a substantial way. For the five years to June 2006 the Government generated operating surpluses of \$32.5 billion and contributed \$8.1 billion to the New Zealand Superannuation Fund. Over the same period the Government contributed a net \$237 million to Housing New Zealand to assist it to purchase additional state houses.



Rebuilding the Kiwi Dream calls for a more active role for Government in housing and specifically for a more active supply side policy response. This response should acknowledge the long-term nature of any housing investment programme and the danger that any dramatic policy shift may cause further house price inflation. It can however be argued that the past reliance on demand side policy solutions has contributed significantly to recent housing inflation and that there is no easy road back to a more balanced policy mix so some inflationary pressure is unavoidable. The social need for greater supply side investment in housing and the social value of such investment need to be weighed against possible inflationary consequences and not simply sacrificed to a singular pre-occupation with inflation.

A long-term supply side housing policy programme requires a long-term and significant dedication of Government funds and a major overhaul to how housing assistance and housing policy is delivered. *Rebuilding the Kiwi Dream* calls for the establishment of a New Zealand Housing Fund to perpetually provide finance for affordable housing and in particular affordable home-ownership. An annual allocation of between \$500 million and \$1 billion to the New Zealand Housing Fund from Government revenue and for the next 10 years will be required in order to address forecast demand for affordable housing.

The present arrangements where Housing New Zealand is both a provider of publicly subsidised housing and chief adviser to Government on housing policy, has tended to stifle innovation and limit the development of alternative forms of housing provision. *Rebuilding the Kiwi Dream* proposes that Housing New Zealand's role be confined to that of providing subsidised rental housing and land banking for the future supply of land for affordable housing.

The roles of allocating housing funds and of developing and administering policy should be a function of a small government agency which might be called the New Zealand Housing Commission. The Commission's principal task would be the allocation of funds across a range of housing providers and housing options including:

- Housing New Zealand for its rental housing provision and land banking.
- Third sector housing providers such as housing trusts and housing cooperatives for the provision of affordable rental housing and shared equity schemes.
- Iwi and hapu agencies for the development and possible ownership of housing in rural areas with high unmet housing needs.
- Grants, suspensory loans and subsidies for at least 2000 modest income families to move into home ownership each year.

Legislative changes may also be necessary to avoid the social exclusion which appears to be emerging in regions such as Auckland where housing markets are operating in ways to limit the development of affordable housing. These changes may include requirements for local authorities to explicitly plan for affordable housing as well as the provision of legal mechanisms such as inclusionary zoning and the charging of betterment levies.

Much of the broad prosperity that most New Zealanders currently enjoy has come from the social institutions which we have inherited from the 1930's and 1940's. These institutions include the welfare state with its strong emphasis on housing as both a cornerstone of a family's well being and as a springboard for wider participation in local community and social life. While such institutions cannot and probably should not be recreated, it is important to learn from history and to renew our commitment as New Zealanders to the values which underpinned these institutions. These values included giving everyone a fair go, caring for the vulnerable and making sure that everyone had a stake in the future. Such values underpin the Kiwi Dream and go to the heart of why access to decent affordable housing for every New Zealander should remain an essential part of who we are as New Zealanders.