



**Housing New Zealand Corporation**

**Briefing to the Incoming Minister: Housing**

**November 2007**

*Together we're* **Housing** New Zealand

# Contents

## Section A

<b>Background</b>	Page 7
<b>Upcoming briefings and decisions</b>	Page 17
<b>Key facts – a three year summary</b>	Page 21
<b>Accountability documents and reporting requirements</b>	Page 22

## Section B

### Part One - Addressing the issues

#### *A sector wide response*

- New Zealand Housing Strategy Page 27
- Working with the non-government sector Page 29

#### *The Corporation's contribution*

- The Corporation's functions Page 30
- Responding to key issues and influences Page 37

### Part Two – Key Corporation programmes

- Social Allocation System Page 47
- Income-Related Rents Page 48
- Accommodation Supplement Page 49
- Community Group Housing Page 50
- Housing Innovation Fund Page 51
- Auckland housing development Page 52
- Community Renewal Page 55
- Welcome Home Loan Page 56
- Low Deposit Rural Lending Page 57
- Rural Housing Programme Page 58
- Healthy Housing Programme Page 59

### Part Three - Organisational information

- The Corporation's governance and structure Page 63
- Legislation Page 67
- General issues and financial risks Page 70
- Housing financial management Page 75
- Regional snapshots Page 87

# Introduction

- 1 This Briefing provides you with an overview of the housing portfolio and focuses on outlining:
  - the main environmental issues that impact on the New Zealand housing sector
  - Housing New Zealand Corporation's (the Corporation) interventions and responses to addressing housing issues
  - the Corporation's role including its structure, functions and strategic direction.
- 2 The Briefing is structured into section A and section B: Section B is designed to provide you with further detail to support section A.

**Section A** provides:

- background on the key issues facing the housing environment, the Corporation's role, and its strategic direction
- a brief summary of upcoming briefings and decisions
- key facts – a three year summary
- accountability documents and reporting requirements.

**Section B** provides:

- sector-wide and Corporation responses to address the issues
- the role of the Corporation including its structure, financial management and legislation
- The Corporation's work programme for 2007/2008.

Released under the Official Information Act 1982

Released under the Official Information Act 1982

## Section A

- 3 This section provides a summary of the key issues influencing the New Zealand housing environment and explains the role of the Corporation and its strategies to address these issues. Additionally, this section outlines a number of upcoming briefings and decisions that will be required in the near future and explains how the Corporation will agree its performance objectives with you and report against them.

- **Background** **Page 7**
- **Upcoming briefings and decisions** **Page 17**
- **Key facts – a three year summary** **Page 21**
- **Accountability documents and reporting requirements** **Page 22**

Released under the Official Information Act 1982

Released under the Official Information Act 1982

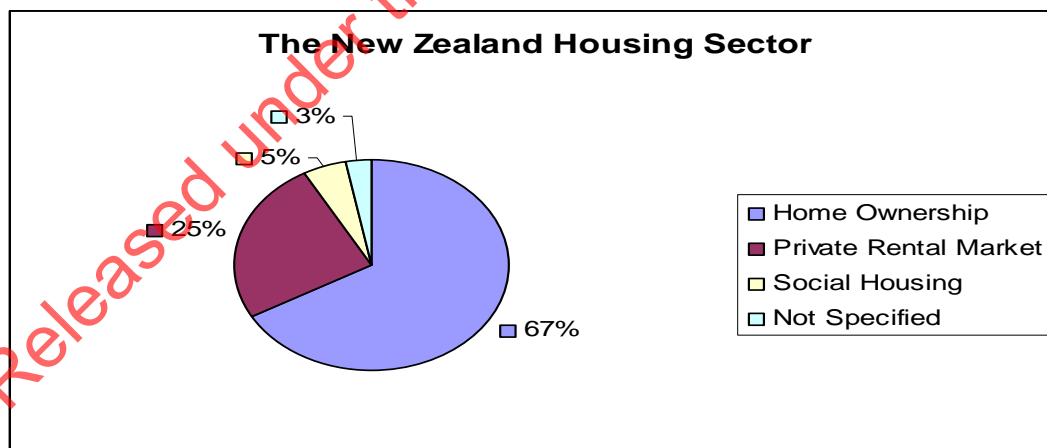
# Section A

## Background

### The New Zealand housing environment

- 4 The New Zealand housing sector is influenced by a broad range of factors, such as changing socio-economic, technological and environmental factors that influence the demand for, and supply of, housing. External factors such as global and technological change also affect demand and supply. Other factors include regional demographic changes, lifestyles and personal aspirations, the needs of specific groups, new construction technology, and higher building standards.
- 5 The majority of New Zealanders do not require government assistance to find suitable housing solutions for themselves. Most people are able to meet their own housing needs by owning a house or renting in the private market. However, all New Zealanders are affected by economic conditions such as interest rates, inflation, tax rates, and are governed and influenced by Government policies and legislation such as the Residential Tenancies Act.
- 6 The Corporation is the chief provider of social housing in New Zealand, however there are a wide variety of other organisations including local government, community based groups and iwi also providing social housing for people on low-to- modest incomes. However, as highlighted by Figure 1 below, the social housing sector is small when compared to the wider housing sector.

Figure 1 The New Zealand Housing Sector



Statistics New Zealand Census 2006 Household and Dwelling Survey Results

- 7 The emerging problems for New Zealand housing can be broadly summarised as: declining housing affordability, limited housing supply, variable housing quality and

ongoing demand for social housing. Some people are struggling to service housing costs in all forms of housing.

## Key issues

### Changing and diverse housing demand

#### *Population growth*

- 8 The New Zealand population has grown by 7.8 percent between 2001 to 2006 and is projected to reach over five million by 2041. The population growth rate is projected to slow over time with immigration becoming a major factor in any population increase. The Auckland region accounts for the highest rate of increase, and currently houses 32.4 percent of New Zealand's population. Population drift towards Auckland is expected to continue.

#### *Ageing population*

- 9 The population of New Zealand is ageing. The growing size of the elderly population means more housing will need to be suitable for elderly residents. Disability rates increase with age, therefore the number of people with disabilities is expected to increase substantially over the next 10-20 years. There are implications for the types of housing needed and the associated modifications needed to improve housing accessibility.

#### *Ethnic diversity*

- 10 The ethnic make-up of New Zealand is becoming increasingly diverse, particularly in the Auckland region. The structure of families varies between different cultures and ethnicities and therefore the type of housing required also varies. A large proportion of Māori and Pacific people are currently either state housing tenants or applicants, a trend which is expected to continue.

#### *Changing family and household structures*

- 11 The structure of families and households continues to change. The proportion of one-parent families and couples without children is increasing.
- 12 The change in household structures has particular implications for state housing. In future there will be comparatively less demand for the standard three bedroom home and an increased demand for smaller homes to house growing numbers of childless and elderly households.



## Affordability

- 13 Increases in housing prices have outpaced rises in average household income, making housing unaffordable for many, particularly people seeking to buy a first home. House price inflation over the last five years has priced many potential first time home buyers out of the housing market, particularly in Auckland. Home ownership rates continue to decrease.
- 14 Fewer people are able to buy a home of their own, so there has been an increase in the number of people renting accommodation. It is likely that more New Zealanders may remain in private rental accommodation throughout their lifetimes. This has implications for social and health outcomes, such as security in old age, the ability for the elderly to stay in their homes and retirement income. There are also flow on implications for Government, such as aggregate household savings, growth in Accommodation Supplement outlays and investment in social housing.
- 15 Increasing housing costs affect many families across a wide range of social and economic areas, and curtail choices about where people live, which can, in turn, affect labour markets and employment opportunities. Even if house prices do stabilise over the next few years, a large number of households are likely to need continuing Government assistance if they are to access and sustain home ownership, or attain greater security of tenure in the private rental market.
- 16 The Crown provides assistance for low- to modest income earners to meet housing costs in the private sector through the Accommodation Supplement<sup>1</sup>, administered by the Department of Work and Income. Housing cost assistance for state housing tenants is provided through Income Related Rents in which low income Corporation tenants pay no more than 25 percent of their income in rent.
- 17 There is a range of current and planned initiatives to assist aspiring homeowners in buying their first home. This includes deposit assistance for KiwiSavers (available from 2010), a shared equity pilot and education programmes to provide people with the skills and knowledge they require to buy and own their first home. Additionally, the Corporation provides Welcome Home Loans, a product providing insurance to lenders to offer low or no deposit home loans to first home buyers. Welcome Home Loans have been effective in assisting people who would not otherwise have been able to achieve home ownership. However, these initiatives are small in scale.
- 18 Another way to influence the price and cost of housing is through the supply of new affordable housing. The Corporation's integrated urban development projects in Hobsonville, Weymouth and Papakura will provide affordable homes for first home buyers and will create a mix of tenure types including state and private housing. Additionally, the Corporation's proposed redevelopment of state housing in the Tamaki area will increase affordable housing opportunities in the area. The proposal will be submitted in a paper to Cabinet for consideration in February. Another key work-stream is the proposed Affordable Housing Bill being considered

---

<sup>1</sup> The Accommodation Supplement is available for current housing costs.

by Cabinet, which will enable territorial authorities to use regulatory tools and incentives to help increase the supply of affordable housing.

- 19 The Corporation is also involved in an inter-agency project under the management of the Department of the Prime Minister and Cabinet which will shortly report to Cabinet on what can be done to moderate house price increases and stabilise the volatility of the market.

## Supply

- 20 The growing, ageing and increasingly diverse New Zealand population will require more housing in the right places to meet future need. In Auckland alone, projected population increases indicate a need for 80 percent more housing in the region within the next 25 years.
- 21 The Corporation currently houses 198,250 people and has built, bought or leased 7,400 additional homes since 1999. The Corporation will continue to increase its housing stock to meet housing need, as well as considering how it can use its existing stock more effectively. It needs to be innovative in the way it configures existing stock and land for future demand. The traditional three bedroom state house is no longer appropriate for the needs of many of the applicants on the waiting list and the Corporation is reconfiguring its portfolio so that it is able to address demand for smaller and larger families requiring state housing.
- 22 In addition, the Corporation works with tenants who no longer need large homes by supporting them to move to smaller houses that are more suitable to their needs. In 2006/2007, the Corporation helped 331 tenants shift from large properties to more suitable accommodation which resulted in a net gain of 394 bedrooms – equivalent to 131 three-bedroom houses. Assuming a national average three-bedroom house price of \$300,000, this equates to a saving of \$39.3 million in capital expenditure over the last financial year.
- 23 Increased housing demand and reduced land availability, particularly in Auckland, have resulted in the Corporation taking a more active property development role to secure land and/or redevelop appropriate housing at a reasonable cost to meet demand. Urban development with an increased density of housing is one mechanism for responding to changes in the types of housing required. The integrated urban developments in Hobsonville, Weymouth and Papakura will provide up to 3,650 additional homes in a mix of private and social housing.
- 24 Not all social housing is provided by the Crown. The Corporation works strategically in partnership with a broad range of social housing providers (including local authorities) to ensure existing social housing is retained to strengthen the ability of the community. There is high demand for the Housing Innovation Fund, which gives the Corporation the ability to support third sector agencies in providing innovative social housing solutions.
- 25 The Corporation is undertaking a review to assess the role of Government in supporting non-government social housing and develop a strategy for strengthening the ability of the non-government sector to address unmet need.

## Quality

- 26 Investing in good quality housing provides communities with a broad range of benefits, in contrast to the proven long-term social, health and economic costs of poor quality housing. Substandard housing is a significant issue in New Zealand. It is particularly prevalent in rural areas where inadequate infrastructure often exacerbates the problem. The Corporation's Rural Housing Programme provides essential repairs and new infrastructure to address health and safety issues and has been focused on the Northland, East Coast, and Eastern Bay of Plenty rural areas where such issues are common.
- 27 Since 2001, the Corporation has completed approximately 1,800 housing interventions in these areas, but it is estimated that this work accounts for only about 20 percent of the substandard housing within these three rural regions. However, the problem of substandard housing will not be eliminated through this programme alone. Cabinet has recently agreed to a new approach to delivery of this programme, but its continuation beyond July 2008 is dependent on funding through Budget 2008.
- 28 The Corporation also works with the Department of Building and Housing (DBH) to provide bridging finance to assist owners of leaky homes to complete repairs as part of a two year Non-Weathertight Homes pilot. The pilot is funded until July 2008 and the future of assistance to owners of leaky homes will be based on the findings from the pilot evaluation due to be reported to you by late 2008.
- 29 People increasingly expect their houses to be safer and healthier places to live. Improving the energy efficiency of housing is an immediate priority to reduce pressure on natural resources and the environment. The Corporation has a range of initiatives including energy efficiency and Healthy Housing programmes, aimed at making state houses safer, warmer and more energy efficient.

## Auckland

- 30 Auckland is New Zealand's largest city with a population growing at 3.1 percent per year, expected to increase to two million people by 2031. The region has the highest demand for state housing, with 60 percent of people on the Corporation's priority (A and B) waiting lists wanting to live in Auckland. Rising house prices and continued decline of affordable private rental housing are increasing the demand for housing assistance.
- 31 Auckland also houses high numbers of refugees and new migrants. Currently 70 percent of refugees and migrants to New Zealand settle in the Auckland region. It is predicted that an extra 320,000 homes will be needed in Auckland by 2031 to meet housing demand.
- 32 The Auckland region is home to a widely diverse range of communities and includes areas of deprivation where large numbers of low income people are concentrated. Additionally, high rents, low incomes and a lack of housing stock often contribute to people living in overcrowded conditions.

- 33 Some 44 percent of the Corporation's owned and leased properties are in Auckland and the majority of its asset acquisition, reconfiguration programmes and property development activities are centred in the region.
- 34 In acquiring and developing social housing in the area, one of the challenges the Corporation faces is the high level of property prices in many parts of Auckland. It must also overcome opposition towards social housing by some residents living in the region, particularly in areas of high and medium wealth. The Corporation is undertaking development projects in Hobsonville, Weymouth, Papakura and Tamaki to increase social housing numbers and provide new affordable housing opportunities.
- 35 To ensure resources are used efficiently and that collaboration with other agencies and key stakeholders is effective, the Corporation is developing a co-ordinated long-term strategy to address housing pressure in the Auckland region.

## **A sector wide response**

### **The New Zealand Housing Strategy**

- 36 The New Zealand Housing Strategy (the Strategy) sets priorities for housing and a programme of action to lead the sector over a 10 year period. It takes a sector wide approach, involving local government, communities and business, together with the Department of Building and Housing and other agencies. In achieving its outcomes, the Strategy seeks to achieve an integrated view of housing rather than one that is isolated from other policy areas.
- 37 The Strategy is based on the premise that no single agency can achieve success on its own, and that each agency needs to understand its role in working to achieve the agreed outcomes. The Corporation shares responsibility with a broad range of agencies to implement the programme of action. A steering group has been established to oversee the Strategy's implementation. Many other Government agencies including the Ministry for Social Development, Ministry for the Environment and the Department of Building and Housing are leading initiatives.
- 38 The Corporation's activities under the Strategy contribute to the three themes identified by Government aimed at transforming New Zealand: Economic Transformation, Families Young and Old and National Identity. The Corporation contributes by providing affordable, safe housing and good quality community-based services. Housing quality initiatives, including the Corporation's Healthy Housing programme, also help to improve family wellbeing.

## The Corporation's role

- 39 The Corporation is committed to providing targeted services to meet the diverse housing needs of New Zealanders and has a significant role to play in helping the Crown address many of the issues facing the housing sector. The Corporation is a Crown entity that has two distinct roles: to deliver housing assistance, and to be the principal advisor to Government on housing and housing policy. The Corporation's role is to understand housing need, facilitate housing solutions, support sustainability, encourage alternative social housing, and provide advice on housing policy.
- 40 The Corporation's traditional role has been to provide social housing to those with the greatest housing need. As a social landlord, the Corporation responds to people in a way that is fair, timely and consistent with the Government's housing objectives. However, this is only one way in which the Corporation responds to housing need.
- 41 In undertaking all of its activities, the Corporation looks beyond individual customers to consider also the needs of communities in which they live. The Corporation's functions include:
- providing rental housing for those who need it most
  - providing suitable accommodation for community organisations that offer residential support services for people with special needs
  - providing help and advice on matters relating to housing services for people on low- to modest- incomes who wish to purchase their own homes
  - offering a range of home ownership products and services
  - acquiring and developing land for housing or other development
  - selling, leasing, disposing of, managing, or otherwise dealing with land
  - acting as an agent to departments of state or Crown entities in the provision of housing or services related to housing
  - providing housing services as outlined in the Corporation's Statement of Intent
  - conducting research into, and monitoring trends in housing and services related to housing
  - advising the Minister of Housing and the Minister of Finance on housing and services related to housing
  - helping to increase housing supply
  - working in communities, with local government, Māori and iwi to address local housing problems
  - linking with other organisations and providers to help people with housing needs.

## The Corporation's strategic direction

- 42 The Corporation's strategic direction describes the 'what, how and why' of its work. It sets out the medium to long term direction and identifies how best it can align and contribute to the achievement of the goals of the New Zealand Housing Strategy and the Government's theme of Families Young and Old.

### 2007/2008 Statement of Intent

- 43 The Corporation's strategic direction is set out in its 2007/2008 Statement of Intent and outlines the vision, mission, outcomes and key business priorities for the year.

#### *Vision*

- 44 The Corporation's Vision has been adopted from the New Zealand Housing Strategy and provides a long term direction to ensure that "all New Zealanders have access to affordable, sustainable, good quality housing appropriate to their needs".

