

# **BUILDING A DECENT FUTURE?**

## **A NZCCSS DISCUSSION PAPER ON HOUSING POLICY IN NEW ZEALAND**

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### **NEW ZEALAND COUNCIL OF CHRISTIAN SOCIAL SERVICES**

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# HOUSING DISCUSSION PAPER

*On how a nation deals with those of its members who are the most disadvantaged, in providing for their housing and welfare, depends the moral, if not (in the short run) the material, well-being of any society (New Zealand National Housing Commission 1988).*

## INTRODUCTION

The ability to access good quality housing is vital as housing is an essential need of all people. It serves a fundamental social and economic role in society and thus contributes to shaping people's relationships, their employment opportunities, their transportation and their wellbeing, among other things. As the Royal Commission on Social Policy concluded "failure in housing provision will frustrate all other efforts to achieve social equity and equality of opportunity"<sup>1</sup>. Thus access to, and retention of, appropriate housing is important to everyone's wellbeing.

Housing affordability has declined significantly since the 1980s for the lowest income New Zealanders. In 1988 11% of households spent more than 30% of their income on housing costs; by 2001 this reached 24% of households.<sup>2</sup> This increase is even more dramatic for those on the lowest incomes: in 1988 16% of households in the lowest income quintile spent more than 30% of their income on housing, but by 2001 that had reached 42%. Similarly a more sophisticated analysis found that during the 1990s 'the residual incomes of low income households have been significantly affected by escalations in housing costs relative to incomes'.<sup>3</sup> This decrease in affordability is also illustrated by the increased proportion of income that is being spent on housing by the poorest sector of society as shown in table one.

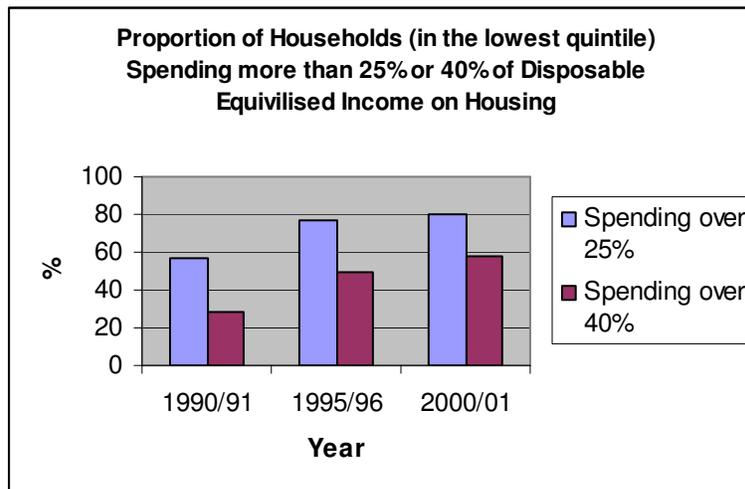


Figure 1: Source Household Economic Survey: Statistics NZ

<sup>1</sup> The Royal Commission on Social Policy Volume IV (1988) p.151

<sup>2</sup> Ministry of Social Development (2003) *The Social Report*

<sup>3</sup> Krishnan, Vasantha. (2001) 'The Cost of Housing and Housing Support', *Social Policy Journal of New Zealand*, 16, p.124.

Increasing income disparities coupled with the deregulation of the financial markets and falling real wages for low income earners has led to a situation where low income people are less able to compete in the housing market.

