

## **Auckland Private Sector Seminar – 28 June 2004**

### **Presentation**

#### **Kay Saville-Smith - Centre for Research Evaluation and Social Assessment (CRESA)**

- We all know housing is a critical area of production and economic activity. A lot of people make money from it.
- New Zealanders allocate investment to housing – should we? Reserve Bank says takes out of productive investment capital.
- Anxieties around impacts of housing on investment capital.
- Could do better – construction and real estate – leaky buildings, credibility gap between builders and consumers. Lack in innovation in housing stock despite changes in the Building Act. Housing still looks the same as it did a couple of decades ago. Unresponsive – major issue for society i.e. doesn't reflect the different demands from population - insufficient response to changes in population
- Could do better in the private sector. Passive investment rather than service industry. People who have a house they rent for investment but don't see themselves as landlords. Immature property and tenancy management practices. Don't know how to treat tenants, lack of experience regarding maintenance etc. Tend to treat houses for rent as their own homes - leads to problems. People under maintain. Given that trend down in home ownership, this raises some big issues and opportunities.
- Because housing is more than sales and services. Strategy widens the debate. Housing is a big factor in human capital development. Critical to business in NZ. Housing is at the centre of generating stable communities and families. A key factor in whether employers get the right employees in the right place.
- Human capital – poor housing and health associated – housing and education seems to have a link. Critical factors for good housing – affordability, space, functionality, comfort. Indoor temperature of most houses not reaching WHO (World Health Organisation) standards.
- Stable families and communities – chaotic lives reflected in unstable and insecure housing. Unstable families and communities have costs to landlords and local businesses who leave communities. Greatest cost is waste of human potential and "cleaning up the mess" when private sector relationships don't go well, there's a high cost e.g. building disputes. Small investment in housing can become a pathway to stabilising families and communities. Can bring significant results socially and for business profit.
- Business community - has interest in housing assistance as taxpayers. Housing assistance should provide respite, transition from poor housing, opportunity for self-help (i.e. home ownership).
- Main issue for business: whether they get employees at the right place, right time, right price – all depend on housing. An example is the nurses pay dispute is around housing in Auckland. Overheated prices for homeowners – impacts on reservation wages (what people are prepared to work for).
- Auckland largest conurbation – huge spread, strong divisions between home and work, exacerbated by reliance on cars. Impacts on employees' costs and flexibility.
- New demands and challenges outside affordability issue – falling home ownership, student debt, mortgage on our lives. Houses a small part. Sustainable, well-performing and affordable housing. Diverse populations. How do we assure the most vulnerable population is catered for?
- Strategy – mutual interest in thinking about the best way to provide housing assistance. Not through Accommodation Supplement. Meeting housing need and generating a sound housing stock are strategic investments – mutual interest in generating a responsive, well-ordered housing market.
- In all parts of the housing market – design, finance etc. – there are opportunities to address the issues.

## **Panel Discussion**

### Panelists:

- Marshall Cook      Cook Sargisson & Pirie (Architect)
- Brian Fallow      NZ Herald (Economics Editor)
- Howard Morley      Real Estate Institute of New Zealand
- Ernst Zollner      University of Auckland (Economist and Urban Planner)
- Kay Saville-Smith      CRESA

### **Question: How best to meet New Zealand's housing need?**

- When designing roads, that's building cities. Housing a subset in the process of building cities, have left it to the private sector in the past. In 1994 the private sector market looked after itself but concerned how it operates when let loose – elderly and poor are having problems. Challenge now is urban management. It's a combination of private and public. US has urban strategies.
- Urban management has been going on for 40 years. Role of planning gone to 'planning advocates' - we've stepped aside of responsibility for it; given it to the public and they don't have the knowledge. Consequently we don't know what good urban spaces are. We need to reinvent town planning and eliminate democracy.
- Kay anticipated points I wanted to make. The economy's growth relies on labour supply, quality and quantity. NZ's growth bigger than expected, but most explained in more people working. Won't be able to reproduce this as aging population brings it down, have a brain drain issue. Against background of coping with global market, folly to waste human capital. Economic consequences of trends in home ownership - unsafe assumption that it will be paid off in old age. Not sure what best policy mix is, but given social housing is small, critical not to 'bugger up' the private sector.
- Danger of bubble emerging. The private rental market is very important with declining home ownership rates. Now with the interest rates going up, problems may arise for this group.
- Investing in children not a bad investment of resources. Too many children growing up below the poverty line and we can't afford that to happen. They are the future.
- Have to take housing loan out when getting money for business, this distorts figures for Reserve Bank when talking about housing investment.
- Social capital revolves around housing. More money into housing would, over time, mean we need less money to 'drag people from bottom of cliff'. Positive health consequences in future health and education. Remember State Advances Corporation help for first mortgages - if go back to this would give them a start. Shift emphasis to get more people into housing – government led.
- In Germany, in the private sector as a tenant, you're better protected. Here you can just be thrown out with 1-2 months notice. Buying is a defence against that but would rather invest in industry/business.

### **Question: Should government support people to own a house?**

- We're not in a great state. Believe some assistance is required to those who are almost there but government is not in position to do this split cost. Accommodation Supplement helps with mortgage and rents but it's not adequate for real assistance with mortgages or help with tenure security in private sector. The rental market should provide more security. Huge amounts of money going on this. Worry about the mix. Government has its hands tied.
- Where's the money going? Who is benefiting?
- One argument is pushing up rents, we'll see that with recent increases in the Accommodation Supplement. Impacts on housing prices, but a complex one. We don't know how the housing market works, in particular in Auckland. There is a role for government but probably a limited one – the private, public and third sector are going to have to work more together.