#### *Mission*

- 45 The Mission is to "provide access to decent homes, helping New Zealanders manage their own circumstances and contribute to community life".

#### *Outcomes*

- 46 The Corporation's Outcomes describe what it seeks to achieve through its work and how it will impact on the lives of New Zealanders. The two outcomes are:
- *A supply of good quality, affordable housing* – This outcome focuses on interventions that improve or increase the overall supply and distribution of affordable housing across the sector
  - *Sustainable housing solutions* – This outcome focuses on interventions that strengthen the ability of individuals, households and communities to achieve their own housing solutions.

#### *Key Business Priorities (BUILDS)*

- 47 The Corporation's six Key Business Priorities for 2007/2008 provide focus to guide the planning and priority setting of its work programme. The Key Business Priorities are:

##### *Business Priority One - Build diverse, strong and sustainable communities*

- 48 This Priority focuses on the Corporation's responsibility for managing the social housing portfolio in a manner that meets tenant need.

*Business Priority Two - Understand that housing is more than a roof over people's heads*

- 49 This Priority focuses on providing holistic tenancy management and support services for applicants and tenants that are linked with services provided by other social service providers.

*Business Priority Three - Innovate in the development and delivery of services*

- 50 This Priority focuses on being innovative in developing new solutions for addressing housing need. This includes playing a role in creating sustainable communities of mixed incomes and tenures, and providing increased opportunities for affordable home ownership.

*Business Priority Four - Leverage partnerships with community and private organisations*

- 51 This Priority focuses on strengthening the capability of social housing providers and supporting local government, community-based organisations and iwi to provide social housing and other community initiatives.

*Business Priority Five - Develop organisational capacity to improve productivity*

- 52 This Priority focuses on developing staff and management, systems, services that support the Corporation's mission.

*Business Priority Six - Share responsibility for the Government's New Zealand Housing Strategy*

- 53 This Priority focuses on the Corporation's role as a key advisor to the Government on housing and housing-related services.

**2008/2009 and beyond - responding to a changing environment**

- 54 At its September 2007 Strategic Retreat, the Board examined the future challenges for the Corporation and identified key areas of focus for 2008/2009 year.

- 55 The key focus areas include:

- Understanding the changing nature of demand – the Corporation needs to be understand the key determinants of demand, their interrelationship and the profile of its client base both now and into the future. Building this knowledge will enable it to secure tenure for its clients but be able to change the asset base over time
- Changing the way it delivers services – the Corporation needs to identify critical stages within housing pathways to identify where it can influence them positively. A holistic approach to the issues requires working with other social agencies and service providers to support tenants to move towards better outcomes



- Developing innovative solutions and partnerships – the Corporation needs to develop new interventions outside of traditional tenancy management/asset-based responses. This requires developing strong working relationships with a range of partners across the housing sector
- Developing sustainable communities – the Corporation needs to move from a social landlord/property management role to being a community enabler. This requires positioning itself as a catalyst for community development processes.

56 The Corporation will seek to refine its strategic direction to address these key focus areas in 2008/2009. This will include developing a new vision, priorities and work programme to ensure that it is effectively positioned to respond to the changing environment. The key areas of focus for 2008/2009 will be further discussed in the Corporation's Letter of Business Intent which will be provided to you in December 2007.

Released under the Official Information Act 1982



## Upcoming briefings and decisions

- 57 There is a significant amount of work in progress in addressing the key issues facing the housing sector. You will be briefed on some of this work in the coming months. The content of these briefings and the decisions required are outlined below. Some of these initiatives address issues under more than one heading.

### Meeting changing and diverse housing demand

#### *Housing Pathways*

- 58 The Housing Pathways framework brings a new approach to engaging with state housing tenants. The framework focuses on the housing progression of different households and the interventions required to achieve positive outcomes.
- 59 Instead of only dealing with immediate needs, the framework takes a longer term view of why people need state housing, what outcomes they could achieve in future, and how the Corporation and other agencies can support them to achieve their aspirations.
- 60 The Corporation's current tenancy management approach is already consistent with this philosophy. To further progress the framework, the Corporation is seeking to:
- identifying the best features of existing projects and initiatives that already adopt a pathways philosophy and roll these out more widely
  - developing formal tools and supporting policy to give effect to a pathways philosophy
  - identifying and assessing the resource implications of shifting to a more active, outcomes based approach.
- 61 You will receive a briefing on the housing pathways framework during November 2007.

#### *Budget 2008*

- 62 The Corporation will seek to engage with the Minister to reach an agreement regarding the prioritisation of initiatives to be considered in Budget 2008.
- 63 The package of initiatives for Budget 2008 that has been identified by the Corporation and the Government is likely to far exceed the available Government funding that would be approved. It is proposed that the Chairman of the Board meet with the Minister to discuss their respective priorities and formally agree a package for Budget 2008

*Review of the non-government social housing sector*

- 64 The Corporation is conducting a policy review of the role of non-government social housing sector and will develop strategies for future development of the role. You will receive advice on a proposed strategic direction for the sector and options for its growth and funding in the new year.

*Wellington City Council Social Housing Initiative*

- 65 The Crown and Wellington City Council have developed a partnership agreement for the Crown to provide financial assistance of \$220 million over 10 to 15 years to upgrade the Council's housing stock and enable the Council to remain in social housing. A joint briefing on progress was provided to the Ministers of Housing and Finance in October 2007. Direction was sought on the servicing and retirement of debt allocated to the Council social housing portfolio. Depending on the outcome, a Cabinet paper may be required for the Cabinet Policy Committee. You will be asked to agree to a Deed of Grant between the Crown and the Council and to the Council's work programme by April 2008.

**Affordability**

*Accommodation Supplement review*

- 66 The joint Corporation and Ministry of Social Development Accommodation Supplement review has been completed. Proposals to adjust the Accommodation Supplement have been developed including:
- adjustments to Accommodation Supplement areas and maxima to improve housing affordability for those facing the most difficulties finding affordable housing
  - a targeted communications strategy to increase awareness of the Accommodation Supplement amongst groups of working people who are eligible, but are not using the Supplement.
- 67 You will receive a briefing on this in November 2007. The proposals will be considered by Ministers alongside other priorities in Budget 2008.

*KiwiSaver deposit subsidy for first home buyers*

- 68 The Corporation is responsible for developing and administering the deposit subsidy component of KiwiSaver. The subsidy will be available to KiwiSaver members who are buying a first home from 1 July 2010. The Corporation will provide you with a briefing on the planned development approach in February 2008.

### *Lending Review*

- 69 In April 2006, Cabinet directed the Corporation to review its lending products to reduce product clutter and low uptake. In August 2007, a report went to the Board of the Corporation, recommending a more strategic approach to lending and several operational improvements. Following further consideration by the Board, it is expected that recommendations will be put to you for consideration in the new year.

### *Optimal Financial Governance Review*

- 70 The Corporation, the Department of Building and Housing and the Treasury have reviewed the financial governance structure of the Corporation. The objectives were to enhance clarity of financial decision-making authority, increase the visibility of the Corporation's costs and enhance the ability to assess the Corporation's efficiency. The review recommended that lending products should be fully costed and only funded through Government appropriations. This would increase transparency, but could reduce the Corporation's flexibility to respond to housing needs outside of Government's Cabinet and budget process. You will be updated on the outcomes of the review when it has been finalised.

## **Supply**

### *Affordable Housing Bill*

- 71 A draft Affordable Housing Bill was considered by Cabinet Policy Committee on 29 October 2007. The Bill would enable local government to play a more proactive role in facilitating an increase in the supply of affordable housing. The Government has signalled that it intends to introduce a Bill to Parliament in the coming months.

### *Tamaki transformation programme*

- 72 The Tamaki transformation programme will redevelop the Tamaki area to provide a wider mix of social, affordable and market-rate housing, improve community services and reduce the concentration of state housing. You will receive a briefing in November 2007 outlining an initial multi-agency plan of action for Tamaki. Following on from this, there will be a paper prepared for Cabinet in February 2008 with a proposed business plan and governance arrangements for the Tamaki transformation programme.

### *Hobsonville development*

- 73 The Hobsonville development is a staged project to develop an integrated urban community on the site of the former Hobsonville air base, subject to appropriate resource consents. It is being undertaken by the Hobsonville Land Company, a wholly-owned subsidiary of the Corporation. A Business Case for the development was approved by Government in December 2006. Following a tender process, a development company has been nominated to advance to "preferred partner"

stage. Following settlement of a Heads of Agreement, Hobsonville Land Company expects to provide a briefing for Joint Ministers (Finance and Housing) on the development proposal in November 2007.

Released under the Official Information Act 1982

## Key facts on the Corporation's activities

74 Table 1 below displays various 'at a glance' statistics relating to some of the Corporation's services and activities over the last three years.

**Table 1** Key facts – a three year summary from 2004 to 2007

<b>Services to the Minister</b>		<b>2006/2007</b>	<b>2005/2006</b>	<b>2004/2005</b>
Ministerial correspondence	Number	897	487	701
Briefing notes	Number	175	128	124
Parliamentary questions	Number	577	480	837
<b>Our customers</b>		<b>2006/2007</b>	<b>2005/2006</b>	<b>2004/2005</b>
Call centre enquiries	Number	420,326	380,141	332,505
Website user sessions	Number	60,990	53,778	55,023
Number of let tenancies	Number	65,375	63,452	64,557
Number of total occupants	Number	197,795	194,916	191,187
Waiting list total	Number	9,837	11,713	11,458
New tenancies created	Number	10,313	10,326	10,093
Total Housing Innovation funding (excluding interest foregone)	\$million	20.483	20.250	13.625
<b>Our organisation</b>		<b>2006/2007</b>	<b>2005/2006</b>	<b>2004/2005</b>
Full time equivalent employees	Number	991.1	978.7	940.9
Staff induction training	Total	135	174	167
Staff turnover	Percent	15.1	13.4	9.3
IT systems availability	Percent	99.8	99.6	99.8
Operating revenue	\$million	816	749	696
Operating expenses	\$million	749	679	635
Net surplus	\$million	13	20	14
Value of all owned properties	\$billion	15	13	11

# Accountability Documents and Reporting Requirements

75 Table 2, below, outlines the Corporation's key accountability documents that drive direction and performance as well as outlining the reports that the Minister will receive on an ongoing basis.

**Table 2** Regular documents and reports to the Minister

Title	Brief description of content	Timing for 2008/09
<p><i>Statement of Intent (SOI)</i></p>	<p>The SOI sets the Corporation's strategic direction for the next three years and identifies how outcomes will be achieved and measured. It also outlines the Corporation's contribution to the Government's social goals and the Minister's Letter of Expectations (LOE).</p> <p>Treasury released the first set of guideline material relating to a Review of Accountability documents (RoAD) that will impact on the development of the SOI and Output Agreement for 2008/2009. In summary, the guidelines state that:</p> <ul style="list-style-type: none"> <li>• The changes to the Estimates of Appropriation will require revised definitions and performance information for each output class</li> <li>• SOIs are expected to be shorter and have a plainer presentation style</li> <li>• Crown entities will be asked to prepare SOIs for release on Budget Day</li> <li>• The Estimates of Appropriation will focus on one-year timeframe and SOIs will be expected to focus on three to five year timeframes.</li> </ul> <p>You will be providing formal notice of these changes to the Board Chair through the Letter of Expectations for 2008/2009.</p>	<p>Annually</p> <p>May 2008.</p> <p>Tabled in Parliament in accordance with legislative requirements.</p>

<p><i>Output Agreement</i> <i>(Led by the Department of Building and Housing)</i></p>	<p>The Output Agreement provides you with a more detailed explanation of expected performance than the SOI and the Estimates. It focuses on the funding and production of outputs including the particular standards, terms and conditions under which the Corporation will deliver and be paid for the specified outputs.</p>	<p>Annually May 2008.</p>
<p><i>Corporate Business Plan</i></p>	<p>The Corporate Business Plan sets out how the Corporation's programmes and services will be delivered against the outcomes and business priorities detailed in the SOI. This is the internal accountability document for all staff, and has an operational yearly focus.</p>	<p>Annually May/June 2008.</p>
<p><i>Annual Report</i></p>	<p>The Annual Report is the primary vehicle for providing you with a report on the previous years' SOI. It gives a clear account of how the Corporation has delivered on performance expectations including financial statements.</p>	<p>Annually Tabled in Parliament in October 2008.</p>
<p><i>Quarterly reporting</i></p>	<p>Quarterly reporting is the primary mechanism for providing you with a snapshot of performance to date against the work program in the current SOI.</p>	<p>Quarterly.</p>

### **Monitoring**

- 76 The Minister of Housing's agent, the Department of Building and Housing, is responsible for administering Vote Housing and monitoring the Corporation.
- 77 The Corporation and the Department of Building and Housing consult on key issues, the development of the Corporation's accountability documents and progress against performance measures as required throughout the year.

Released under the Official Information Act 1982



## Section B – Part One

78 Part One of this section provides more detailed commentary on current and planned responses to the key issues influencing the housing sector. The commentary is broken into two areas of response. The first area outlines whole of government sector-wide strategies and initiatives, whilst the second area focuses on the Corporation's contribution role within this context, and as the Government's chief provider of social housing.

### Addressing the issues

#### *A sector wide response*

- **New Zealand Housing Strategy** **Page 27**
- **Working with the non-government sector** **Page 29**

#### *The Corporation's contribution*

- **The Corporation's functions** **Page 30**
- **Responding to key issues and influences** **Page 37**

Released under the Official Information Act 1982

Released under the Official Information Act 1982

# Part One - Addressing the issues

## A sector wide response

### New Zealand Housing Strategy – Programme of action

- 79 'Building the Future: The New Zealand Housing Strategy' was launched in May 2005 and sets out the possible priorities and actions for the housing sector over the next 10 years. The Strategy's vision is that 'All New Zealanders have access to affordable, sustainable, good quality housing appropriate to their needs'. It was developed following extensive consultation with a broad range of stakeholders, including the building industry, local authorities, community and business groups.
- 80 This section summarises the Strategy's priorities and seven areas for action. Further detail is in the Strategy's June 2005 implementation plan.<sup>2</sup>
- 81 The Corporation works with other agencies on Government priorities under the Families Young and Old theme. The priorities for housing under Families Young and Old for 2007/2008 are:
- develop a multi-agency Business Plan for the Tamaki Transformation Programme
  - develop an integrated urban community at Hobsonville
  - develop legislative mechanisms (including an Affordable Housing Bill) to enable local authorities to use regulatory tools and incentives to increase the supply of affordable housing
  - complete a review of the role of the non-government social housing sector
  - launch a two-year shared equity pilot in July 2008
  - focus on work to improve the quality of existing houses (for example, by developing proposals to speed up the delivery of the Rural Housing Programme) and work to ensure that new houses are built to a good standard (for example, by implementing the Licensed Building Practitioner scheme from November 2007)
  - partner with iwi, Māori and key stakeholders to enable the development of affordable Māori housing and sustainable communities, consistent with the Corporation's Māori Strategic Plan 2007 to 2012.

---

<sup>2</sup> Strategy implementation is being led by Housing New Zealand Corporation, unless otherwise stated.

## **The Strategy's Programme of action**

### *Area 1: Sustainable housing supply*

- 82 The Corporation and the Department of Housing are working on understanding the complex issues affecting housing supply, and finding solutions to problems identified in the Strategy. This work is informed by international research, but also reflects the special features of the New Zealand housing market.

### *Area 2: Assistance and affordability*

- 83 The New Zealand housing market caters for the housing needs of about 90 percent of New Zealanders, without Government assistance. However, more and more households in the middle, as well as lower-income ranges, are finding it difficult to afford housing. The Strategy promotes increasing the number of state houses and continuing to modernise state housing, conducting a review of the Accommodation Supplement, investigating demand for emergency housing and developing clearer funding policies and initiatives to support emergency housing.

### *Area 3: Home ownership*

- 84 While New Zealand's home ownership rate remains high by international standards, the recent decline and implications of that decline for the future are of concern. The Strategy focuses on encouraging home ownership in the short to medium-term by expanding Government assistance for aspiring home owners, mainly through the expanded Mortgage Insurance Scheme (Welcome Home Loan), home ownership education, and further help for first home buyers.

### *Area 4: Private rental sector*

- 85 This area of the Strategy looks at the provision of landlord and tenant education, at bond and mediation services, and at the legislative framework for residential tenancies. Government has an interest in ensuring that good quality rental housing catering to diverse housing needs is available. In the short-term, the focus is on the review of the Residential Tenancies Act 1986. This work is being led by the Department of Building and Housing.

### *Area 5: Housing quality*

- 86 The Strategy promotes good quality housing through establishing housing standards, regulating housing quality, and modelling best practice in its own projects. Investing in good quality housing results in long-term social, health and economic benefits. A balance is needed between quality standards and the cost of new regulations, including enforcement. Raising the quality of New Zealand's new and existing housing stock will be effected through updating regulations and housing standards, implementing programmes focused on energy efficiency and housing-related health, and by encouraging innovation in design and development. The Department of Building and Housing is leading work in this area.

#### *Area 6: Sector capability*

- 87 Strengthening the housing sector's abilities and skills requires a strong regulatory framework and trade training, as well as research into housing supply, home ownership, workforce accommodation and scenario planning. This will help position the sector to better respond to present and future needs.