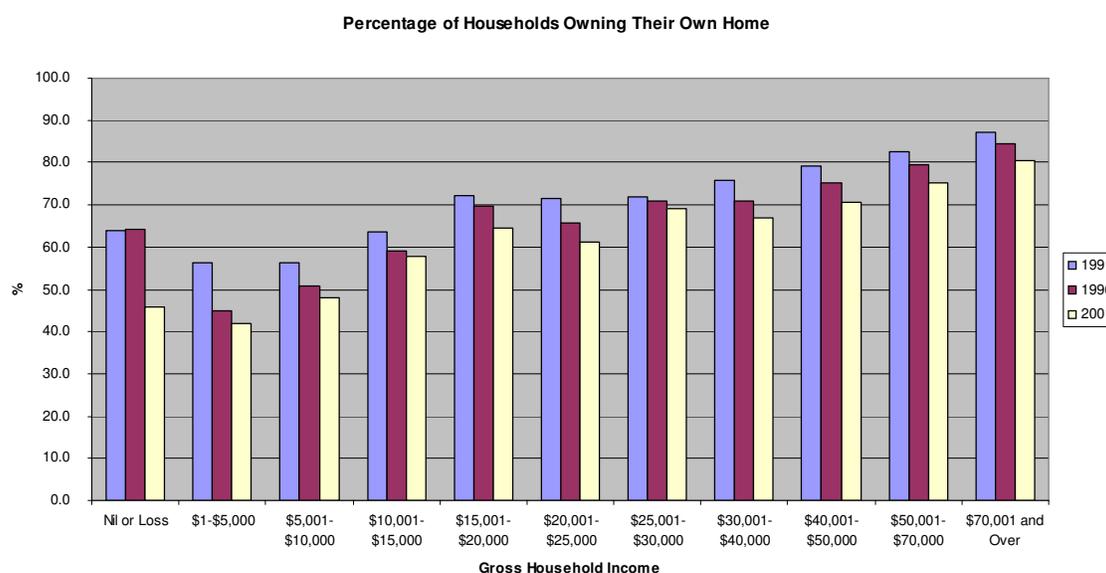
There is clearly an increasing problem with the provision of quality, affordable housing for lower income New Zealand families, as illustrated by the falling rates of home ownership and the decreasing affordability of housing in general. This paper identifies a range of key housing issues of concern and identifies some of the factors driving the problems. The aim of the paper is to highlight some of the key issues around housing policy, so that we can begin to address them as a country.

## HOME OWNERSHIP

Rates of home ownership have traditionally been high in New Zealand, but have declined dramatically since the early 1990s. In 1986 73% of New Zealanders were home owners; by 2001 this had fallen to 68% and is expected to decline to 62% by 2011.<sup>4</sup>

Home ownership can often play a key role in creating a stable and secure situation for people and their families. Home ownership can also be an important factor in allowing households to participate in the wider community. Having access to an asset increases the ability of households to access the mainstream financial market. People who own their own home in old age are generally better off both financially and in terms of their standard of living. If the trend for lower levels of home ownership continues this is likely to have significant consequences in relation to the ageing population.

There is some debate about what is driving the drop in rates of home ownership, with some academics and policy analysts seeing it being driven primarily by changes in demographics and lifestyle, whereby younger people are putting off buying houses due to their more mobile lifestyles (and potentially the impact of student loans).



**Figure 2 Source: Statistics New Zealand Data 2001**

<sup>4</sup> Housing New Zealand Corporation (2002) "Briefing to the Incoming Minister 2002"

But between 1986 and 1996 house prices have risen at almost twice the rate of household incomes<sup>5</sup> which indicates a significant problem relating to affordability. In addition there are also significant differences in levels of home ownership by ethnicity, with Europeans having much higher levels of ownership than other ethnic groups. This gap has grown since 1981 and is a worrying trend.

#### Levels of Home Ownership by Ethnicity

	<b>Maori</b>	<b>Pacific</b>	<b>Asian</b>	<b>European</b>
Owned 2001	44%	35.5%	58.8%	71.9%
Owned 1981	47.9%	38.8%	64.8%	74.2%

Source: Statistics New Zealand

The lack of policies to assist low income households into home ownership limits the ability of some low income households to improve their circumstances. Good housing policy needs to consider creative options to assist low income households into more stable forms of accommodation and to enable manageable weekly costs of home ownership for low income earners. Both the Australian and United Kingdom governments have taken a much more pro-active role in trying to encourage higher levels of home ownership than the New Zealand government.