*These notes reflect the views expressed at the consultation meetings held to obtain stakeholder feedback on the discussion document 'Building the Future: Towards a New Zealand Housing Strategy'. As far as possible, the notes are presented exactly as recorded at the meeting by participants and note-takers. The notes do not represent current Housing New Zealand Corporation or government policy.*

- The notion that good quality affordable housing is not attainable is wrong. Home ownership would be a future investment. Can be reasonable to achieve. Terrace housing gets voted out, but good design is a matter of quality control. Not sure what sustainable means.

#### **Question to the floor: Government intervention in home ownership?**

- Not so sure, there are alternative ones rather than State, maybe more facilitation role. Models overseas.
- What's the possibility of putting some of the NZ Super Fund to subsidise mortgages?
- We don't do a lot of things - other jurisdictions – NZHS should push some initiatives e.g. inclusionary zoning - doesn't push it, strategy doesn't explain what it is enough. Why not push some of the possibilities?
- Government should ensure there's an amount of rental properties for low-income families, complement the private sector. Government responsibility is with rental for lowest affordable.
- If government only focuses on social housing it doesn't help solve problem.
- State investment in transport.

#### **Question: What about quality?**

- It's about the space around it and place in the community. Nowhere else tolerates low level housing in cities.
- Legislation is in place but bad set of labour skills, standard dropped dramatically, Auckland councils lowest in world – let it slip. Planning mechanisms in 1960's - we're stuck with an old set of regulations.
- The standards are there, but it's the management of it. The details are not there. Enforcement isn't good enough.
- Body corporate nightmare, have to try to manage under strange mechanism – 60 units to decide on pool maintenance – need to grow up.
- Quality is not unaffordable – it just needs good construction. Culture in NZ says it is. Lot of New Zealanders don't commission because they have a view of what they can get – with no design input, too scared to engage in housing. People only did maintenance to sell their house. Issues around builders, planners but also about what as a culture we want out of our houses. Not displaying its performance. Relationships should exist between architects, builders and planners.

#### **From the floor:**

- Agree. Reckon planning stopped in '30's not '60's. State housing was well researched. People went to architects. We stopped then. Changing population, and globalisation what makes us unique, the diversity of population.
- Strategy lacking, going back to 1935/60 thinking. Lacks reference to design, research - write another chapter on this, including architecture and design. We're not going to reach what we want if we don't look more at design, research, architecture, innovation and the unique requirements of New Zealand.
- We're told population going to double in 50 years, housing has to go up, getting nothing out of what's being said that if handed to the private sector they would be able to solve the issues. Are there any means in the private sector to provide change?

#### **What would make the difference? (panelists and floor)**

- Council - can't build where not zoned. The private sector can't do much as there sits the City Council that doesn't allow houses to be built in some places.
- If obstacle to affordable housing is land, zoning may be cheapest option and build up. It's a NIMBY problem. Up or out - people will have to choose.
- Another layer to this – we have no history and skill to create this environment. Need major shift in thinking. No vision of what the buildings would look like or how it should function.

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- Can't we build some demonstrations of good practice?
- We want a culture change – no longer 1/4 acres.
- Different regional planning - at the high level, regional models.
- Growth strategy is too constrained, regional planning too restrictive.
- Auckland a simply shaped city - haven't faced up to transport issues and the sprawl of the city. Document doesn't face this issue.
- Planning consents a nightmare – need to give architects the opportunity to build.
- We need to actually build the examples so people can come and see.
- Notion of 'mix'. How do we get mixed development? Auckland's heavily zoned. That's not the way the economy is working - it's about service industries - rationale for zoning has gone. Need mixed development - do by modeling and example. Needs strong engagement between government, community, architects, private developers, and the people that actually live in the buildings. Not talking to the communities although HNZA is starting through NZHS. Community Renewal is an example. Have the skill but not the experience, should give each other a bit more slack, if government can do that then that would work. Strategy lacks innovation.

### **Housing markets under stress – what would make a difference? (panellists and floor)**

- Have a land development corporation – so get good development, invest in that innovation
- State in Brisbane has taken over, could do that here.
- Why is it difficult for owner builders to build? Should capitalise on resources to help people build their own homes. Government spending most of time stopping people from building for themselves. Government can assist with courses, training etc.
- Growth strategy too restrictive – too restrictive to get intensity, not economic.
- Variation to District Plan at Barry Curtis Park, at Flatbush, doing a six storey – 'build and they will come', but still shoeing cows off land.
- Building inspectors make it expensive.
- People shouldn't live in Auckland.
- Is a flow out of Auckland – biggest under-achiever settlement. Should have more outputs for its size. Intensification argument often been done where design ideas are not attractive - need to embed better design.
- People shouldn't live in Auckland.
- Need infrastructure around. No streets, no public transport – if this doesn't work, housing alone can't do it.

### **10 seconds to make difference – what would it be?**

- Invest Accommodation Supplement money in rental provision and home ownership.
- Land Corp.
- Build housing endlessly.
- Cross fingers and leave to market.
- Use Accommodation Supplement to build more housing.