#### *Area 7: Meeting diverse needs*

- 88 Everyone's housing needs, including tenure, dwelling type and accessibility, are different, and will change over time. Developing work programmes to address the housing needs of elderly people, women, children and youth, people with disabilities, Māori, Pacific peoples and other ethnic communities are the priorities of this area of work.

### **Working with the non-government sector**

- 89 The Corporation ensures that the provision of social housing is shared between the state and other providers. The Corporation does this by:
- entering into strategic partnerships with local authorities and other providers to secure and improve the quality of social housing stock
  - building capacity and capability with housing providers so they have the skills to continue to manage (and grow) their social housing portfolio
  - providing funding through the Housing Innovation Fund to secure existing housing stock and increase the provision of social housing
  - providing funding for innovative housing projects to address affordability and housing supply (e.g. Queenstown Lakes shared equity).
- 90 The development of the non-government social housing sector is essential in providing a diverse range of housing to meet complex social housing needs. It combines the development of local capacity with community engagement and ownership to increase the amount of social housing available. It also spreads risk. It is important that not all social housing is provided by the Crown. It is not a 'one size fits all' approach.
- 91 The Corporation's Housing Innovation Fund supports innovation by community groups and local government in providing social housing. It also allows complex needs to be addressed.
- 92 There is high demand for the Housing Innovation Fund. The last few years of investment in capacity building are paying off as more community groups and local government use the Fund to upgrade and provide new social housing. In addition, a number of Councils have witnessed the agreement between the Crown and Wellington City Council, and are interested in pursuing similar projects.

- 93 There are likely to be fiscal pressures on the Housing Innovation Fund, which will need to be considered as part of decisions about the continuation of funding and the appropriate level.

### **Review of the non-government social housing sector**

- 94 The Corporation is assessing the role of Government in supporting non-government social housing. The review aims to develop a strategy for strengthening the ability of the non-government sector in reducing unmet housing needs. It recognises this sector has a role that complements state housing provision, by providing valuable and specialist social housing and additional support services.
- 95 However, the non-government social housing sector is small and under-resourced, and requires additional support to ensure it continues to grow and expand. The development of a strategy and sustainable funding model for the sector will address these issues and strengthen the sector.

## **The Corporation's contribution**

### **The Corporation's functions**

- 96 In 2001, the Corporation was created by amendments to the Housing Corporation Act 1974. The Act sets out the Corporation's social and commercial objectives. The Corporation's functions include:

- policy advisor
- social landlord
- asset manager
- urban developer
- lender and insurer
- capacity builder
- researcher/evaluator.

### **Policy advisor**

- 97 The Corporation's policy unit provides strategic, operational and sectoral advice to the Minister of Housing, locating the primary advisor on housing sector policy within the agency that implements the Government's housing policy. It complements the Department of Building and Housing's policy advice, which focuses on the regulatory framework for the housing and building sector (including commercial buildings).

98 The annual output plan in the Statement of Intent, agreed between the Minister and the Corporation, provides the basis for the policy work programme. The work programme contributes to the New Zealand Housing Strategy, and includes work on:

- home ownership and lending policy options (for example, a shared equity scheme)
- the supply of affordable housing
- reviews of social housing assistance
- Māori housing
- community renewal and mixed communities
- Auckland housing initiatives
- substandard housing.

### **Social landlord**

99 The Corporation provides state housing to people with the highest housing need, and administers Income-Related Rents. The Corporation currently provides over 68,000 houses, including just over 1,500 houses to community groups. Over the 2005/2006 year, the Corporation housed 10,326 families.

100 The Corporation is subject to the Residential Tenancies Act 1986, which applies to all landlords. The Act is administered by the Department of Building and Housing. Corporation tenants can seek mediation from Tenancy Services or have cases heard at the Tenancy Tribunal. Additionally, the State Housing Appeals Authority hears appeals regarding Corporation decisions about Income-Related Rents or a person's eligibility and priority assessment for state housing.

#### *Income-Related Rents (IRR)*

101 Under IRR, low-income Corporation tenants pay no more than 25 percent of their income in rent. Low-income has been defined as the relevant rate of National Superannuation. Tenants with incomes above the National Superannuation low-income threshold will pay progressively more than 25 percent of their income, until the market rent is reached. About 90 percent of state house tenants pay an Income-Related Rent.<sup>3</sup>

#### *Allocating social housing*

102 The Corporation allocates state housing to people in greatest need. It does this through a Social Allocation System (SAS). Housing need is determined by considering the affordability, adequacy, suitability, accessibility, and sustainability of an applicant's accommodation.

---

<sup>3</sup> Note that this figure does not apply to Community Group Housing tenancies.

- 103 Applicants are given a priority assessment: A (at risk), B (serious need), C (moderate need) and D (low-level need). People who cannot be housed immediately are placed on a waiting list. More detailed information about the system is available in the case studies below.

### **Case studies of Social Allocation System priority need categories**

#### **1. Single expectant mother with one child**

*Circumstances:* The applicant had no fixed abode and had been transient for five years, including living on the streets. She had never been able to access and/or sustain decent housing due to a debt history. Her son was placed with his maternal grandparents until the applicant could address various social and health issues and housing issues.

*Housing need assessment:* Priority A (based on adequacy, suitability, accessibility and sustainability).

*Outcome:* Applicant was housed by the Corporation close to her parents and son. Continual support was provided by the Auckland City Mission.

#### **2. Single parent with seven children**

*Circumstances:* The applicant was unable to access private sector housing due to family size, and had been renting a family member's property for five years. This property was now being sold under mortgagee sale. The applicant did not lack the ability to access private housing, but could not secure a tenancy.

*Housing need assessment:* Priority B (based on affordability, suitability, accessibility and sustainability).

*Outcome:* The applicant was housed in a five-bedroom state house.

#### **3. Single parent with two children**

*Circumstances:* The applicant was living in a Women's Refuge due to domestic violence. She could not access private sector housing because of a debt history and previous alcohol and substance abuse.

*Housing need assessment:* Priority B (based on suitability, accessibility and sustainability).

*Outcome:* The applicant is currently undergoing counselling for substance abuse and is addressing her debt history. She has accepted a state house close to family and support.



#### 4. Elderly couple

*Circumstances:* The applicants had a history of evictions from the private sector. Their third eviction was due within three days. The couple faced large debts and were unable to sustain private sector options. The applicants had pawned off jewellery and furniture to try and sustain their current living arrangements. The Auckland City Mission had tried unsuccessfully to access other housing options.

*Housing need assessment:* Priority A (based on affordability, accessibility and sustainability).

*Outcome:* The couple were housed in a Corporation property, with the Auckland City Mission providing continued support, particularly financial management.

#### *Waiting list management*

- 104 The waiting list has three main applicant groups: new applicants, existing state house tenants who require alternative accommodation (or transfer), and existing state house tenants who the Corporation wishes to transfer to make better use of the stock.
- 105 The national total waiting list (all priorities) at 30 June 2006 was 9,955, down from 11,713 a year ago. The split of applicant numbers is broken down by priority on the table below. Approximately half of the people on the waiting list are in Auckland.

**Table 3:** Total waiting list showing number of applicants by priority ranking

Priority	Number of applicants
A	159
B	3,498
C	3,778
D	2,520
<b>Total</b>	<b>9,955</b>

- 106 Because the Corporation allocates housing based on need, many applicants assessed as having low priority are often unlikely to be housed in a state house. The Corporation is undertaking work this year to consider ways that low priority applicants can be best managed.

#### *Household Action Plans*

- 107 Household Action Plans are tailored plans for high need tenant households who may have issues such as rent arrears, difficulties with neighbours (complaints), or frequent property damage. The plans provide a proactive and supportive tenancy management approach to help these tenants achieve sustainable housing.

- 108 Staff work with these tenants to prepare the plans that are tailored to help solve the problems they face, such as budgeting, housekeeping and obtaining medical assistance. Staff do this as part of normal tenancy management practice. However, if a tenant household's need becomes more complex, the household is referred for more intensive case management (see below).
- 109 During 2004/2005 the national framework for Household Action Plans was implemented. As at 30 June 2006, 445 tenant households had Household Action Plans.

#### *Case management*

- 110 Increasingly, tenants and applicants have complex needs. The Corporation assesses their housing needs and co-ordinates access to other support organisations. At 30 June 2006, a total of 765 households were identified as having complex needs, of which 99 percent had case management plans. The Corporation's Housing Pathways framework also gives the Corporation a better understanding of the drivers that shape people's housing needs and the kind of interventions and support required to help them achieve better housing outcomes.

#### **Asset manager**

- 111 The Corporation manages over 68,000 rental units throughout the country. The stock has increased by 7,400 units since 1999.
- 112 The Corporation produces a medium-term Asset Management Strategy (2007-2010), which informs its asset management activity and provides it with a clear direction on using its state housing assets to meet the Government's expectations.
- 113 The Corporation's key asset management objectives are to:
- demonstrate sustainable urban development that fosters strong communities
  - provide decent homes that meet tenant and community needs
  - make efficient use of the Crown's resources in efficiently achieving social objectives.
- 114 The Corporation's response to long-term demand in this area is to add housing, reconfigure and modernise older housing, and dispose of housing that is not appropriate for future needs. The Corporation acquires new housing through purchase, leasing arrangements, and building.

115 Key asset management priorities in 2007/2008 include:

- creating opportunities in existing areas to develop sustainable, vibrant communities
- taking whole-of-community approach recognising social, cultural, economic and infrastructure factors
- working with communities, iwi, Māori and private organisations to create sustainable, successful communities
- contributing to improving housing in rural communities with substandard housing
- ensuring urban design is environmentally sustainable
- providing housing solutions that improve the health of occupants
- demonstrating quality housing practice in redevelopments, new developments and modernisation
- managing Crown funding to support upgrading of Wellington City Council's social housing portfolio
- protecting and enhancing the economic value of the portfolio while addressing the social objectives
- protecting the physical condition and maximising the economic life of the portfolio.

#### **Urban and community developer**

116 The size of housing demand and the scarcity of suitable opportunities for buying existing housing have resulted in the Corporation taking a more active property development role, particularly in Auckland.

117 The Corporation has been working with other parties to promote the development integrated urban communities by using land formerly owned by the Ministry of Defence in Papakura and Hobsonville, and the Department of Children, Youth and Family in Weymouth. Additionally, the Corporation aims to redevelop the Tamaki area to de-concentrate state housing and create a community of mixed tenures with affordable housing opportunities. Further information on these developments can be found in the work programme section.

#### **Lender and insurer**

118 The Corporation offers the following targeted home ownership programmes for people who cannot purchase a house using commercial finance:

- Mortgage Insurance Scheme (Welcome Home Loan) to help modest-income households into home ownership by insuring 95–100 percent loans. As at September 2007, the Corporation has assisted 3,030 people into home ownership through the provision of Welcome Home Loans. The Corporation continually reviews the effectiveness of the criteria in relation to market conditions

- Low Deposit Rural Lending to assist low to modest-income families in specified rural areas into home ownership.

119 A national Home Ownership Education programme is also available, and the Corporation has recently completed a tendering process to contract service providers to manage the education programme. In addition, the Corporation is currently investigating supplying home ownership education on-line.

#### *Numbers of Low Deposit Rural Lending loans*

120 Around 11,000 people have attended Low Deposit Rural Lending (LDRL) education courses provided since 1995, and 1,600 loans have been approved. However, courses are no longer provided, and all remaining support contracts expired at the end of September 2007. A decision to extend support contracts is still being considered as part of the lending products review. It is expected that all valid LDRL certificates will have expired by end of June 2008.

#### **Supporting other housing providers**

121 Building the capacity of other housing providers has been adopted as part of a number of programmes and services in response to differing needs and circumstances. The Corporation helps individuals and communities to meet their own housing needs through:

- Housing Innovation Fund grants
- the Rural Housing Programme
- Healthy Housing
- Community Renewal

#### *Community Group Housing*

122 The Corporation's Community Group Housing service lets approximately 1,500 properties to community social service, health and education providers, and provides rent support

123 The ongoing challenge for Community Group Housing (CGH) service providers is to fund their services. In addition to the funding provided by Government, CGH providers may seek contributions through community grants, residents' Accommodation Supplement payments and rental income, and from fundraising.

124 From time to time, some CGH providers experience financial difficulty meeting rent payments and approach the Corporation for rent relief.

125 The Corporation has introduced a new Rent Support service for eligible CGH tenants. The new Rent Support service results in a more equitable distribution of the rent support fund. The rent support fund is capped at \$4.5 million per year (not expected to be fully allocated in 2007-2008).

## Researcher/evaluator

- 126 Research and evaluation play an important role in informing the Corporation's operations and policy development. The Corporation's Research and Evaluation Team focuses on the Corporation's needs, while the Centre for Housing Research Aotearoa New Zealand (CHRANZ) serves the housing sector as a whole.
- 127 CHRANZ is a semi-autonomous body with a management Board, appointed by and accountable to the Corporation's Board. CHRANZ delivers and promotes independent, high quality and relevant research to inform housing policy development and practices. CHRANZ's funding is based on direct funding from the Corporation and co-funding for research from various Government agencies, including the Corporation.

## Responding to key issues and influences

- 128 People are struggling to service housing costs across all forms of housing. The emerging issues can be broadly summarised as declining housing affordability, limited housing supply, and the ongoing and changing demand for social housing.
- 129 The Corporation continues to be the major provider of social housing and it continues to expand the state housing portfolio to address demand. Additionally, the Corporation has a range of strategies to maintain and develop the wider social housing sector, and forms partnerships with many providers to ensure that they have the capacity and capability to meet housing need.

## Affordable housing

### *Housing Affordability Bill*

- 130 The draft Affordable Housing Bill would enable territorial authorities to use regulatory tools and incentives to help increase the supply of affordable housing and promote a variety of housing sizes, tenures and costs. The Bill also contains provisions to retain affordable housing and restrict the future use of covenants aimed at excluding social and affordable housing from neighbourhoods.
- 131 Affordable housing is defined in the Bill as housing that is priced so that people on low to moderate incomes are able to meet their housing and other essential basic living costs. The price of an affordable house will vary region by region, just as incomes vary from region to region. The Bill covers both rental and home ownership affordability.
- 132 The draft Bill balances the need of the community for affordable housing with developers' needs for a consistent and predictable legislative framework. Territorial authorities would be able to develop affordable housing policy, based on the evidence of affordable housing need in the district or region. The policy would

outline how territorial authorities can require an affordable housing contribution of either houses, land, money, or a mix of these, from residential and commercial developments.

#### *Declining rates of home ownership*

133 Home ownership is an important aspect of many New Zealanders' lives. Most New Zealanders aspire to own their own homes. However, an increase in house prices and interest rates, and a change in consumer spending behaviour has contributed to making home ownership less affordable. Home ownership rates are declining. The national home ownership rate decreased from 74 percent in 1991 to 67 percent in 2006. Average house prices have increased by 75 percent since 2003, whereas incomes have increased by 24 percent.

134 The Crown has a range of initiatives that seek to assist aspiring homeowners in buying their first home. These include:

- *The Welcome Home Loan* – an insurance product that provides lenders with insurance against any loss on sale to enable them to provide low or no deposit home loans to first home buyers
- *KiwiSaver* – deposit assistance. From 2010 first home buyers who are part of KiwiSaver will be able to access financial assistance of between \$3,000 and \$5,000 to assist them in buying a home. The assistance is tied to KiwiSaver to promote savings behaviour
- *Shared Equity* – A pilot programme is planned to assist people living in more expensive parts of New Zealand to buy a home. The Crown will provide up to 30 percent of the purchase price interest free as an equity loan, and share in any increase in value when the house is sold or the equity loan repaid
- *Home Ownership Education* – a programme that provides people with the skills and knowledge they require to buy and own their first home
- *The Accommodation Supplement (Ministry of Social Development)* – some homeowners and first home buyers are eligible for financial assistance through the Accommodation Supplement to help service mortgage repayments and/or cover other housing costs.

#### *A demonstration effect*

135 The Corporation is a small player in the home ownership market. One way it can influence the market more broadly is through a demonstration effect. That is, the Corporation can lead the market in piloting innovative new home ownership programmes, demonstrating their commercial viability to other providers. The Welcome Home Loan is a positive example of this.

#### *The rental market*

136 The proportion of households in the private rental sector increased from 22 percent in 1991 to 28 percent in 2006. The growth of the private rental sector is mainly due to the falling home ownership rate. New Zealanders want security of tenure,

and those that cannot achieve this by owning a home, seek to duplicate it in the rental market.

- 137 The Department of Building and Housing is responsible for administering the Residential Tenancies Act. This is the legislation that governs the rights and obligations of landlords and tenants. The Department also ensures that tenants and landlords understand their obligations and that they know the processes that need to be followed to resolve any disputes. The Residential Tenancies Act is currently being reviewed by DBH.
- 138 However, the rental market itself is affected by increases in housing prices and interest rates. Increases in rental income have not kept pace with increasing house prices, resulting in lower returns for commercial landlords.
- 139 The Crown provides the Accommodation Supplement through the Ministry of Social Development to assist with rent and mortgage repayments.