Some of the key difficulties that have been identified in preventing people from becoming home owners include:

- the deposit gap (i.e. the difficulty in saving for a deposit given the high cost of housing);
- growing income inequalities;
- deregulation of financial markets which has made housing finance relatively easier to obtain for middle and high income groups, and thereby harder for low income earners to compete in the housing market;
- falling real wages for the lowest paid; and
- withdrawal of the state from home lending.

Prior to 1992 the Government had a significant stake in the home ownership market and accounted for approximately 8% of all new lending in 1989. As well as providing mortgage financing the Government also provided income-related interest rates and suspensory loans.

The Government currently provides relatively few home ownership schemes. There are several small schemes which are tightly targeted at rural families and Maori (the Low Deposit Rural Lending Programme and Papakainga lending). In the 2001-2002 year there were only 168 loans made under these schemes. The Government is also trialling the Kiwibank “In Reach” scheme, but this remains a relatively small scale scheme and needs further evaluation of its effectiveness.

The “In Reach” scheme allows low or no deposit mortgages to be approved to low-income families meeting certain criteria. This is made possible by the Government subsidising a mortgage insurance programme. Those who qualify, and are buying a

<sup>5</sup> NZCCSS (1999) *Taking Stock*

house up to \$100,000, don't need a deposit; and only a 5% deposit is needed if buying a house over \$100,000. The scheme is a two year trial and is expecting to approve approximately 1,800 loans.

A significant Australian study concluded that despite the difficulties associated with some home ownership schemes it is ultimately cheaper to provide people with assistance into home ownership than it is to support people in public housing or the private rental market.<sup>6</sup>

Unfortunately official advice provided to the Government appears to be running counter to this finding. This advice appears to be largely based on the failure of Australia's main home ownership scheme (the "First Home Owners Grants") to increase rates of home ownership, despite the considerable amount of money invested in the scheme. Total expenditure on this scheme was over \$3 billion (Aus) in five years. It's worth noting though that although Australia's rate of home ownership has not been rising, its decline has significantly lessened since the introduction of the scheme.

These "First Home Owners Grants" have been poorly targeted and much of the expenditure of these grants went to higher income households bringing forward home purchasing rather than assisting those unlikely to otherwise purchase homes. The scheme makes one-off grants of \$7,000 to assist with deposits for first home buyers. The scheme was aimed as much at stimulating the economy during the introduction of GST, as it was about increasing home ownership rates.

The Australian Council of Social Services suggests that the scheme had the effect of adding to the price escalation of properties and therefore diminishing home ownership opportunities for certain low income households. They argue that housing subsidies have to be very carefully targeted or else they are likely to boost demand for housing and first home prices.<sup>7</sup>

In contrast carefully targeted schemes, such as South Australia's "Home Start" scheme have been quite successful. This scheme is tightly targeted and over half of people benefiting from it were earning incomes below the poverty line and 93% of them would not have been able to receive finance from other sources.<sup>8</sup>

The United Kingdom has had success with its home ownership schemes. The Home Buy Scheme in particular appears to be having good results. Under the scheme purchasers receive an interest-free loan of 25% of the purchase price of their home. The loan must be repaid when the home is sold (25% of the sale value) or earlier.<sup>9</sup> This scheme is preferred by both purchasers and lenders to other shared equity style schemes. It is simple and easy to understand and to operate. In fiscal terms it compares well with social rental housing in terms of value for money for the public subsidy required.

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<sup>6</sup> The Industry Commission (1993) *Public housing Volume 1*, AGPS, Canberra.

<sup>7</sup> Australian Council of Social Services (2003) *More Affordable Housing: Submission to the Productivity Commission*

<sup>8</sup> South Australian Department of Human Services (1999) *Review of Home Start Finance*

<sup>9</sup> Jackson, Alastair. (2003) *Evaluation of the Homebuy Scheme in England*

Many of the successful United Kingdom schemes involve facilitating people buying houses that they are already living in. These and similar international schemes appear to be particularly successful.