### **Supply of housing**

- 140 The Crown has the following initiatives in place to address the supply of affordable housing in the medium to long-term:
- *Affordable Housing Bill* – As noted, above
  - *Hobsonville* – An integrated urban development that will include a mix of state and private housing, including affordable homes for first home buyers. It is still in the planning stages with the first houses due to be built in 2009 subject to resource consents. There will be approximately 3,000 houses built in total, including up to 15 percent affordable housing and up to 15 percent social housing
  - *Tamaki* – A long-term project to provide a mix of social, affordable, and market-rate housing, improved community services and a reduction in the concentration of state housing. Cabinet agreement will be sought in February 2008
  - *House Prices Project* – A fixed-term inter-agency project under the management of the Department of the Prime Minister and Cabinet to examine what might be done to moderate house price increases, stabilise the volatility of the market, and mitigate the negative consequences of price movements. It is expected to focus on what might be achieved using supply side initiatives. The project started in August 2007 and is required to report by Christmas 2007. The Corporation is involved in both staffing and steering the project. The other agencies involved are the Department of Prime Minister and Cabinet, Treasury, Reserve Bank and the Department of Building and Housing.
- 141 Multiple factors contribute to the increased cost of house prices; for example, population growth, immigration, investment and land-banking. Rising land prices contribute the most to the increased housing costs.



- 142 Increased housing demand and reduced land availability, particularly in Auckland, have resulted in the Corporation taking a more active property development role to secure land and/or redevelop appropriate housing at a reasonable cost to meet demand.
- 143 Auckland's land costs have increased faster than building costs despite reduced section sizes and increased average building floor areas.
- 144 In Auckland, the zoning and growth guidelines in the Auckland Regional Growth Strategy are designed to limit urban expansion and encourage intensification within existing growth nodes and corridors. For example, the designation of Residential 8<sup>4</sup> zones in Auckland City provides the opportunity for the Corporation to increase density and provide more housing in Tamaki.

*Building mixed tenure communities*

- 145 Mixed tenure communities provide a mixture of social, private and affordable housing. Mixed tenure communities are increasingly recognised as an important precondition for achieving successful and sustainable housing for disadvantaged families. Residential environments need to be well designed and well managed, while providing access to the full range of high quality services including leisure and employment opportunities.
- 146 Both the Corporation's operational experience with tenants and an increasing body of research indicate that multiple problems arise when disadvantaged households are concentrated in particular neighbourhoods.
- 147 The Corporation's Community Renewal Programme operates in areas of deprivation with high concentrations of social housing and creates more mixed and balanced communities that are sustainable. The Community Renewal programme was set up in July 2001 and currently operates in six areas - Aranui (Christchurch), Porirua (Wellington), Fordlands (Rotorua), Clendon (South Auckland), Talbot Park (Glen Innes) and Northcote (North Shore). The Corporation understands that community engagement and buy-in is critical in achieving good housing outcomes in these areas.
- 148 The Corporation will also be leading the development of mixed communities in Tamaki and Hobsonville.

*Improving the use of state housing to meet housing need*

- 149 The highest demand is for two bedroom and four or more bedroom properties. Most state houses have three bedrooms and the Corporation continues to reconfigure the state house portfolio so that it is able to better address demand from smaller and bigger families requiring state housing. Overcrowding remains a significant problem and the Corporation addresses this through its Healthy Housing Programme and ongoing modernisation work. In addition, it also transfers tenants to houses that are more fit for purpose. Under-occupancy,

---

<sup>4</sup> Increased density of 3-4 levels.



vacancies and overcrowding are key performance indicators the Corporation uses to measure its performance.

- 150 The Corporation is currently conducting work and research on a 'housing pathways' framework. The framework will lead to improved Corporation tenant profiling and tenancy management practices. The framework adopts an innovative life-course approach to people's housing needs. It seeks to identify the patterns of change experienced by different kinds of households in housing tenure and suitability over their lifetimes.
- 151 The Corporation is also currently surveying tenants to identify those who are under-occupying houses or paying market rent. The information collected will help the Corporation encourage and support these tenants to move in the future should they wish to.
- 152 The number of better use transfers resulting in tenants moving from large properties to more suitable accommodation from 1 July 2006 to 30 June 2007 was 331 (against a budget of 300), resulting in a net gain of 394 bedrooms – equivalent to 131 three-bedroom houses. Assuming a national average three-bedroom house price of \$300,000, this equates to a savings of \$39.3 million in capital expenditure over the last financial year.

#### *Māori housing*

- 153 The Corporation aims to strengthen its leadership in response to Māori housing issues across the sector, and recently launched 'Te Au Ora' the Māori Strategic Plan for 2007- 2012 which aims to:
- form partnership relationships with iwi and Māori that are strategic and mutually beneficial
  - provide strategic planning to support processes and housing solutions that are appropriate, effective and address the diverse needs of Māori
  - build the capability and capacity of the Corporation's staff and organisational processes to improve day-today business with Māori.
- 154 The Corporation addresses Māori housing need with various initiatives including:
- the Rural Housing Programme
  - assisting development of housing on Māori freehold land.

155 Māori face a number of barriers to accessing good quality housing. These issues include:

- funding
- ownership arrangements
- capacity
- ability to service and repay debt
- ability to provide security against which funding and services can be provided.

156 These are not insurmountable barriers, but at present provide significant impediments to developing housing options for Māori so they can make use of their freehold land resource. The Corporation is working on options to partner with iwi and other key stakeholders to address these barriers. These will involve utilising both Crown and iwi/Māori resources to provide the necessary means to build, buy or lease houses for Māori to live in. Proposals include developing demonstration partnerships, amending Corporation lending products, providing innovative affordable housing products, making possible legislative changes and furthering research into Māori demand for housing.

157 Significant progress has been made implementing the Māori Strategic Plan. A quarterly reporting framework has been developed to inform the Board and Māori Capability Committee and the first report against the plan indicates that all three key performance measures are 'on track'. There is no appropriated funding for the implementation of the Māori Strategic Plan as all initiatives are being progressed through baseline funding.

## **Quality housing**

### *Substandard housing*

158 Housing stock across the country is of variable quality. The Corporation has focused its attentions in Northland, the East Coast, and the Eastern Bay of Plenty (NECBOP). This focus was initially in response to a spate of house fires that exposed a problem with housing quality in this area.

159 The Corporation developed the Rural Housing Programme to address health and safety issues in the area by providing essential repairs and new infrastructure. In addition, efforts have been made to develop capacity in local communities to undertake repairs themselves.

160 Since 2001, the Corporation has completed approximately 1,800 housing interventions in the Northland, the East Coast, and the Eastern Bay of Plenty areas, but it is estimated that this work accounts for only about 20 percent of the substandard housing within these three regions. The number nationally is unclear.

161 The Corporation recommends accelerating the provision of essential repairs in NECBOP, although this recommendation is subject to budget bid and Cabinet

decisions. In addition, it will work to ensure the affected communities have access to the full range of social services available to them. The Corporation is working with communities to build capacity and capability to provide and maintain good quality housing stock. However, the problem of substandard housing will not be eliminated through this programme alone.

#### *Maintaining and modernising state housing*

162 About half of the Corporation's state houses are more than 38 years old and require significant on-going maintenance. State housing also requires modernisation to avoid obsolescence. The ongoing maintenance, modernisation and energy efficiency retrofitting of state housing will ensure that the state housing stock meets present and future tenants' needs. Expenditure on maintenance and modernisation over the last five years has been \$759.5 million and \$123.1 million, respectively.

#### *Environmental responsibility*

163 The Housing Corporation Act 1974, as amended in 2001, requires the Corporation to, "exhibit a sense of environmental responsibility by having regard to the environmental implications of its operations".

164 The Corporation meets this obligation through a range of initiatives including:

- energy efficiency initiatives (Energy Efficiency Retrofit programme, the Energy Efficiency Conservation Authority partnership, Rural Housing Programme energy efficiency retrofits)
- planning initiatives (Sustainable Cities, Hobsonville, Papakura)
- Healthy Housing initiatives (Housing and Health Research Programme, Housing, Crowding and Health study, and the Affordable Housing initiative).

#### *Financial assistance to owners of leaky homes*

165 The Corporation works with the Department of Building and Housing to provide bridging finance to owners of leaky homes. It is a two year pilot and evaluation to gauge the need for financial assistance prior to home owners seeking decisions through the Weathertight Homes Tribunal. Many owners face substantial repair costs but are unable to access the funds required to complete repairs. The Corporation provides finance to these people to fix their homes. Once the home is repaired, the owner is in a much better position to establish the costs they wish to claim through the Weathertight Homes Tribunal.

166 The future of assistance to owners of leaky homes will be based on findings from the pilot evaluation due to be reported to you late 2008. However, initial demand for the product is high, partly due to the higher than anticipated average cost of repairs per house.

167 The Department of Building and Housing has a range of initiatives designed to enhance Weathertight Services and to improve the education and information to home owners about housing quality.

Released under the Official Information Act 1982

## Section B – Part Two

168 Part Two provides a quick reference summary to the key programmes run by the Corporation. The following commentaries and tables summarise the purpose and background of the programmes, describe how they work and show the results they have achieved.

### Key Corporation programmes

- **Social Allocation System** **Page 47**
- **Income-Related Rents** **Page 48**
- **Accommodation Supplement** **Page 49**
- **Community Group Housing** **Page 50**
- **Housing Innovation Fund** **Page 51**
- **Auckland housing development** **Page 52**
- **Community Renewal** **Page 55**
- **Welcome Home Loan** **Page 56**
- **Low Deposit Rural Lending** **Page 57**
- **Rural Housing Programme** **Page 58**
- **Healthy Housing Programme** **Page 59**

Released under the Official Information Act 1982

Released under the Official Information Act 1982

## Part Two – Key Corporation programmes

**Table 4:** The Social Allocation System

<b>Purpose:</b>	The Corporation allocates state housing by 'housing need', for example, to people who cannot access or sustain housing in the private sector that is suitable, adequate and affordable.
<b>Background:</b>	There are not enough state houses to meet the demand from people with housing needs. The Social Allocation System (SAS) prioritises allocation by need.
<b>Mechanism:</b>	<p>SAS assesses eligibility based on residency, income, assets and a household's level of need. Applicants are assessed on:</p> <ul style="list-style-type: none"> <li>• the affordability of their current housing</li> <li>• the adequacy of their current housing</li> <li>• the suitability of their current housing (house size and overcrowding, for example)</li> <li>• their ability to access housing</li> <li>• their ability to sustain housing.</li> </ul> <p>Applicants are given a priority ranking as follows:  <b>A At Risk:</b> Severe and persistent housing needs that must be addressed immediately  <b>B Serious Housing Need:</b> Significant and persistent housing needs  <b>C Moderate Need:</b> Moderate housing needs  <b>D Low Level Need:</b> Low level housing needs.</p>
<b>Results to date:</b>	Review indicates that SAS provides a good local ranking, but is not necessarily consistent across the country. For example, there are more 'A' priority households in Christchurch than in Auckland.
<b>Decisions required:</b>	None. The Board has recently agreed to a project that will explore options to better manage low priority applicants.
<b>Issues:</b>	<ul style="list-style-type: none"> <li>• Ability to prioritise</li> <li>• Having 'C' and 'D' categories when these people are unlikely to be housed.</li> </ul>

Released under the Official Information Act 1982

**Table 5: Income-Related Rents**

<b>Purpose:</b>	Low income state house tenants are currently charged an Income-Related Rent (IRR).
<b>Background:</b>	In 1999, IRR was reintroduced for state house tenants with low incomes, so they no longer needed the Accommodation Supplement.
<b>Mechanism:</b>	Under IRR, low income Corporation tenants pay no more than 25 percent of their income in rent <sup>5</sup> . Low income has been defined as the relevant rate of National Superannuation. Tenants with incomes above the National Superannuation low-income threshold will pay progressively more than 25 percent of their income, until the market rent is reached. About 90 percent of state house tenants pay an income-related rent.
<b>Appropriated funding:</b>	In 2006/2007, the Government spent \$436 million on the income-related rent subsidy and it has budgeted \$465 million in 2007/2008. The average cost per household is \$7,330 a year.
<b>Volume:</b>	As at 30 June 2007, approximately 59,500 tenants (91 percent) pay IRR.

Released under the Official Information Act 1982

---

<sup>5</sup> Minimum rents apply



**Table 6:** Accommodation Supplement

<b>Purpose:</b>	The Accommodation Supplement (AS) assists low income households (except state tenants) with accommodation costs.
<b>Background:</b>	<p>The AS was introduced in 1991 and replaced the Accommodation Benefit, which had been in place since 1972. The Ministry of Social Development (MSD) administers the AS. Policy advice is provided by both MSD and the Corporation.</p> <p>The Working for Families package (2004) included the following changes to the AS:</p> <ul style="list-style-type: none"> <li>• removal of the AS abatement for beneficiaries on the first \$80 a week of non-benefit income</li> <li>• lower AS entry thresholds for non-beneficiaries</li> <li>• increased income thresholds for non-beneficiaries</li> <li>• increased AS maxima</li> <li>• an increase in the number of AS areas from three to four.</li> </ul>
<b>Mechanism:</b>	<ul style="list-style-type: none"> <li>• A non-taxable cash payment to New Zealand residents who meet income, asset and other criteria, and whose accommodation costs exceed the entry threshold</li> <li>• Applicants are required to meet a portion of their accommodation costs before they receive a subsidy. The supplement provides a subsidy of 70 percent on accommodation costs above the entry threshold, up to a maximum amount. Maxima vary by family size and AS region</li> <li>• The relevant legislation is Section 61 of the Social Security Act 1964 and the Student Allowances Regulations 1998.</li> </ul>
<b>Decisions required:</b>	<p>A review of the AS by MSD and the Corporation over 2005/2006 and 2006/2007 explored:</p> <ul style="list-style-type: none"> <li>• adjustments to Accommodation Supplement areas and maxima to improve housing affordability for those facing the most difficulties finding affordable housing</li> <li>• a targeted communications strategy to increase awareness of the Accommodation Supplement amongst groups of working people who are eligible, but are not using the Supplement.</li> </ul>
<b>Issues:</b>	As with other demand-driven policy, economic and social changes affect the overall demand and cost of the AS. For example, the housing market also affects AS expenditure, as house price increases affect mortgage repayments and may flow through to rent increases.
<b>Appropriated funding:</b>	<p>The appropriation in Vote Social Development for the AS is \$908.6 million a year for 2007/2008, at an average weekly payment of about \$69 to each recipient.</p> <p>AS expenditure climbed throughout the mid-1990s before dipping with improved economic conditions, the introduction of income-related rent in 2000/2001 and Working for Families assistance in 2004.</p>

Released under the Official Information Act 1982

**Table 7: Community Group Housing**

<b>Purpose:</b>	The Corporation's Community Group Housing (CGH) programme helps community groups and iwi provide access to community housing for people with specialist housing needs.		
<b>Background:</b>	Service providers find it difficult to rent properties due to a lack of specialist housing in the private sector, as well as the high cost of modifying housing and compliance issues.		
<b>Mechanism:</b>	Using appropriated funding, the Corporation works with Government funding partners (Ministry of Health and the Department of Child, Youth and Family Services) to provide appropriate housing, and sometimes rent support.  The Corporation also helps in other ways. For example, by arranging leases of suitable properties, and helping service providers to access private sector housing or to buy their own properties.		
<b>Results to date:</b>	The Corporation owns or leases approximately 1,500 properties that are rented to service providers. It has an annual programme to supply an additional 40 to 50 properties.		
<b>Issues:</b>	The rent relief fund (\$4.5 million a year) is a stop-gap response to help service providers to continue providing housing. The Corporation is working with funding partners and service providers to determine a long-term approach.		
<b>Appropriated funding:</b>	2007/2008	Capital (\$m)	Operating (\$m)
		<b>\$7.585</b>	<b>\$4.500</b>
<b>Volume:</b>	Currently, the bulk of CGH properties are used for people with mental health issues (48 percent) and disabilities (32 percent).  Residential: 1,413 units Non-residential: 93 units		

Released under the Official Information Act 1982

**Table 8: Housing Innovation Fund**

<b>Purpose:</b>	To support the growth of community-based, iwi and local government social housing for low and modest-income households.		
<b>Background:</b>	<p>The Housing Innovation Fund (HIF) was established because of the:</p> <ul style="list-style-type: none"> <li>• demand for social housing</li> <li>• limited Government funding of community-based organisations that provide residential services</li> <li>• people with serious housing and other needs, such as mental illness or disability, whose housing needs may be better met by community or iwi providers.</li> </ul>		
<b>Mechanism:</b>	The Corporation provides loans and grants to community-based organisations and local authorities to build capacity, and acquire, build or purchase housing.		
<b>Results to date:</b>	<p>The findings of the programme review, (from inception in December 2003 to September 2007) were:</p> <ul style="list-style-type: none"> <li>• recipient groups and sector stakeholders support HIF</li> <li>• short-term outcomes achieved so far include: <ul style="list-style-type: none"> <li>– tailored housing responses to specific client groups</li> <li>– non-government resources going into social housing</li> <li>– growing involvement of Māori, Pacific peoples and housing trusts</li> <li>– innovative responses by local authorities.</li> </ul> </li> </ul> <p>The success of the programme means the Government has agreed to extend funding another year to 2008-2009.</p> <p>The capacity of the community sector to develop and manage social housing means demand for funding exceeds supply.</p>		
<b>Decisions required:</b>	Agreement will be sought in the new year to extend funding beyond 2008-2009 as part of the review of the role of non-government social housing sector.		
<b>Issues:</b>	Sector capacity is strong and needs long-term support. Demand significantly exceeds available funding. Alternatives to providing capital lending need to be analysed and developed.		
<b>Milestones:</b>	<ul style="list-style-type: none"> <li>• Community Housing Aotearoa (peak body for third sector housing providers) incorporated in 2005/2006</li> <li>• strategy for the extension of HIF beyond 2007</li> <li>• Government agreed to extend funding a further year to 2007-2008.</li> </ul>		
<b>Appropriated funding:</b>	2007/2008	Capital (\$m)	Operating (\$m)
		12.014	8.755
<b>Volume:</b>	<p>In 2006/2007</p> <ul style="list-style-type: none"> <li>• 58 capacity building grants were allocated</li> <li>• 12 conditional grants were accepted</li> <li>• 19 loans were accepted.</li> </ul> <p>A further 22 capacity building grants, six conditional grants and 12 loans are currently forecast for the 2007/2008 financial year.</p>		

## Housing in the Auckland region – (Table 8 to Table 10)

**Table 9:** Papakura development

<b>Purpose:</b>	The Corporation has acquired land in Papakura to develop an integrated community including state housing.
<b>Background:</b>	<p>In June 2004, the Corporation bought 24.4 hectares of land as part of a strategy to meet an increasing demand for social housing in the Papakura area.</p> <p>It is working with a developer, Papakura District Council, the Ministry of Education and Ministry of Defence to develop the most appropriate urban design solution for the site. The development is expected to yield around 400 to 450 housing units and the Corporation will take up to 30 percent of these.</p> <p>The key project objectives are to:</p> <ul style="list-style-type: none"> <li>• demonstrate a benchmark project for partnership in the provision of public and private housing stock</li> <li>• create a balanced community comprising of public sector tenants, home owners and private sector investors and/or tenants</li> <li>• create an environment that enhances the wider neighbourhood and district in which the project is situated.</li> </ul>
<b>Mechanism:</b>	The Corporation has signed a Development Agreement with a development partner who will design and deliver the project in conjunction with the Corporation.