Some of the key solutions to addressing the falling rates of home ownership could include:

- Expansion of the Kiwibank “In Reach” scheme, pending evaluation of its effectiveness
- Change the benefit system so that savings towards a deposit are not counted as an asset for abatement purposes
- Explore other conditional lending schemes to help people afford deposits
- Provide underwriting for loans to underserved segments of the market
- Develop intervention services to reduce the risk of people falling out of home ownership
- Develop shared equity schemes
- Look at ways to support people buying the homes they are already living in.

## **ACCOMMODATION SUPPLEMENT**

The issue of the accommodation supplement offers a particularly difficult problem to address. Since its introduction in the early 1990s the cost of the accommodation supplement has risen from approximately \$200 million a year to around \$750 million a year, reaching a peak of \$864 million before the introduction of income related rents.<sup>10</sup> This is far more than the estimated \$500 million that it was expected to peak at when introduced. This cost will increase even more with the changes announced in the 2004 Budget, which will increase the maximum rate and decrease abatement levels<sup>11</sup>.

The introduction of the accommodation supplement was based on the idea that the supplement was both fairer (by virtue of providing both private and state tenants with the same level of subsidy) and more efficient. The supplement was seen as being more efficient in that it would distort neither the market nor the behaviour of tenants. It was expected that providing a demand subsidy would ensure that the market moved to provide adequate levels of affordable rental housing. This has not eventuated.

A recent study by the Australian Housing and Urban Research Institute (AHRUI) found there is no evidence that in any of the countries studied that housing allowances (like the Accommodation Supplement) have stimulated an increase in the supply of affordable rental housing; rather there has been a significant contraction in the supply of affordable rental housing.<sup>12</sup>

One of the contentious areas around the accommodation supplement is whether it acts as a subsidy for landlords. Some argue that there is little or no evidence that the accommodation supplement contributes to the inflationary pressure on rents. This

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<sup>10</sup> Johnson, Alan (2003) *Room for Improvement: Current New Zealand housing policies and their implications for our children*, Child Poverty Action Group.

<sup>11</sup> This has been estimated at a cost of an additional \$146 million a year from 2007, when all the changes to the accommodation supplement regime have been implemented.

<sup>12</sup> Hulse, Kath. (2002) *Demand Subsidies for Private Renters: A Comparative Review*, Australian Housing and Urban Research Institute.

appears to be based primarily on econometric modelling and on United States research.<sup>13</sup> There has been some United States research that found that housing allowances do not impact on the market at large, but do have some impact on particular sub markets. However translating this research from the United States situation (where housing allowances impact less than 5% of the rental market) to New Zealand (where the accommodation supplement affects over 40% of the rental market) is problematic.

A number of organisations working directly with low income families have argued that the accommodation supplement has acted as a landlord subsidy. The recent Child Poverty Action Group (CPAG) housing report concludes that “Effectively the accommodation supplement has proved to be a landlord subsidy, which has becoming increasingly burdensome for taxpayers”.<sup>14</sup> There is some anecdotal evidence that this is the case, but it is very difficult to determine a causative relationship between increases in prices for rental accommodation and the accommodation supplement. This means that it is difficult to reach a firm conclusion about the impact of the accommodation supplement as a landlord subsidy.

Putting aside arguments about the role of the accommodation supplement as a landlord subsidy, it seems that the accommodation supplement has not had the anticipated effects of increasing supply of low income housing, and many of the arguments advanced in favour of the accommodation supplement presuppose that the accommodation supplement will increase this supply. The accommodation supplement appears to act as too blunt a policy instrument to encourage an increase in low cost supply.

The Australian Council of Social Services has concluded that a similar Australian scheme, Rent Assistance, is not working well, because of the failure of the market to provide enough low cost housing. They also argue that rent assistance has become less useful over time as landlords increasingly factor this into expected rent. This means that the accommodation supplement is likely to become more of a landlord subsidy the longer it exists.<sup>15</sup>

Similarly in New Zealand a growing number of households have become dependent on the accommodation supplement. Between 1996 and 2002 the number of households receiving the accommodation supplement increased by 50%, from about 112,000 to 170,000. Currently about 49% of renting households are either in state houses or receiving the accommodation supplement (this equates to approximately 17% of total households). This means that a significant amount of government funding is going into paying for the accommodation supplement.