Released under the Official Information Act 1982

**Table 10:** Hobsonville development

<b>Purpose:</b>	The development of Hobsonville will illustrate how good urban design and affordable housing are compatible with commercially-driven land and property development.
<b>Background:</b>	<p>The Corporation, as an agent for the Crown via the Housing Agency Account, has acquired 111 hectares of land (part of the overall 167 hectare site), and is working closely with Waitakere City and other Crown agencies to develop a sustainable integrated urban community. The Corporation expects that the site will deliver:</p> <ul style="list-style-type: none"> <li>• an estimated 3,000 homes at densities required for a growing Auckland in a mix of dwelling types including apartments, townhouses, stand-alone housing and mixed commercial/residential developments</li> <li>• a mix of high-, middle- and lower-income housing, including about 500 social rental housing units and about 500 opportunities for modest-income households to own their own home</li> <li>• careful design of internal road networks and connections with the region's transport infrastructure. Special consideration will be given to public transport</li> <li>• sustainable waste and water infrastructure, which minimises down-line capacity and environmental impacts</li> <li>• schools, heritage areas and reserves</li> <li>• employment opportunities linked to the Waitakere-led Hobsonville Marine Industry Precinct and adjacent Hobsonville Village Centre with appropriate residential/commercial buffer zones and common roadways</li> <li>• commercial returns commensurate with the Government's investment.</li> </ul>
<b>Mechanism:</b>	<p>The Corporation's Board has formed a wholly-owned subsidiary to manage the land and any future development options agreed by Ministers. The role of the Hobsonville Land Company Limited will be to effectively manage the Hobsonville land on behalf of the owner the Crown and with a commercial development partner deliver the required mix of social and commercial objectives, with a view to:</p> <ul style="list-style-type: none"> <li>• optimising the commercial return on the land investment</li> <li>• protecting the integrity of the Government's vision for Hobsonville.</li> </ul>
<b>Decisions Required:</b>	Approval to proceed with the development of Precinct One and approval for the number and class of dwellings/buildings. The financing mechanism was agreed by Cabinet, but some reconsideration of this is required and further advice will be provided shortly.

Released under the Official Information Act 1982

**Table 11: Weymouth development**

<b>Purpose:</b>	The Corporation, as an agent for the Crown via the Housing Agency Account, has acquired land in Weymouth to develop an integrated community including state housing.
<b>Background:</b>	<p>Early in 2004, the Department of Child, Youth and Family announced that it no longer required some land at Weymouth Road, Manukau, a 'greenfields' site of 15.62 hectares. The site is adjacent to a Child, Youth and Family Service Residential Care and Protection Centre.</p> <p>On 7 February 2006, the Corporation Board Chair wrote to the Minister of Housing and the Minister of Finance seeking approval for the transfer of land from the Department of Child, Youth and Family to the Corporation and Ministry of Education for state housing and education purposes. In the proposed split, 10 hectares was to go to the Corporation for state housing and the remaining 5.62 hectares to the Ministry of Education to build a school.</p> <p>The initial concept included:</p> <ul style="list-style-type: none"> <li>• a kura kaupapa secondary school</li> <li>• 160 sections for a mix of stand-alone family homes, townhouses and housing for small families and older people</li> <li>• a park, wetland area and a foreshore reserve.</li> </ul> <p>The proposed housing mix for the 160 sections was:</p> <ul style="list-style-type: none"> <li>• 80 state housing units</li> <li>• 50 home ownership units</li> <li>• up to 10 sections for Habitat for Humanity's self-build programme</li> <li>• 20 sections made available for sale to other modest income home owners.</li> </ul> <p>The Corporation's case for utilising the land at Weymouth included:</p> <ul style="list-style-type: none"> <li>• a high demand for state housing in the area</li> <li>• proximity to schools, shops and public transport</li> <li>• suitability for development with an operative zoning of 'main residential', which allows for small section sizes</li> <li>• the lack of other suitable land in the area</li> <li>• a potential yield of up to 80 new state houses without significantly increasing the concentration of state tenants in the area</li> <li>• savings of up to 20 percent in comparison with the acquisition of new state housing in similar commercial developments.</li> </ul> <p>The opportunities the Weymouth development provides include:</p> <ul style="list-style-type: none"> <li>• new housing in an area where the Corporation needs more stock</li> <li>• partnership with the third sector to offer home ownership to moderate-income households</li> <li>• measurable savings for the Crown</li> <li>• the application of good urban design principles</li> <li>• a demonstration of how state housing can be integrated into new communities.</li> </ul> <p>Currently, subject to resource consent requirements, the Corporation expects that approximately 200 new homes will be built with about 25-30 percent being retained by the Corporation as social housing and the balance being a mix of affordable/assisted home ownership and sales to the market.</p>
<b>Mechanism:</b>	The Corporation is currently finalising the business case for the project with the New Zealand Housing Foundation which is the preferred development partner. This partnership is subject to agreement on the commercial arrangements and preferred design outcomes for the project. This document will be considered by the Board and Ministerial approval sought.

**Table 12: Community Renewal**

<b>Purpose:</b>	<p>The Community Renewal Programme aims to reduce social exclusion and foster strong, sustainable communities in areas of very high deprivation and high concentrations of state housing.</p> <p>Reducing social exclusion requires partnerships to address the community renewal cornerstones of the physical environment, community culture, social support and economic sustainability. Community Renewal projects have demonstrated the benefits of government agencies, local authorities and communities collaborating to achieve joint outcomes. The programme works collaboratively across the Corporation to ensure efficient use of resources.</p>		
<b>Background:</b>	<p>The Corporation officially launched the Community Renewal programme in October 2001. The six Community Renewal projects are in Eastern Porirua (Wellington), Fordlands (Rotorua), Clendon (South Auckland), Tamaki (Glen Innes/Panmure, Auckland), Northcote Central (North Shore) and Otangarei (Whangarei). Another project in Aranui (Christchurch), has been completed and transferred back to mainstream business. A project in Wiri is under development, and one in Papakura (both South Auckland) is under consideration. The Tamaki project was initiated with a demonstration project in the Talbot Park precinct (see below for the future of Tamaki).</p>		
<b>Mechanism:</b>	<p>Programme objectives are to work with the community, councils and agencies to:</p> <ul style="list-style-type: none"> <li>• improve and enhance the physical environment and amenities</li> <li>• provide targeted needs-based tenancy and property management services</li> <li>• implement community led solutions</li> <li>• create links to programmes to enhance employment and business growth</li> <li>• provide access to affordable and appropriate community services and facilities</li> <li>• improve neighbourhood safety and reduce crime</li> <li>• build social networks to facilitate resident support of each other.</li> </ul>		
<b>Appropriated funding:</b>	2007/2008	Capital (\$m) <b>nil</b>	Operating (\$m) <b>2.578 (excl GST)</b>
<b>Results to date:</b>	<p>An Outcomes Evaluation was undertaken between September 2005 and June 2007. The evaluation findings showed the programme making progress towards all its agreed outcomes. Highlights from the key findings are:</p> <ul style="list-style-type: none"> <li>• projects engaged with their local communities</li> <li>• individuals more empowered</li> <li>• higher resident pride and ownership</li> <li>• reduced social exclusion fostering stronger sustainable communities</li> <li>• improved physical environment</li> <li>• improved outsider perceptions of Community Renewal areas</li> <li>• more available and responsive Housing Services.</li> </ul>		
<b>Tamaki</b>	<p>The Corporation is the lead agency in an intersectoral initiative to address social disadvantage in Tamaki, an area covering the suburbs of Panmure and Glen Innes in East Auckland. Tamaki is an area of 5,000 households characterised by a high proportion of large families and single person households with high and complex needs. The area has a very high level of state housing (55 percent), a very low level of home ownership (28 percent) and a low level of private rental housing (17 percent).</p> <p>Adding further state housing in Tamaki, without widening the mix of tenures and incomes (particularly introducing more opportunities for home ownership), risks compounding existing concentrations of deprivation in the area. Key features of the Tamaki Transformation Programme include:</p> <ul style="list-style-type: none"> <li>• creation of a sustainable mixed tenure, mixed income community, including increased opportunities for affordable home ownership</li> <li>• full engagement with the local community in developing an integrated multi-agency programme, with a focus on quality urban design</li> <li>• working closely with state house tenants to ensure they are properly housed during the progressive redevelopment of Tamaki.</li> </ul>		

**Table 13: Welcome Home Loan**

<b>Purpose:</b>	The Mortgage Insurance Scheme (marketed as the “Welcome Home Loan”) is intended to help modest income earners on the margins of commercial finance access mortgage finance to buy a house.
<b>Background:</b>	House prices are rising faster than incomes. Commercial lenders require five to 20 percent deposits depending on the location of purchases. There is increasing household debt and many people are having difficulty saving deposits.
<b>Mechanism:</b>	The Corporation provides mortgage insurance to commercial lenders. The insurance premium is currently set at three percent of loan value, of which one percent is paid by the borrower and two percent by the Government.
<b>Results to date:</b>	<ul style="list-style-type: none"> <li>the 3000<sup>th</sup> Welcome Home loan was advanced in September 2007</li> <li>since inception one claim has been made</li> <li>criteria were amended in 2006 to make the Welcome Home Loan more accessible.</li> </ul>
<b>Decisions required:</b>	The Corporation regularly reviews criteria to reflect market conditions.
<b>Issues:</b>	<p>MIS minimises the deposit barrier for first home buyers. However, it is the ability to meet ongoing servicing requirements that precludes most households from home ownership.</p> <p>A market correction may reduce the need for this product or lead to defaults.</p> <p>The Corporation’s actuaries consider the premium reserves as sufficient to meet claims in almost every situation. The MIS has not affected the Corporation’s ability to service debt; Standard and Poors have given it a debt issuer rating of AA+ with a positive outlook.</p>
<b>Appropriated funding:</b>	<p>2005/2006: Actual \$3,300,000</p> <p>2006/2007: Actual \$4,018,000</p> <p>2007/2008: Appropriated \$6,200,000</p>
<b>Volume:</b>	<p>2005/2006 Actual volume: 791</p> <p>2006/2007 Actual volume: 1,070</p> <p>2007/2008 Estimated volume: 900</p>

Released under the Official Information Act 1982



**Table 14: Low Deposit Rural Lending and Home Ownership Education**

<b>Purpose:</b>	<p>Low Deposit Rural Lending (LDRL) aims to:</p> <ul style="list-style-type: none"> <li>educate low and moderate income earners so they can make an informed decision about buying a home in a rural area</li> <li>provide access to low deposit mortgage finance to enable people to buy a house in some rural areas of the North Island.</li> </ul> <p>This product is now being managed with a view to it no longer being supplied. Courses are no longer provided and all remaining support contracts expired during September 2007. A decision around continuing to supply support contracts is to be made shortly. All valid LDRL certificates are due to expire by June 2008.</p>		
<b>Background:</b>	<p>Insufficient and low quality rental housing in the early 1990s provided the rationale for increasing home ownership in some rural areas of the North Island. Barriers for buyers included:</p> <ul style="list-style-type: none"> <li>commercial lenders requiring 10 to 20 percent deposits depending on a property's location</li> <li>low incomes combined with lack of understanding of how to achieve and sustain home ownership.</li> </ul>		
<b>Mechanism:</b>	<ul style="list-style-type: none"> <li>education</li> <li>counselling and advice</li> <li>loan with three percent deposit.</li> </ul>		
<b>Results to date:</b>	<ul style="list-style-type: none"> <li>approximately 11,000 people have completed courses</li> <li>approximately 1,600 low deposit loans have been approved.</li> </ul>		
<b>Decisions required:</b>	<p>Funding ceases in 2008. Decisions will be needed on whether LDRL contracts get rolled into the universal Home Ownership Education programme.</p>		
<b>Issues:</b>	<ul style="list-style-type: none"> <li>low numbers taking on loans due to increased prices in rural markets and interest rate increases. Lower income households are now excluded from the market</li> <li>loan targets are now inappropriate given rising market prices</li> <li>lack of appeal of papakainga (multiple-owned land) option due to poor resale value</li> <li>differing levels of ability between service providers.</li> </ul>		
<b>Milestones:</b>	<p>Growth from three service providers in 1994 to 14.</p>		
<b>Appropriated funding:</b>	2007/2008	Capital (\$m)	Operating (\$m)
		3.000	3.579
<b>Volume:</b>	<p>38 loans in 2006/2007 848 course graduates in 2006/2007</p>		

Released under the Official Information Act 1982

**Table 15: Rural Housing Programme**

<b>Purpose:</b>	<p>In 2001, Cabinet agreed to the elimination of substandard housing in Northland, East Coast and Bay of Plenty (NECBOP). It also agreed that the policy response should include:</p> <ul style="list-style-type: none"> <li>• an immediate housing response</li> <li>• a (longer-term) social development approach</li> <li>• Government/community partnerships.</li> </ul>		
<b>Background:</b>	<p>Around 6,000 owners of privately-owned dwellings in rural locations across Northland, East Coast and Bay of Plenty require assistance to ensure safe and healthy living conditions. The Rural Housing Programme (RHP) came into existence as a response to deaths in fires in substandard rural homes in 2000 and 2001.</p>		
<b>Mechanism:</b>	<p>The four interventions used to address severely substandard houses in rural RHP areas are:</p> <ul style="list-style-type: none"> <li>• providing state rental properties (including through the Community-Owned Rural Rental Housing Loans programme)</li> <li>• repairs to existing properties (through essential repairs suspensory loans, home improvement loans and Low Deposit Rural Lending)</li> <li>• helping people buy another home</li> <li>• capability building in the community (through housing improvement project zone grants, Housing Innovation Fund grants).</li> </ul>		
<b>Results to date:</b>	<ul style="list-style-type: none"> <li>• About 1,800 essential repairs in RHP regions</li> <li>• 350 suspensory loans for essential repairs in regions outside RHP</li> <li>• 180 infrastructure suspensory loans</li> <li>• New Zealand Fire Service has installed over 75,000 smoke alarms in at-risk houses in NECBOP areas.</li> </ul>		
<b>Decisions required:</b>	<p>This [programme will cease in July 2008 unless funding is approved in the 2008 budget.</p>		
<b>Issues:</b>	<p>Historic issues with the standard of repairs has led to the implementation of a new service delivery approach.</p>		
<b>Appropriated funding:</b>	2007/2008	Capital (\$m)	Operating (\$m)
		2.000	8.493
<b>Volume:</b>	Activity measures:		Units 2006/2007
	Essential repair NECBOP loans approved		290
	Essential repair loans approved in other targeted locations		47
	Infrastructure loans approved		48
	State rental acquisitions		50

Released under the Official Information Act 1982

**Table 16: Healthy Housing Programme**

<b>Purpose:</b>	<p>The Healthy Housing programme aims to:</p> <ul style="list-style-type: none"> <li>• reduce the risk of housing related health problems</li> <li>• improve availability and quality of state housing for larger families</li> <li>• improve access to health and social services</li> <li>• increase awareness of healthy living.</li> </ul>		
<b>Background:</b>	<p>The Healthy Housing programme is a joint initiative between the Corporation and District Health Boards (DHBs) in Counties Manukau, Auckland and Northland. The project in Northland will be completed in 2007/2008. The programme will extend to other DHB regions. The next region to be prioritised is Hutt Valley, where Healthy Housing is scheduled to go live in 2008.</p> <p>The impetus for the programme came from research conducted in Auckland during the late 1990s, which showed that living in a crowded house is an important determinant of meningococcal disease, respiratory diseases, tuberculosis, rheumatic fever, skin infections and mental illness.</p> <p>Healthy Housing was originally designed to reduce the risk of infectious disease, particularly meningococcal disease. Over the life of the programme, it has evolved to reduce housing-related hospitalisations, particularly for crowding-related diseases, and improve the overall health and well-being of participating families.</p>		
<b>Mechanism:</b>	<p>Priority is given to areas with high rates of hospital admissions for potentially avoidable hospitalisations, high density of state houses, high social deprivation and high crowding. Public Health Nurses and Corporation staff work together to assess tenants' health and living situations. The assessments:</p> <ul style="list-style-type: none"> <li>• evaluate the condition of the property and the appropriateness of the home for the occupants</li> <li>• identify housing-related health issues</li> <li>• identify crowding</li> <li>• identify and discuss health problems and risks and provide tenants with information about health</li> <li>• provide access to health and social services.</li> </ul> <p>The Corporation takes action to address identified housing needs, including transferring families to more appropriate housing, extending existing houses for larger families, addressing any health and safety issues, making design improvements, or adding insulation and ventilation.</p> <p>Public Health Nurses refer families to health, social service and community providers to address identified issues.</p>		
<b>Results to date:</b>	<p>Since it began in 2001, the programme has assessed 5,500 families and provided housing assistance to 4,800.</p> <p>The evaluation of the programme confirmed that Healthy Housing has been successful in improving housing conditions, improving health, reducing crowding, improving tenant knowledge of healthy living practices, and improving access to primary health care and social services. The evaluation also shows that participants have increased family connectedness and community connection as a result of the programme. The results include a 37 percent reduction in hospital admissions for housing related conditions for families who have been through the programme.</p>		
<b>Issues:</b>	<p>Healthy Housing has appropriated funding for three years from 2007/2008. The capital appropriation of \$7.000 million per year is \$3.000 million less than total available capital funding in 2006/2007, and \$1.250 million less than the capital spend in 2006/07.</p>		
<b>Appropriated funding:</b>	2007/2008	Capital (\$m)	Operating (\$m)
		7.000	0.889

<b>Volume: 2006/07</b>	Capital spending	\$9.8 million (this includes \$1.57million of reconfiguration budget used to deliver 10 Healthy Housing extensions)
	Joint assessments	1,067
	Families assisted	1,037
	Extensions	18
	Design improvements	85
	Insulation	501
	Ventilation	994
	New build	1
	Properties bought	2
	Transfers	92 (includes part-households transfers)
Moved to private sector	12	

Released under the Official Information Act 1982

## Section B – Part Three

171 Part Three provides an overview of the way in which the Corporation is governed and structured, outlines a number of commonly occurring issues and their mitigations, and sets out the Corporation's financial management processes. Additionally, a series of tables are included to provide an 'at a glance' summary of key regional statistics.

### Organisational information

- **The Corporation's governance and structure** **Page 63**
- **Legislation** **Page 67**
- **General issues** **Page 70**
- **Financial management** **Page 75**
- **Regional Snapshots** **Page 87**

Released under the Official Information Act 1982

Released under the Official Information Act 1982

## Part Three - Organisational information

### The Corporation's governance and structure

#### Governance

172 The governance framework for the Corporation involves four key parties: Parliament, Ministers, the Board and the Corporation's management team.

#### Role of the Minister

173 As Minister of Housing, you are both the Vote Minister for Vote Housing (which funds both the Department of Building and Housing and Housing New Zealand Corporation) and Responsible Minister for the Corporation, along with the Minister of Finance. As the Vote Minister, you are responsible for:

- managing the ownership interest in the Corporation
- policy advice
- Vote and budget issues.

174 The primary relationship between the Government and the Corporation is between Ministers and the Corporation's Board, with the Minister of Housing managing the relationship between the Board and the Government. You are the Corporation's first point of contact on all matters, except for borrowing, which is the responsibility of the Minister of Finance.

175 As Responsible Ministers, you and the Minister of Finance are jointly responsible for:

- conveying the Government's expectations to the Corporation
- overseeing of the Statement of Intent and agreeing to use of the Corporation's operating surplus
- appointing and dismissing members of the Board
- monitoring the Board's performance
- monitoring the Corporation's financial performance.

#### Role of the Board

176 The Corporation Board and Executive have a long-standing commitment to good corporate governance. The Board is responsible for the overall governance of the Corporation and for managing it according to its legal mandate.

177 The Board provides leadership and control for the organisation. It selects, appoints and monitors the performance of the Chief Executive. The Chief Executive is responsible to the Board for the efficient and effective running of the Corporation, while providing leadership and direction to staff.

178 The Board comprises eight non-executive members. Each appointment is for up to three years, with the possibility of further reappointment.

*Pat Snedden, Chair*

179 Pat Snedden was appointed to the Board in August 2000 and as Chairman in October 2004. He chairs another of the Corporation's subsidiaries, the Hobsonville Land Company. Other public sector roles he holds include the chair of Counties Manukau District Health Board, chair of Quality Improvement Committee and directorships with Watercare Services Ltd and the ASB Community Trust.



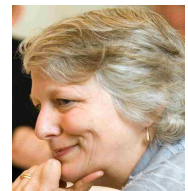
*Lope Ginnen, Acting Deputy Chair*

180 Lope Ginnen was appointed to the Board in July 2001 and chairs the Board's Assurance Committee. Lope is a barrister practicing family law in Auckland and is frequently appointed as the 'lawyer for child' in Family Court proceedings, particularly in cases that have domestic violence or child protection aspects. Lope is a trustee of the Brainwave Trust, a charity that raises public awareness of brain research about the importance of early experiences on infant brain development.



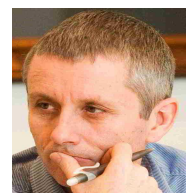
*Jo Brosnahan*

181 Jo Brosnahan was appointed to the Board in December 2006. Jo Brosnahan was the Chief Executive of the Auckland Regional Council. Jo is the founding Chair of Leadership New Zealand. Jo has served on the Board of NIWA and Northpower, and as Chairman of Central Institute of Technology in New Zealand. She is on the boards of Leadership NZ, Asia 2000, the EEO Trust and Netball North Harbour.



*Tony Paine*

182 Tony Paine was appointed to the Board in November 2004 and has qualifications in social work and management. Tony has a background in not-for-profit management and governance, and is the Chief Executive of the Christchurch Arts Centre. Tony was previously the Chief Executive of social housing provider Comcare Charitable Trust.



*Greg Hinton*

183 Greg Hinton was appointed to the Board in July 2005. Greg has a background in property management and property development. Greg is an executive director of NSI Management Ltd, a director of A2 Corporation Ltd, and Chalmers Properties Ltd, as well as director of a number of private companies.



*Garry Wilson*

184 Garry Wilson was appointed to the Board in September 2006. Garry retired two years ago from the position of Chief Executive Officer of ACC following





a career in the public sector. Garry now operates as a professional director, mentor and consultant. His involvements are quite varied ranging from charitable organisations, state sector bodies and the private sector.

#### *Colin Dale*

- 185 Colin Dale was appointed to the Board in September 2006. Colin retired from Manukau City Council following 50 years Public Service and 21 years as Chief Executive. He is Chairman of the Auckland Regional Migrant Services Trust, the Auckland Physical Activity and Recreation Strategy Trust and is a member of the Lottery Community Facilities Committee.



#### *Sandra Lee*

- 186 Sandra Lee was appointed to the Board in September 2006 and is currently the Chair of the Māori Capability Committee of Housing New Zealand. She also represents the Board on the Centre for Housing Research Aotearoa New Zealand (CHRANZ) and has recently also been appointed to the Board of Te Papa.



### **The Chief Executive**

- 187 Dr Lesley McTurk is the Chief Executive of Housing New Zealand Corporation. Lesley joined Housing New Zealand in January 2007 and is working to fulfil the Corporation's mission to provide New Zealanders with access to decent homes, helping them to manage their own circumstances and contribute to community life.



- 188 In her previous role as Chief Executive of Christchurch City Council, Lesley demonstrated her commitment to performance excellence and building leadership capability within organisations. The Council received the Business Excellence Award for Local Government in 2006. Lesley moved to local government after 10 years in the health sector, where she led the Southern Cross Hospital network and before that was Chief Executive of Auckland's Mercy Hospital. All these healthcare facilities gained accreditation awards under her leadership.

- 189 The Chief Executive is responsible to the Board for the:

- efficient and effective day-to-day running of the Corporation
- direct provision of policy advice
- content of budget submissions
- setting the direction for the Corporation and the broader social housing sector.

## Organisational structure

190 There have been significant changes to Housing New Zealand's Executive Team and organisational structure in recent months. A number of roles have been disestablished and new ones created. The aim of the restructure was the creation of a shared services model to ensure best practice by sharing information and activities across teams, by better meeting Government requirements for reporting, and by increasing accountability.

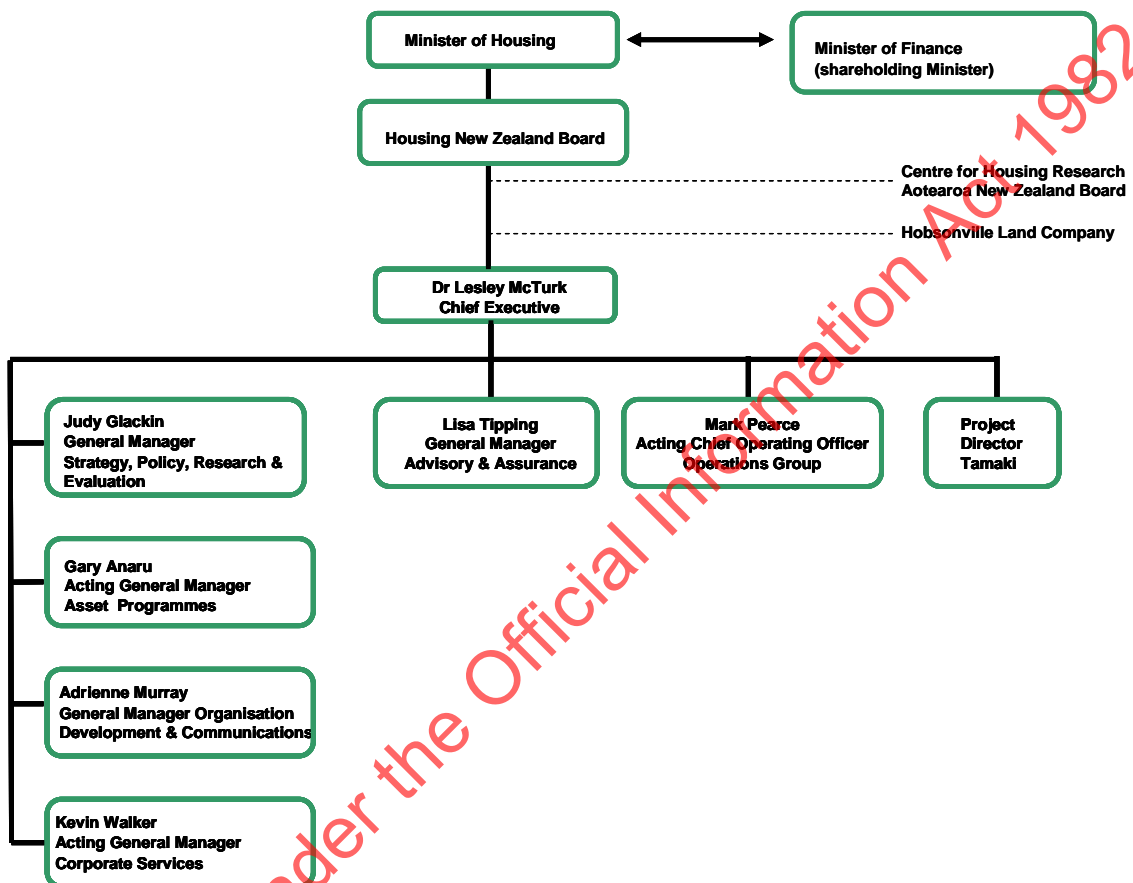
191 The new Executive Team structure lays the foundation to support the Corporation in becoming:

- customer-focused and inclusive of communities
- transparent, accountable and efficient
- performance-driven
- forward-thinking
- flexible and sustainable
- innovative.

Released under the Official Information Act 1982

192 Figure 2 below outlines the Corporation's organisational structure and relationships with the Ministers of Housing and Finance.

**Figure 2:** The Corporation's organisational structure



## Legislation

### Housing Corporation Act 1974

193 The Housing Corporation Act (HCA) established the Corporation as a statutory corporation with its own governing Board. The Act was amended in 2001 as part of a move to consolidate most of the Government's housing functions into one organisation. That is, the functions of the then Housing Corporation of New Zealand, Housing New Zealand Limited and Community Housing Limited were all brought together under the umbrella of Housing New Zealand Corporation.

194 In addition to the grouping together of these entities, the amendment to the HCA also effectively transferred the housing policy function from the then Ministry of

Social Development to the Corporation. As a result of this transfer, the Corporation became the agency with principal responsibility for providing housing policy advice to the Minister of Housing.

- 195 The HCA established the Corporation Board and, together with the Crown Entities Act 2004 (CEA), governs how the Corporation relates to the Crown and its Minister. Before the CEA, the HCA had been the principal Act governing the relationship between the Corporation and the Crown, setting out how the Corporation's Board was to operate. The recent enactment of the CEA has repealed much of the HCA. The CEA now governs most aspects of the relationship between the Corporation and the Minister, and sets out how the Corporation's Board, and other boards of Crown entities, are to operate.
- 196 The HCA sets out the Corporation's objectives and functions in section 3(b), which are as follows:
- (a) *to give effect to the Crown's social objectives by providing housing, and services related to housing, in a businesslike manner, and to that end to be an organisation that:*
- (i) *exhibits a sense of social responsibility by having regard to the interests of the community in which it operates; and*
  - (ii) *exhibits a sense of environmental responsibility by having regard to the environmental implications of its operations; and*
  - (iii) *operates with good financial oversight and stewardship, and efficiently and effectively manages its assets and liabilities and the Crown's investment; and*
- (b) *to ensure that the Minister of Housing receives appropriate policy advice, other advice, and information, on housing and services related to housing.*

### **Housing Restructuring (Income-Related Rents) Amendment Act 2000**

- 197 This Act amended the Housing Restructuring Act 1992 (HRA). It introduced Income-Related Rents and addressed the social allocation of state houses.

#### *Income-Related Rents*

- 198 Part 5 of the Act sets out the Income-Related Rents regime. The Act provides that tenants of houses owned or let by the Corporation pay rent capped at a percentage of their household income up to a certain threshold. Tenants whose household income is above that threshold pay a market rent.

199 The Act:

- sets out the method for calculating Income-Related Rent
- provides for the Corporation to regularly review Income-Related Rents
- gives the Corporation powers where information provided by a tenant is incorrect or incomplete
- establishes a right of appeal to the State Housing Appeal Authority where tenants wish to appeal the Income-Related Rent calculated by the Corporation
- provides for the Crown to reimburse the Corporation for the difference between the Income-Related Rent for a property and the market rent for that property.

#### *Social allocation*

200 Section 61 of the Housing Restructuring and Tenancy Matters Act 1992 (HRA) enables the Corporation to apply criteria when allocating houses that may actually discriminate on the grounds of marital status, disability or absence of disability, age, family status, residency, income and property or assets where these factors are relevant to the housing need of the applicant.

#### **Housing Act 1955**

201 This Act provides the Corporation with specific powers in relation to land. It allows the Corporation to take land for housing purposes under the Public Works Act. It also establishes what is known as the Housing Agency Account, a mechanism under which the Corporation can manage Crown-owned land on behalf of the Crown.

#### **Crown Entities Act 2004**

202 The Crown Entities Act (CEA) covers all Crown entities. The Corporation is described in Schedule 1 of the CEA as a "Crown Agent". "Crown Agents" are the category of Crown entities that are closest to the Crown and least autonomous of the Crown entities.

203 The CEA is the principal Act that governs the relationship between the Corporation and the Crown. Among other things, it provides for the Corporation to produce a Statement of Intent, permits the Minister to give directions to the Corporation, and restricts how the Corporation may borrow, invest and establish subsidiaries. The Act also regulates how the Corporation's Board is to function. It deals with matters such as the appointment and termination of members, conflicts of interest, quorums for meetings and Board committees.

#### **Residential Tenancies Act 1986**

204 The Corporation owns or manages over 68,000 rental houses. All of these tenancies are subject to, and regulated by, the Residential Tenancies Act 1986 (RTA). The RTA is administered by the Department of Building and Housing.

205 The RTA governs the relationship between landlords and tenants of residential properties in New Zealand. The RTA:

- defines the rights and obligations of landlords (including Housing New Zealand Corporation) and tenants of residential properties
- established the Tenancy Tribunal to hear disputes arising between landlords and tenants
- established a fund into which all tenants' bonds are held.

### **Other legislation**

206 Like any Crown entity in New Zealand, the Corporation is subject to the full range of legislation. In addition to the legislation above, the pieces of legislation that it has frequent and significant involvement with are:

- State Sector Amendment Act (No.2) 2004/Public Finance Amendment Act 2004 including recent amendments
- Official Information Act 1982
- Privacy Act 1993
- Human Rights Act 1993
- Resource Management Act 1991
- Building Act 2004
- Property Law Act 1952
- Employment Relations Act 2000.

### **General issues**

207 Housing New Zealand Corporation is New Zealand's largest landlord managing a state housing portfolio of nearly 68,000 homes. As the Government's chief provider of social housing, the Corporation's management of tenancies and assets is subject to significant public scrutiny. Whilst every effort is made to manage and mitigate risks, the Corporation operates within an environment of social and commercial tensions and issues will arise from time to time. The Corporation will keep you informed of any pending issues at all times on a no surprises basis. The following information is a summary of areas within the Corporation's operations where issues most commonly occur and sets out the mitigations in place to address them.