Money spent on the accommodation supplement means foregoing other, potentially more useful expenditure, such as investing in state housing or encouraging home ownership. There is a strong argument that other forms of housing assistance, including

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<sup>13</sup> Hulse, Kath. (2002) *Demand Subsidies for Private Renters: A Comparative Review*, Australian Housing and Urban Research Institute.

<sup>14</sup> Johnson, Alan (2003) *Room for Improvement: Current New Zealand housing policies and their implications for our children*, Child Poverty Action Group, p.8.

<sup>15</sup> Australian Council of Social Services (2003) *More Affordable Housing: Submission to the Productivity Commission*

increasing social housing and less demand driven forms of housing allowances may be more cost effective, as the accommodation supplement acts as a very blunt lever.

Although there are significant problems with the accommodation supplement, addressing these creates fundamental problems as its high degree of uptake has created a high degree of dependence, both for low income renters and consequently for landlords. Removal of the accommodation supplement would effectively be a significant reduction in the incomes of some of the poorest New Zealanders.

Nevertheless there needs to be consideration of whether there are more effective ways of providing housing assistance to those who need it, and consequently how the accommodation supplement could be phased out if other means of providing housing support were introduced. This could include tightening the targeting of the accommodation supplement (e.g. by raising the 25% threshold), so as to gradually redistribute funding away from the accommodation supplement.

## **HOUSING SUPPLY**

During the 1990s there was a strong emphasis on 'demand side' solutions (primarily the accommodation supplement) to housing issues in New Zealand, driven by the idea that such solutions were more efficient as they do not distort the market, or tenant behaviour. This has resulted in a significant lack of low income housing, both in the private market and in social housing. There are three main sectors of housing supply to consider: the private sector, the government's social housing and the third sector (community housing). This section considers ways of increasing supply in the private sector.

There need to be moves to address supply issues and a particular emphasis on solutions aimed at increasing investment in low-cost housing. As the level of home ownership drops and the percentage of the population renting increases, the private rental market plays an increasingly significant role and it becomes more important to increase the number of low cost private rentals.

Lower income households increasingly have to compete for rental housing with higher income households. One aspect of the decline in levels of home-ownership is that these have fallen most among the low and high income brackets and have declined least among middle income earners. As the percentage of high income renters increases this creates a greater incentive for housing investors to invest in the expensive end of the market. This results in problems attracting investment in low-cost housing.

It appears likely that the stock of lower-cost dwellings has fallen, while the number of lower-income households has risen. In Australia this shortfall is estimated at well over 50,000 units. In Australia the overall rental market has grown, but this growth has been uneven with much of the growth being at the higher end of the market and there has been a decline in the low end of the market (both in terms of as a percentage of the total market and in absolute terms). This trend has also been documented in the United States.<sup>16</sup>

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<sup>16</sup> Berry, Mike (2001) *New Approaches to Expanding the Supply of Affordable Housing in Australia: An Increasing role for the Private Sector*, Australian Housing and Urban Research Centre.

Furthermore Australian research has indicated that a relatively large percentage of lower cost rental stock is occupied by higher income families, which further limits the amount of low cost housing available for low income earners. This excess demand has not created greater supply. Private investors have not filled the gap and the state has favoured income support solutions rather than state housing.

All these factors have led to a significant lack of low cost housing stock.

It's important to note that the increased availability of low-cost rental housing would not in itself necessarily lead to occupancy by low-income households and it is therefore important that housing is managed correctly.

A key Australian report which considered 120 options for improving housing supply had three preferred options.<sup>17</sup>

- 1) A direct government subsidy for private investment in affordable housing.  
This would see the government raise finance for affordable housing through the issue of a bond with a guaranteed minimum after tax return. The funds would be used to construct affordable rental dwellings.
- 2) The establishment of a stock exchange listed company as a vehicle for private investment.  
The funds would be drawn from 20% government equity, 30% private sector investment and 50% borrowed funds. The government equity would be available to meet investor returns up to a predetermined level designed to encourage private investment.
- 3) A prescribed ratio for affordable housing investments.  
The government would mandate through legislation that a minimum proportion of assets of designated financial institutions e.g. super funds be held in the ownership of rental dwellings managed by the government.

Overall option 1 was preferred as it was seen as a positive way of developing public/private partnerships.

The Australian Council of Social Services recommends 5 key steps to improve low-cost housing supply.<sup>18</sup>

- 1) Increased public investment in rental housing.
- 2) The redirection of current private investment into low-cost private rental housing via changes to existing tax expenditures. In particular the tax gained through an abolition of negative gearing and the revenue through a capital gains tax.
- 3) Encourage investment from capital markets through a housing bond.

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<sup>17</sup> Affordable Housing National research Consortium (2001) *Affordable Housing in Australia: Pressing Need, Effective Solution: Policy Options for Stimulating Private Sector Investment in Affordable Housing Across Australia.*

<sup>18</sup> Australian Council of Social Services (2003) *More Affordable Housing: Submission to the Productivity Commission*

- 4) Exploration of mortgage lending to not for profit managers of rental housing, i.e. large scale mortgage lending to the 3<sup>rd</sup> sector.
- 5) Redirection of some development profits to investment in the supply of low cost housing.

There are also several ways to potentially increase investment in the low cost end of the market. One argument suggests that there is little investment in this segment of the market because the level of investment return is too low. There are two main proposals to remedy this. These include tax exemption models and low income housing credits.

*Tax Exemption Models:* This approach rests with the government providing specific incentives to small investors to leave more of their savings in affordable rental housing. The lever proposed is to offer landlords a tax exemption on part of their rental income when they lease their dwelling to government housing agencies for a minimum period. There could also be rates exemptions. The housing agencies would be in a position to negotiate long-term leases and guarantee management, maintenance and so on, all resulting in reduced lease cost. These savings and subsidies could then be passed on to tenants as lower rents. An advantage of this model is that it could lead to low cost rent stock currently resided in by higher income tenants filtering through to government tenants.

*Low-income Housing Tax Credit:* This system, along US lines, sees a tax credit paid to investors of dwellings rented below a certain threshold level. The tax credit is delivered as a reduction in the investor's annual tax liability.

There needs to be careful consideration a range of policy instruments that could be used to increase the supply of low-cost housing in the private sector.

## **TAX POLICY**

Tax policy inevitably has a significant impact on investment decisions in relation to housing. New Zealand has a tax system that encourages investment in housing over other forms of investment. In particular it has no significant capital gains tax and relatively liberal negative gearing provisions. This has encouraged a high degree of investment in housing in New Zealand *vis-à-vis* other forms of investment. There needs to be consideration of whether the current tax provisions have been useful in encouraging an adequate supply of low-cost housing for New Zealand families.

The impact of tax provisions on housing has been the subject of strong debate in Australia (which does have a capital gains tax). In particular there has been considerable criticism of 'negative gearing' and the weak capital gains tax in Australia (which incidentally is much stronger than New Zealand's very limited capital gains provisions).

In Australia there is substantial tax subsidisation to small landlords via negative gearing provisions (this is estimated at over \$1 Billion in Australia in 2001 and was expected to be as high as \$4 Billion in 2003).<sup>19</sup> There is some argument that the tax benefits from negative gearing for landlords with high marginal tax rates actually reinforce the

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<sup>19</sup> Berry, Mike. (2002) *Affordable Housing Project Background Paper*, Brotherhood of St Laurence and the Committee for Economic Development Australia.

relatively high rental levels at the low rent end. These tax benefits create a permanent and growing incentive to over-invest in housing, thus potentially over inflating the cost of housing and consequently of rental prices.

The Australian Council of Social Services argues that negative gearing greatly exaggerates the tax bias in favour of investment in property and has encouraged the practice of purchasing a series of properties rather than just one. They argue that dealing with these tax distortions would ease price inflation of housing. They acknowledge that this implies a lower level of overall investment in rental property but suggest that overall this is unlikely to have a significant affect on low income tenants as investment encouraged by tax distortions is generally at the top end of the market where the anticipated capital gains are greater. They also suggest that any such adverse effects would be offset if the tax revenue was devoted to a tax credit for new investment in low cost rental housing. ACOSS recommends the withdrawal of Capital Gain Tax concessions and negative gearing provisions.