## General issues

208 Issues of interest at the moment are:

- subletting
- high-value properties
- gangs
- investigation referrals
- damages
- tenant debt
- protocols/agreements with the Department of Corrections
- properties affected by Leaky Building Syndrome
- consultant/contractor costs.

### *Subletting*

209 When the Corporation becomes aware of a tenant subletting a Corporation-owned property, it takes a number of escalating steps to address the breach as follows:

- approach the tenant to discuss the situation
- issue a section 56 notice under the Residential Tenancies Act (RTA), giving the tenant 10 days to remedy the breach
- take the matter before the Tenancy Tribunal to terminate the tenancy.

210 The Corporation investigates approximately 50 to 60 cases per year where it suspects tenants are subletting; however, cases are not investigated if there is no 'reasonable' suspicion. From 1 July 2005 to 30 April 2007, the Corporation confirmed 26 cases of subletting. Fifteen tenancies ended during the investigation, six ended after the investigation, and in the remaining five cases the tenants ceased subletting and retained their tenancies.

211 Confirmed cases of subletting in the past few years have been very small and amount to less than 0.03 percent of total tenancies.

### *High-value properties*

212 Concerns have been raised in recent years that there are 145 state houses valued at more than \$1 million. This is untrue, as the valuation quoted is the replacement cost valuation for insurance purposes generally comprised of multi-unit building – not the market value of the individual state houses. In reality, 91 percent of Corporation properties nationally are valued under \$300,000. There are 141 properties with a value of \$700,000 or more, most of which are located in Auckland. Of these, seven have a value in excess of \$1 million. The significant majority of the value is in the land, not the property.

213 Where the Corporation has identified high-value properties, it will consider a range of asset management options, which include: retain as-is, redevelop the site,

and/or dispose of it and reinvest in more appropriate housing. One of the Corporation's objectives is to promote well-balanced communities. Should the Corporation sell off high-value properties, it is not likely to be in a position to re-enter the more expensive areas, especially in Auckland, further concentrating its presence in areas with a high proportion of state housing.

214 Sales are progressing as opportunities arise, subject to the following checks being completed:

- site assessment for re-letting to redevelopment, through to divestment
- property offered to iwi where a first right of refusal exists
- for properties valued at \$1 million or more, the Corporation is also required to follow the sensitive land process defined by Land Information New Zealand
- The Corporation is required to formally notify the Minister of Housing of its intention to dispose of "sensitive" land, or land valued at \$1 million or over in accordance with the process agreed by Cabinet.

#### *Gangs*

215 Gang occupation of Corporation property is one of the most widely and misreported issues in the news. The Corporation does not tolerate tenants committing criminal acts on its properties, and seeks to evict tenants when evidence of criminal activity is obtained from the police. Eviction is a last resort.

216 However, the Corporation does not have powers to respond to criminal incidents directly and criminal and nuisance behaviour must be reported to the police. Police evidence leads to the start of eviction proceedings, which is a legal process that all landlords, public and private, must go through when acting upon an order of the Tribunal.

217 Housing New Zealand cannot and does not discriminate against tenants on the grounds that they have gang affiliations, and notes that some gang members are good tenants who pay their rent and look after their homes.

#### *Investigation referrals*

218 There has recently been a review of Housing New Zealand's investigation processes, which found the Corporation has had difficulty meeting a significant increase in the number of referrals for investigation, resulting in delays in processing.



219 The Corporation has developed a series of initiatives that will improve this situation, including:

- introducing an improved framework to help the Investigations Unit screen incoming referrals. Those referrals requiring investigation will remain with the unit, and those lacking documentation or evidence will either be closed or returned to the managers of each housing region for monitoring
- completing a review of referrals, which has already identified 795 referrals that can be dealt with by other means first, or safely closed. By taking this approach, the Corporation can more effectively target the investigations work it does, improve the use of its resources, and deliver speedier outcomes for strong cases.

220 Suspicions of fraud among state house tenants account for less than one percent of all tenants, but when it does occur, the Corporation strives to deal with it efficiently, thereby protecting the reputation of the vast majority of honest tenants and the Corporation's reputation as a Government agency.

#### *Damages*

221 The Corporation has responsibilities both to its tenants and to itself under the Residential Tenancies Act, and there is strict protocol to follow when damages occur to a property. Damage can consist of tenant damage (amounts charged to a tenant for damage caused), third party damage (amounts charged to a third party for damaged caused), and miscellaneous damage (generally through an act of nature, such as a storm). Seventy-seven percent of damage debt is under a repayment agreement.

222 The Corporation's policy is to inspect all its properties at least twice annually, although most are often inspected more frequently through routine visits by tenancy managers. If damage is deliberately caused by the tenant, then the Corporation will pursue the repair of the damage and payment for the repair with the tenant. The Corporation will not charge damage to tenants if the Tenancy Tribunal does not accept it, if it is uneconomic to do so, if improvements to the property outweigh the damage, or if the damage occurred as a result of a medical condition.

#### *Tenant debt*

223 As of 31 October 2007, tenant debt was \$4.145 million. Unlike commercial landlords, the Corporation has social obligations and therefore debt management processes focus on considering individual tenant circumstances, minimising the re-occurrence of the problem, and where possible, avoiding using legal means to recover debt.

224 Debt collection processes include:

- personal contact by phone or home visit as soon as practically possible after rent payments are missed, with the objective of negotiating an arrangement to repay any missed payments
- staff working closely with tenants and other social support agencies to keep tenants in their homes, while repaying any money owed within a reasonable period of time based on what debtors can afford
- developing arrangements which encourage sustainable housing and consider the circumstances of families
- involving Tenancy Services for independent mediation or resolution if no other arrangement can be made or agreed upon.

225 Key strategies have been developed to improve debt management practices, resulting in:

- a review and amendment of quality management procedures to reflect best practice
- staff training in debt management, negotiation and conflict resolution skills, with a focus on early intervention
- introducing specialised roles in the past six months to provide a dedicated focus on debt management in historically problematic regions.

*Protocols and agreements with the Department of Corrections*

226 The Corporation works closely with the Department of Corrections to provide housing for offenders. Here, the Corporation has a responsibility and a regard to the wider community and must therefore consider the potential risk of an offender at a particular property. This is a particularly sensitive subject especially concerning to child sex offenders.

*Properties affected by Leaky Building Syndrome*

227 The Corporation commissioned a report with Cove Kinloch Consulting Ltd to visually survey 6,530 housing units that met the build date or construction type criteria commonly associated with leaky building syndrome. From this survey, 22 buildings containing 140 rental units were moisture tested, with the recommendation that 21 of the buildings be partially or fully re-clad. The Corporation expected that some of its 67,000 rental units would be affected, and 140 is a small number because Housing New Zealand was involved in a relatively small amount of new development during the leaky building era.

228 The report estimates repairs will cost approximately \$12 million, excluding professional fees. The Corporation is exploring cost compensation, as well as investigating repair options. Construction of work is expected to commence in the second half of 2007/2008, and completed within three years.

229 Testing showed no evidence of any immediate health or safety risks to residents at these properties, who have been kept informed of proceedings. The Corporation

will continue to work closely with health professionals on a case-by-case basis to manage any possible health risks for tenants or contractors during the repair process.

#### *Consultant and contractor costs*

230 In the last financial year the Corporation paid a total of \$12.6 million on contractors and consultants. This was an increase of over \$1.6 million from the previous year, which raised questions in the media. The increase in consultant and contractor costs is in response to the growing volume of work and the increased breadth of operational programmes and special projects the Corporation is involved in. For example, through its redevelopment and new build programmes in 2005/2006, the Corporation built an additional 523 units. The new redevelopment programme meant more specialist services such as architects, valuers, surveyors and redevelopment specialists were needed.

231 Consultant and contractor costs for 2004/2005 were 1.1 percent of the Corporation's actual operating budget.

232 The Corporation is currently undertaking a procurement review which aims to:

- provide a procurement stocktake
- research leading practice procurement models most relevant to the Corporation
- identify an optimal procurement delivery model and strategy
- identify areas for future cost savings.

## **Financial management**

### **Legislative and financial accounting framework**

233 The Housing Corporation Act 1974, as amended in 2001, requires the Corporation to meet its social objectives in a businesslike manner, with good financial oversight and stewardship. Investment decisions relating to the total portfolio must maintain or improve the Corporation's financial performance.

234 The Corporation maintains accounting policies (International Financial Reporting Standards implemented 1 July 2007) that meet relevant legislative requirements<sup>6</sup> and generally accepted accounting standards set by the Institute of Chartered Accountants of New Zealand. Under these standards, all fixed assets are initially recorded at cost, and freehold land and rental properties are re-valued annually.

---

<sup>6</sup> The Crown Entities Act 2004 outlines the financial reporting required by the Corporation.

## Financial distribution to the Crown

235 The Housing Corporation Act 1974, section 40(1), requires the Corporation to pay its surplus<sup>7</sup> for each financial year to the Crown, unless the responsible Ministers authorise it to keep all or any part of the surplus. The Corporation is in discussion with Treasury and the Department of Building and Housing over the impacts of the International Financial Reporting Standards (IFRS) on the difference between the net surplus/loss shown in the Statement of Financial Performance and the dividends to be paid in the future.

## Financial performance

236 Total operating revenues for the Corporation for the year ending 30 June 2007 were \$816 million, of which \$781 million came from rental income. Operating expenses consumed about 92 percent of total operating revenues at \$749 million. Tax was \$54 million leaving a surplus of \$13 million. From 2007/2008, the accounts will be prepared under IFRS which provides for the recognition of deferred tax. Therefore, the net surplus as reported in the Statement of Intent is much higher but a significant portion of that is deferred tax.

237 Table 17 overleaf summarises the Corporation's forecast financial performance for the next three years.

Released under the Official Information Act 1982

---

<sup>7</sup> Under s.40 (2) surplus is defined as "surplus capital and any operating net surplus after any provision responsible Ministers have agreed is necessary for the efficient and effective conduct of the Corporation's operations".

**Table 17:** Housing New Zealand Corporation financial summary for the period 1 July 2007 to 30 June 2010<sup>8</sup>

	2007/2008 Group Budget \$000	2008/2009 Group Budget \$000	2009/2010 Group Budget \$000
<b>Revenue</b>			
Rental income - tenants	353,236	358,082	362,261
Rental income - Income-Related Rent subsidy	482,855	506,506	521,976
Interest income	2,996	1,695	2,956
Crown appropriation income	38,234	25,801	23,995
Other income	4,177	4,526	6,580
<b>Total operating revenue</b>	<b>881,498</b>	<b>896,610</b>	<b>917,768</b>
<b>Expenses</b>			
Maintenance/cost of ownership	178,316	180,291	183,362
Rates	96,610	101,727	106,825
Rental property depreciation	163,306	168,206	172,435
Management assets depreciation	11,029	14,002	16,827
Third party rental leases	43,413	50,287	55,687
Other direct costs	59,943	55,345	45,038
Employee remuneration and benefits	66,567	67,632	69,042
Interest costs	131,179	134,340	133,550
Indirect expenses	52,791	47,440	44,611
<b>Total expenses</b>	<b>803,154</b>	<b>819,270</b>	<b>827,377</b>
<b>Operating surplus before tax</b>	<b>78,344</b>	<b>77,340</b>	<b>90,391</b>
Income tax expense	34,485	31,746	32,299
<b>Net surplus after tax</b>	<b>43,859</b>	<b>45,594</b>	<b>58,092</b>

238 The table above shows continuing increases in the Corporation's revenues and the impact of inflation at an estimate of three percent. The impact of increased depreciation due to the annual revaluation is not reflected in the above figures.

239 The estimated impact of depreciation and deferred tax, as noted in the Statement of Intent, is reflected in Table 18, overleaf. Future revaluation (from 30 June 2008 onwards) has not been factored in at this stage given the uncertainty as to what the increase may be.

<sup>8</sup> The figures are as published in the 2007/08 Statement of Intent, and have not been adjusted for the ongoing impact of the 30 June 2007 property revaluation.

**Table 18:** Housing New Zealand Corporation Adjustments to Net Surplus after Tax

	2007/2008 \$000	2008/2009 \$000	2009/2010 \$000
<b>Net surplus after tax</b>	<b>43,859</b>	<b>45,594</b>	<b>58,092</b>
Less			
Deferred tax	30,198	28,015	29,081
Depreciation as a result of 30 June 2007 revaluation (estimated)	12,000	12,000	12,000
<b>Adjusted Net Surplus</b>	<b>1,661</b>	<b>5,579</b>	<b>17,011</b>

### Financial position

240 The Corporation manages a valuable housing asset and other assets worth \$14.8 billion (as at 30 June 2007). The equity of the Housing New Zealand Corporation Group is \$13.1 billion as at 30 June 2007, and debt is \$1.8 billion. The balance sheet is strong in commercial terms due to a high ratio of total equity to debt, and is likely to continue to become stronger as state housing is re-valued annually, further increasing total equity. From 1 July 2007, the Corporation will be reporting on an IFRS basis and the closing Balance Sheet has been restated and included in the following table. The major impact is the deferred tax. The financial position is outlined overleaf in Table 19.

Released under the Official Information Act 1982

**Table 19:** Housing New Zealand Corporation Consolidated Statement of Financial Position

	<b>30 June 2007 Actual \$000</b>	<b>1 July 2007 IFRS \$000</b>
<b>SHAREHOLDER FUNDS</b>		
Capital contribution	3,488,471	3,488,471
Retained earnings	16,412	(1,543,044)
Asset and fair value revaluation reserves	9,593,379	9,588,464
<b>TOTAL SHAREHOLDER FUNDS</b>	<b>13,098,262</b>	<b>11,533,891</b>
<b>NET WORKING CAPITAL</b>		
	(67,402)	(70,671)
Mortgage advances (net of provisions)	73,367	75,133
Infrastructure assets	29,476	29,476
Rental properties (includes WIP)	14,858,768	14,858,768
<b>LONG TERM ASSETS</b>	<b>14,961,611</b>	<b>14,963,377</b>
Lease, Mortgage Insurance Scheme and Mortgage sale provisions	22,091	22,091
Borrowing – Crown	1,642,687	1,641,802
Long-term debt	131,169	128,083
Sick Leave Provision		158
Deferred Tax		1,566,681
<b>LONG TERM LIABILITIES</b>	<b>1,795,947</b>	<b>3,358,815</b>
	<b>13,098,262</b>	<b>11,533,891</b>

241 The annual revaluation and changes to housing stock levels have increased the value of the property portfolio from \$13.3 billion at 30 June 2006 to \$14.8 billion at 30 June 2007.

#### Cash flow

242 The Corporation generates free cash flows of about \$160 million a year (mainly from depreciation, asset sales and asset write-offs). These free cash flows are used to fund future capital expenditure, such as acquisitions, modernisation, and infrastructure, with top-ups provided by way of additional Crown appropriation.

## Government expenditure on housing assistance

243 In 2006/2007, Vote Housing was \$215.278 million capital and \$24.063 million operating (including GST). Assistance with accommodation costs for state house tenants and other low-income households comes from Vote Social Development, specifically:

- the Accommodation Supplement (AS), a cash benefit to help with housing costs. As at 30 June 2007, there were 242,500 recipients. The 2006/2007 annual cost was \$750 million (an average weekly AS of \$57 per recipient). The Corporation's role is to monitor and report to the Minister on the take-up of the AS, and on other AS policy issues
- the Income-Related Rent subsidy, which subsidises rents for low-income state housing tenants. These tenants pay an Income-Related Rent equal to 25 percent of their income. In 2006/2007, Income-Related Rents cost \$436 million, assisting 59,479 households at an average annual cost of \$7,330 per household.

244 The Corporation also received \$781 million in rental income, which includes the Income-Related Rent subsidy detailed above.

## Financial Risks

245 Possible financial risks include:

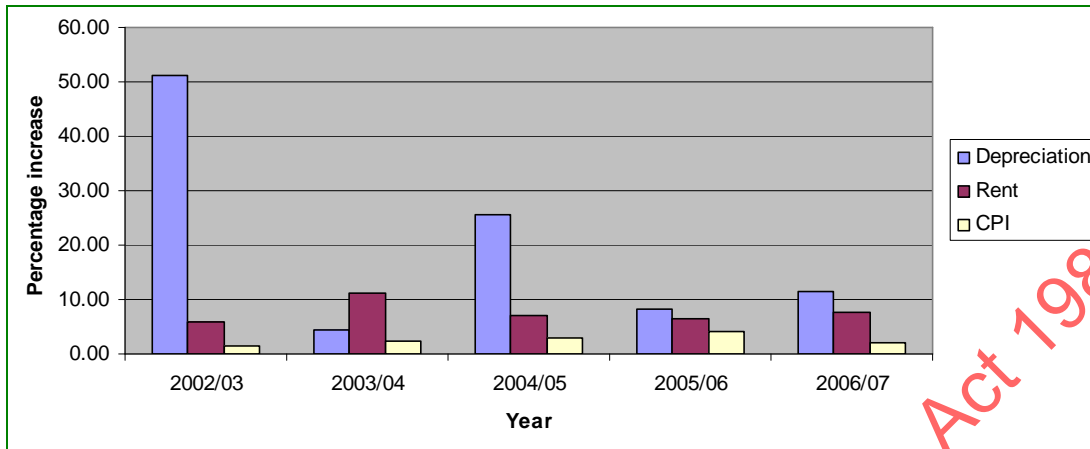
- depreciation funding
- maintenance funding
- leased houses
- rates
- capital funding – acquisitions
- capital/operating funding – lending products
- international financial reporting standards
- stock modernisation/obsolescence
- mortgage guarantees.

### *Depreciation Funding*

246 There is a risk of the rate of increase in depreciation being higher than the rate of increase in market rents, as a result of the revaluations. The rents are used as the funding source for this cost. Last year, the increase in the revaluation was mainly in relation to the land value rather than the improvements, therefore, the uplift in depreciation was not as much as forecast. Figure 3 overleaf outlines the changes between 2002/2003 and 2006/2007.



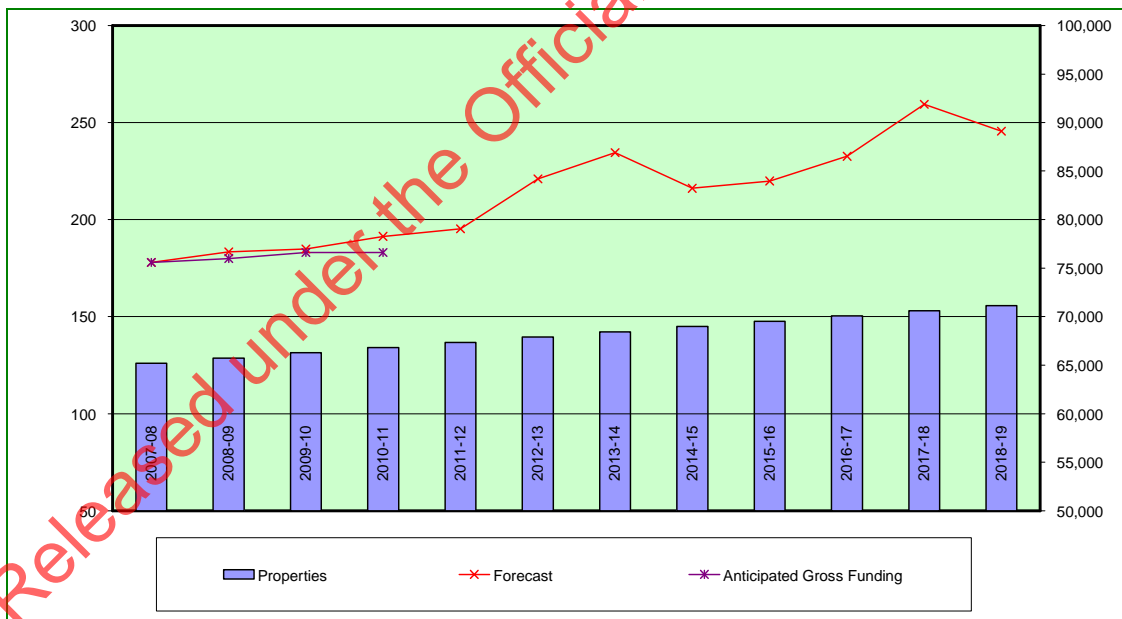
**Figure 3: Rent and depreciation increases**



*Maintenance funding*

247 The maintenance forecast for the future is shown in Figure 4, below, but there is a risk that the Corporation will not be able to fund to this level, therefore impacting upon the ability to maintain the current level for the property benchmark condition.

**Figure 4: Maintenance expenditure forecast (\$ millions)**



*Leased houses*

248 To achieve demand targets, the acquisition programme has increased the volume of leased properties it sources (as these properties are obtained at no capital outlay). At 30 June 2007, the Corporation had 2,783 leased properties; and this number is expected to grow by 973 properties (net) over the next three years, equating to about five percent of the state housing available.

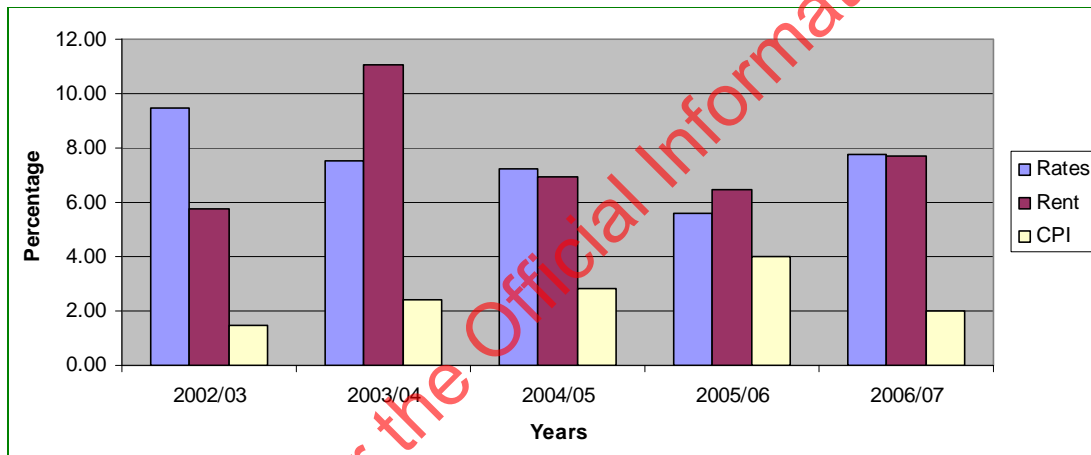
249 While these leased properties come at no capital outlay, the Corporation carries operating financial risks in that it guarantees a minimum rent, pays the rent even if the property is vacant and covers the cost of damage. At times, the margin charged to investors and landlords may not cover these costs.

250 Last year, the Corporation incurred costs of approximately \$40.1 million for third party leases which slightly exceeded the budget of \$39.9 million. In 2007/2008, this cost is expected to be \$43.6 million.

*Rates*

251 There is a risk that the local council rates (general and water) may continue to increase at a higher rate than the rate of increase in rent revenue. Recently, the increase in rates has been greater than the Cost Price Index increase as shown in Figure 5 below. The costs of rates in 2006/2007 was \$91.6 million.

**Figure 5:** Growth of rent and rates



*Capital Funding - Acquisitions*

252 The current level of Crown capital funding for the purchase and building of additional houses decreases from \$66.9 million in 2007/2008, to \$58.5 million in 2008/2009, to \$5.8 million in 2009/2010 and outyears. There is a risk that additional levels of funding from the Crown that may be agreed might not be sufficient to meet the level of demand (given the economic forecast) and that the expectation of “waiting time” and prioritisation will need to be managed.

Released under the Official Information Act 1982

253 The number of houses that can be acquired could be reduced by price inflation and/or inability to source leased properties from the market (especially if returns are poor).

**Table 20:** Acquisitions

	2007/2008	2008/2009	2009/2010
Number of Properties	540	726	300
Cost (net of Sales) \$ million	172.505	177.870	62.767
Crown Funding \$ million	72.610	72.440	5.800
Corporation Funding required to meet plan \$ million	99.895	105.430	56.967

*Capital and Operating Funding - Lending products*

254 The current level of Crown capital and operating funding for the loan products (Home Ownership Education, Rural Housing, local government and third sector housing) decreases as shown in Table 21 below. Public expectations will need to be managed given the lower pool of funding available.

**Table 21:** Lending products

	2007/08	2008/09	2009/10	2010/11
Capital				
Third sector and local government	12.014	12.000	0.	0
CORRHL	2.000	0	0	0
Low Deposit Rural Lending	3.000	0	0	0
Total capital	17.014	12.000	0	0
Operating				
SHAZ	0.500	0.250		
CORRHL	0.645	0.789	0.789	0.789
Rural Housing	9.993	0	0	0
Housing Innovation Fund Non Dept Output Expense	1.860	1.871	0	0
HIF Benefit & Unrequited Expense	6.895	7.782	7.951	8.539
Welcome Home Loan	6.200	7.580	8.700	9.100
Total operating	26.093	18.272	17.440	18.438

Released under the Official Information Act 1982

*Capital and Operating Funding - time limited funding*

255 The following table details capital and operating programmes that have time limited funding associated. The table below details when funding will expire.

**Table 22:** Programmes with time limited funding

Output Class	Initiative/Programme	07/08	08/09	09/10
<b>Operating</b>				
	Rural Housing Programme & evaluation	8.493		
	Rural Housing Programme & evaluation	0.133		
	Financial Assistance to Owners of Non Weathertight Homes	-0.220	0.391	0.191
	Shared Equity	1.410		
	Wellington City Council	1.196		
	Third Sector & Local Government & Housing Innovation capacity	1.860	1.871	
	Community Renewal	2.578		
<b>Benefits &amp; Unrequited Expenses</b>				
	Essential Repair and Infrastructure Suspensory Loans Roll out	1.500		
	Special Housing Action Zones	0.500	0.250	
<b>Capital</b>				
	Auckland City Council Properties Reconfiguration Programme	29.880		
	Financial Assistance to Owners of Non Weathertight Homes	4.958	-3.187	-1.062
	State House - Acquisitions	59.280	52.710	
	Healthy Housing	7.000	7.000	7.000
	Third Sector & Local Government	12.014	12.000	
	Rural Housing	2.000		
	Papakainga (Low Deposit Rural Lending)	3.000		

*International Financial Reporting Standards (IFRS)*

256 There is an impact on the dividend due to the implementation of IFRS. The dividend payable is currently based on net profit after tax (NPAT). The Minister can approve retaining a dividend. Due to IFRS, there are a number of non-cash impacts on the level of NPAT (particularly deferred tax and fair value adjustments). These increase the level of reported NPAT, but there is no corresponding cash available to fund this. The issue of the dividend payable is currently subject to discussions with Treasury.

*Stock modernisation and obsolescence*

- 257 The Asset Management Strategy identifies a proposed modernisation programme to incorporate the modernisation of approximately 43,000 units built before 1980. The properties selected are those properties that meet the property profile for modernisation. The selection included an age profiling and excluded units already accommodated in other programmes, already modernised and those that are targeted for disposal.
- 258 The energy efficiency objective adopted by this strategy is to ensure all houses built before 1978 have been retro-fitted with a suite of cost-effective energy measures within 15 years.

**Table 23:** Modernisation requirements (over 15 years)

<b>Total modernisation requirement</b>	<b>Category cost (\$000) Inflated Nominal Dollars</b>	<b>Cost per annum (\$000) 15yr programme</b>
Improving health and safety related amenities	\$232,000	\$15,466
Heating	\$58,000	\$3,866
Improving efficiency-related amenities	\$73,000	\$4,866
Utilities	\$922,000	\$61,467
<b>Sub-total</b>	<b>\$1,285,000</b>	<b>\$85,667</b>
Design fees <sup>9</sup>	\$124,000	\$8,267
<b>TOTAL</b>	<b>\$1,409,000</b>	<b>\$93,900</b>

- 259 There is currently \$7 million per annum allocated until 2009/2010 of Crown capital funding for the Healthy Housing programme.

*Funding announced but not in baseline*

- 260 There are currently three major areas where there has been a government announcement regarding the construction of buildings or the implementation of funding products, but the money is not in the baseline for the Corporation at present. These include the construction of housing by the Housing Agency (including infrastructure costs for Hobsonville), the funding for the Wellington City Council for social housing and the shared equity scheme. Expectations will have to be managed to ensure the timing of communications relates to the funding availability (Note: housing construction cost for Hobsonville, apart from state house purchase, is carried by the development partner).

<sup>9</sup> The design fee assumes a whole of house approach where all amenities are provided at once. The design fees reflect the drawing up of plans and specifications showing the integration of all amenities into the property.

*Mortgage Guarantees*

261 The Corporation faces financial risks associated with some of its lending products (for example, the Welcome Home Loan) should borrowers be unable to meet their repayment obligations. While market conditions have been most favourable over the past (stable employment, growth in property values), experience would indicate that economic cycles do have their ups and downs. In worsening economic conditions, the Corporation may have to make significant increase to the provision for the guarantees it has made. This would impact on forecast net profits for that financial year.

Released under the Official Information Act 1982

## Housing New Zealand Corporation Regional snapshots

Table 24: Snapshots of regional position					
Region	Median house price (sales)	Median rents	Waiting list June 2006	Waiting list June 2007	Issues <sup>10</sup>
<b>Northland</b> Whangarei Kaikohe Kerikeri	\$335,000 \$194,500 \$472,500	\$250 \$175 \$300	A 20 B 239 C 169 D 174 Total 602	A 18 B 209 C 187 D 158 Total 572	<ul style="list-style-type: none"> <li>• High demand for state houses in proportion to available stock</li> <li>• Lowest incomes in New Zealand, while rents and house prices at higher end</li> <li>• Substandard rural housing</li> <li>• Māori land issues.</li> </ul>
<b>West and North Auckland</b> North Shore  Waitakere	\$539,000  \$376,500	\$360 (Northern Auckland) \$317 (Western Auckland)	A 14 B 462 C 553 D 362 Total 1,391	A 10 B 495 C 789 D 396 Total 1,690	<ul style="list-style-type: none"> <li>• High rents and house prices, and long waiting list (largest in country)</li> <li>• Overcrowding</li> <li>• Ageing state housing and the growing need for funds for maintenance and upgrades.</li> </ul>
<b>Central Auckland</b> Auckland City	\$495,000	\$350	A 9 B 449 C 785 D 582	A 13 B 596 C 955 D 581	
<b>South Auckland</b> Manukau City	\$416,000	\$330 (Southern Auckland)	Total 1,825	Total 2,145	
Papakura District Franklin District	\$332,250 \$352,500	Pukekohe \$300	A 10 B 676 C 553 D 273 Total 1,512	A 7 B 1,153 C 708 D 244 Total 2,112	

<sup>10</sup> N.B.: The list of issues is not exhaustive, but gives examples of important issues

<b>Table 24: Snapshots of regional position</b>					
<b>Bay of Plenty</b> Tauranga Whakatane Rotorua	\$378,250 No data \$255,000	\$290 \$275 \$210	A 49 B 224 C 143 D 108  Total 524	A 34 B 187 C 155 D 134  Total 510	<ul style="list-style-type: none"> <li>Increasing property and rental prices in cities while wages remain relatively low</li> <li>Relatively scarce land in Tauranga making it difficult to develop affordable housing</li> <li>Rural substandard housing in areas other than those already part of RHP.</li> </ul>
<b>Waikato/Coromandel/ King Country</b> Hamilton Thames/ Coromandel Te Kuiti	\$355,000 \$412,000 No data	\$275 \$245 \$185	A 2 B 286 C 296 D 159  Total 743	A 0 B 267 C 227 D 57  Total 551	<ul style="list-style-type: none"> <li>Affordability a problem</li> <li>Overcrowding issues, unable to keep up with demands for bigger homes</li> <li>Major issues with substandard housing in Coromandel area and back blocks of Kawhia/Raglan and Ngaruawahia.</li> </ul>
<b>Manawatu/Taranaki/ Wairarapa</b> New Plymouth Wanganui Palmerston North Levin Masterton	\$328,000 \$202,250 \$293,000 \$224,000 No data	\$270 \$200 \$235 \$190 \$192	A 0 B 165 C 308 D 158  Total 631	A 2 B 147 C 297 D 176  Total 622	<ul style="list-style-type: none"> <li>The local housing markets throughout the region vary greatly. For example, Taranaki is experiencing an increase in demand while demand in Palmerston North is cyclical in nature, due to the high student population residing in the city</li> <li>Problems for low-income single people (including single-headed household) accessing affordable housing</li> <li>Lack of knowledge regarding the nature and extent of housing need in rural areas.</li> </ul>
<b>East Coast/Hawkes Bay</b> Gisborne Napier Hastings	\$262,000 \$309,750 \$257,000	\$240 \$270 \$240	A 11 B 190 C 207 D 154  Total 562	A 7 B 168 C 113 D 69  Total 357	<ul style="list-style-type: none"> <li>Mismatch between current supply and demand, and concern regarding the level of overcrowding in state housing</li> <li>Evidence of substandard housing in rural parts of the region, currently being addressed by RHP but extends beyond target regions</li> </ul>



<b>Table 24:</b> Snapshots of regional position					
					<ul style="list-style-type: none"> <li>• Growth in house prices has impacted on affordability and therefore on demand for rental accommodation.</li> </ul>
<b>Wellington Hutt Valley</b> <b>Wellington</b> Hutt Valley	\$342,500	\$250 Lower Hutt \$280 Upper Hutt \$245	A 1 B 362 C 332 D 187  Total 882	A 9 B 249 C 351 D 193  Total 802	<ul style="list-style-type: none"> <li>• There is high demand in Wellington central and immediate suburbs and certain parts of Lower Hutt</li> <li>• Pockets of severe deprivation in which there are concentrations of state housing</li> <li>• The region has older state houses (average of 44 years compared to 38 years nationally).</li> </ul>
<b>Christchurch/Nelson/ Marlborough</b> Christchurch Nelson	\$330,000 \$311,000	\$260 \$280	A 19 B 529 C 464 D 346  Total 1358	A 19 B 508 C 419 D 324  Total 1270	<ul style="list-style-type: none"> <li>• Strong demand</li> <li>• Need for seasonal worker accommodation.</li> </ul>
<b>Southern</b> Queenstown Dunedin Invercargill	\$442,500 \$240,000 \$188,000	\$250 \$250 \$180	A 3 B 90 C 161 D 210  Total 464	A 11 B 74 C 144 D 196  Total 425	<ul style="list-style-type: none"> <li>• Housing affordability issues in the Queenstown Lakes District</li> <li>• Low demand for state housing in Dunedin and Invercargill, with higher demand in the West Coast and Timaru areas</li> <li>• Anecdotal reports of substandard housing, particularly on the West Coast.</li> </ul>

Released under the Official Information Act 1982

Released under the Official Information Act 1982