Even the Reserve Bank of Australia has expressed concern that negative gearing provisions have distorted and market and led to over inflated housing and rent prices. They suggested that an enquiry into the impacts of negative gearing should be conducted. Similarly the OECD has recommended the implementation of a capital gains tax in New Zealand to reduce the bias for housing investment.<sup>20</sup>

## **SOCIAL HOUSING**

New Zealand, along with Australia and the United States, now has one of the smallest social housing sectors in the OECD. If current trends continue social housing will decline from 8% of the total housing market in 1991 to 5.5% in 2011 and from 36% of the total rental market to 14% of the rental market.<sup>21</sup> This decline may be slowed by the current Government's commitment to increase state housing stock.

Investing in social housing is generally seen as expensive option, which is why it has generally not found favour with successive governments. However there is strong evidence about the positive role that social housing plays. A major inquiry into public housing in Australia in 1993 concluded that investment in social housing is a cost effective measure over the longer term<sup>22</sup>. Furthermore it concluded that a significant supply of public housing helps to ensure that prices in the low cost sector do not increase excessively and therefore investing in state housing has a positive impact on the entire low cost housing sector.

The Government is currently investing in acquiring new housing stock. State houses are being acquired at the rate of about 1200 a year and Budget 2004 has further increased the Government's commitment to increasing the state housing stock. However Housing New Zealand acknowledges that this rate of purchase will do little to meet the demand currently being experienced, let alone the forecasted level of demand.

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<sup>20</sup> OECD (2000) *Economic Surveys: New Zealand 1999/2000*, Paris.

<sup>21</sup> Badcock, Blair. (2000) "Identification of Current Issues and Gaps in Housing Provision in New Zealand",

<sup>22</sup> The Industry Commission (1993) *Public housing Volume 1*, AGPS, Canberra.

Even if the rate of dependency of households on housing assistance remains the same over the next 20 years and even if the proportion of people renting remains the same, we will see an additional 2,500 households each year requiring state assistance in order to gain access to housing of even moderate quality. If the Government plans to limit the fiscal stranglehold of the present rent subsidies by building state houses to meet future growth, it will need to build over 2,500 additional state houses each year, 1,500 of which should be in Auckland. (Budget 2004 has illustrated a commitment towards this by planning for the majority of new state housing purchases to occur in Auckland). This much more than the present effort and is likely to cost around \$400-500 million each year.<sup>23</sup>

## ROLE OF LOCAL COUNCILS

Local councils have increasingly been pulling out of social housing. But the new Housing Innovation Fund aims to try and encourage councils to remain involved in social housing.

There are a number of roles that could be played by councils, including:

Funder – invest in, grant finance to, or contract others to provide	<ul style="list-style-type: none"> <li>• One-off grants to facilitate housing development or purchase housing for low income households</li> <li>• Assistance to groups setting up trusts or housing co-operatives</li> <li>• Rates relief</li> </ul>
Regulator - develop and enforce rules	<ul style="list-style-type: none"> <li>• District Plan regulations which encourage supply of low cost housing</li> <li>• Reduce the development levy for developers producing a certain percentage of low cost housing</li> <li>• Enforcement of minimum standards for housing construction</li> </ul>
Research/Monitor – investigate, identify gaps, provide feedback	<ul style="list-style-type: none"> <li>• Establish housing need indicators</li> <li>• Find out what tenants want and what they see works</li> </ul>
Advocate – express support for or recommend publicly	<ul style="list-style-type: none"> <li>• Lobby central government for change</li> <li>• Ensure people have full entitlements</li> </ul>
Promoter/Facilitator – encourage progress or development	<ul style="list-style-type: none"> <li>• Help tenants to be involved in developing solutions</li> <li>• Encourage private developers to include low cost options</li> <li>• Facilitate co-operation between social service providers</li> <li>• Develop partnerships</li> <li>• Support tenancy placement service or advisory service</li> </ul>
Provider -carry out using own resources	<ul style="list-style-type: none"> <li>• Supply subsidised housing</li> <li>• Provide land</li> </ul>

Although the Government has been placing greater emphasis on encouraging local councils to be engaged in housing issues there is much more that could be done to encourage greater involvement.

<sup>23</sup> Johnson, Alan (2003) *Room for Improvement: Current New Zealand housing policies and their implications for our children*, Child Poverty Action Group.

## **THE THIRD SECTOR**

Social housing in New Zealand has traditionally been dominated by the State and there is only a very small third (community) sector. The Government has been placing increasing emphasis on developing the capacity of the third sector.

Recently the Government has established a housing innovation fund, which consists of \$63 million funding for local government and non-governmental (3rd sector) housing initiatives, to be spent over four years. The aim of the fund is to encourage local government and third sector groups to become more involved in the housing sector.

The funding available includes:

- capital grants and low interest loans for demonstration projects to buy, build or modify rental accommodation and to develop affordable home-ownership opportunities;
- an establishment fund to provide grants to meet the costs of developing proposals; and
- the establishment of a third sector housing group to support and represent third sector housing groups.

While this is a good start there are a variety of other supports that could be provided to order to facilitate the growth of 3rd sector housing, such as:

- the development of land banks for use by third sector providers;
- developing further innovative funding schemes; and
- improving the ability of Housing New Zealand to work with the community sector.

Although it is a positive step to develop a stronger third sector, it is important that the development of the sector does not result in an abdication of government responsibility for the provision of social housing.

## **CONCLUSIONS**

The social service agencies that NZCCSS represents deal daily with the impacts of the crisis in housing affordability facing low income families. Families who are on low incomes have to pay an increasingly high proportion of their income on housing. This inevitably means that they have to cut back on other essential items, such as power and food. Or alternatively, some families have to resort to living in substandard housing, such as garages and camping grounds. It's families like these that seek the help of our social services.

There is clearly a crisis of housing affordability facing New Zealand: those on low incomes are being priced out of the housing market by the increasing cost of both rental housing and of home ownership, and there is not enough social housing to meet this demand. We know, from both the research and the experience of social services, that housing plays a crucial role in people's lives. Inadequate housing has flow on effects on health, education, use of social services, community participation, violence and abuse. If people are experiencing serious housing problems then it affects not only the individual

or family but the whole community - therefore it is in society's interest to help find solutions.

There are some key issues that we need to address in order to improve the housing situation of low income families. New Zealand needs to:

- tackle the fall in home ownership levels among those in low incomes;
- evaluate whether the accommodation supplement is the best way to address housing affordability;
- increase the supply of low-cost rental housing through use of targeted new mechanisms;
- encourage local authorities to adopt policies that encourage the provision of low-cost housing;
- investigate the most effective ways of encouraging greater supply of social housing; and
- pursue effective ways of encouraging greater involvement of the community sector in the provision of housing.

It is imperative that we take the housing problems we face seriously and that we take urgent action to address these issues.

## APPENDIX A

### **The New Zealand Council of Christian Social Services**

*Mission: The New Zealand Council of Christian Social Services works for a just and compassionate society in Aotearoa New Zealand. We see this as a continuation of the mission of Jesus Christ.*

The New Zealand Council of Christian Social Services represents the Anglican, Baptist, Catholic, and Presbyterian social services agencies, as well as the Methodist and the Salvation Army churches.

Collectively, these six members run more than 550 social services, spread throughout NZ. Members provide most of the foodbanks across the country, around 40% of services for families and children, about 50% of all non-government services for older people and a wide variety of housing, counselling, budget advice, drug and alcohol, employment and training, disability, youth and other community development services.

When information about these sites is aggregated it is estimated that they:

- employ over 10,700 full or part-time staff
- use over 9,300 volunteers who work more than 10,000 hours a week.
- serve around 50,000 clients in any one day
- spend over \$274 million a year on social service programs