

Local authority housing

Local authorities play an important role in providing housing for New Zealanders on lower incomes or with special housing needs. This article provides a snap shot on what's happening in local authority housing across New Zealand and provides a commentary on the trends we see developing. Illustrated by the examples below, local authorities are experiencing:

- ageing housing stock
- changing demographics
- increasing costs for housing operating and maintenance costs

According to Kay Saville-Smith's research (CRESA, 2014) in 2014, 62 councils provided 13,400 homes (including Christchurch housing affected by the earthquakes). 95% of the housing was targeted to older people or older people with some other vulnerable group. 42% of the housing stock was developed before 1977 with central Government assistance to meet the needs of single, low income older people. This resulted in many councils owning predominately small bedsits and one bed units. This inhibits the ability of councils to diversify their targeting to meet emerging housing needs. (CRESA, 2014).

CRESA's information is confirmed by the last census data which shows over three-quarters of the 11,307 households renting from a local authority or city council were one-person households (Statistics NZ, 2013).

Local authorities do not have the ability to contract with Government for Income Related Rent Subsidies (IRRS) but most provide rentals that are below market rents.

Many local authorities are considering the standards of their housing with some considering a housing warrant of fitness.

Below are examples from across New Zealand of local authority actions regarding their housing.

Whakatane District Council

Tauranga Community Housing Trust purchased 79 pensioner housing units from the Whakatane District Council last year. Whakatane Mayor, Tony Bonne said of the transaction:

"Council's first priority was to ensure that this important community resource is safeguarded so that it can continue to provide affordable, good quality social housing into the future. Government policy means that local authorities do not have access to social housing grants and subsidies and, importantly, that our tenants do not have access to income-related rental subsidies. Approved community housing providers do have that access and by transferring ownership to TCHT, we can ensure that our pensioner housing assets will be well-maintained and developed as required to meet the community's future needs." (Beacon; 2015/09)

Whanganui District Council

The Whanganui District Council has been considering selling some or all of its housing and using the money to pay down debt. The units are considered to be a strategic asset and valued at \$14.5 million, but the council said they cost up to \$160,000 a year to run. In its 10 year plan the council said its preferred options were to sell a third to a half of the flats to a social housing provider, or to dispose of them all to pay down debt and reduce rates (Radio New Zealand; April 29, 2015).

At its November 2015 meeting the Whanganui District Council decided on the following:

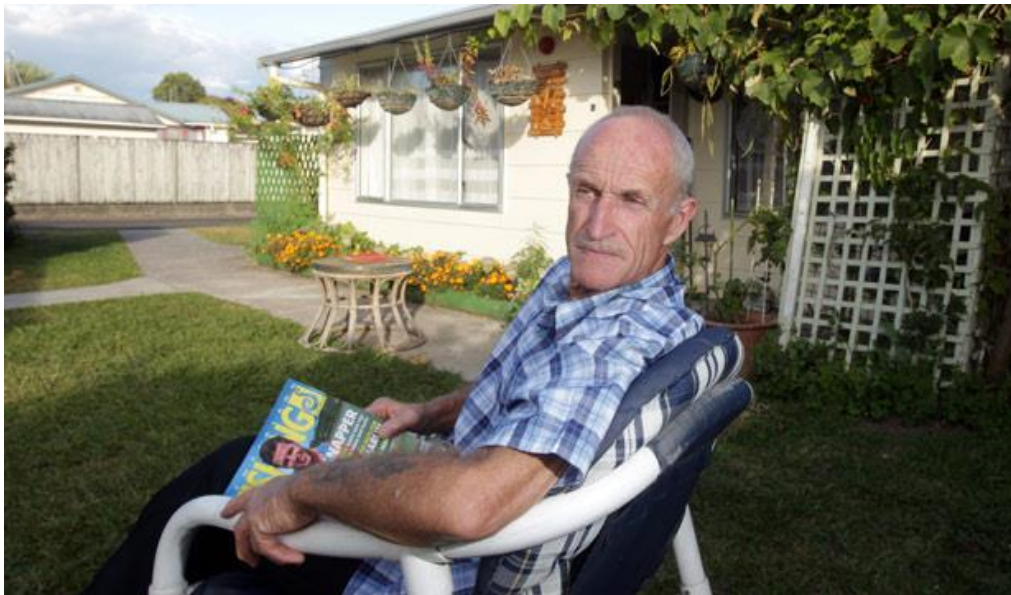
“The Group agrees that the current management model of the Council's housing portfolio is financially unsustainable, and that the Council should consider a review and rethink of the portfolio given the Government policy does not support the Council retaining this service moving forward. The Central Government funding regime, in particular the local pensioner housing authorities ineligibility of the Government's Income-related Rental Subsidy was a contributing factor to the group's position as it relates to divestment. Whether the Council should retain some of the housing portfolio will come down to ascertaining what is in the best interest of our ageing population with limited financial means.”

Hamilton City Council

Hamilton City Council provide a good example of the costs of local authority housing to rate payers. In the 2013/14 financial year, Hamilton City Council received \$1.979 million in income from rent. In the same year it cost the Council \$2.192 million to provide pensioner housing. The remaining \$213,000 came from ratepayers.

Early in 2015 the Council decided that their pensioner housing would be sold to a social housing provider and the 344 homes were purchased by the community housing organisation Accessible Properties. Andrew Wilson, General Manager of Accessible Properties, said that Accessible's ability to access the IRRS as well as their ability to broaden the use of housing for more general social support were key to Council selecting them as a preferred bidder. Access to the IRRS improves housing affordability for future tenants and enables housing provision to be financially sustainable. Accessible intends to modernise and grow the housing available in Hamilton. It takes possession of the housing portfolio on 7 March.

Council will use the proceeds from the sale of these properties to repay the Council's debt (www.hamilton.govt.nz; 16/2/2016).



Peter Drury/Fairfax NZ

Wellington City Council

Wellington City Council provide affordable housing for people with low incomes and special housing needs with over 2,300 rentals. In 2008, the WCC started on a joint 20 year project in partnership with the Crown to upgrade it's largely bedsit and one bedroom housing stock to improve the quality of its housing. Read the article about this upgrade **on the CHA website**. The WCC are looking at instituting a proposed housing WoF for all Wellington rental housing, not just their own. WCC are the only local authority known by CHA to have received direct Crown funding for their upgrades.



2013



2015

Marshall Court,
Miramar

Palmerston North City Council

The Council's 2015 social housing strategy affirms their commitment to supporting council owned housing. Providing 311 subsidised housing units for older people and people on the supported living payment (formerly the Invalid's Benefit) the Council also has around 100 housing units that were previously run as a commercial enterprise. The Council considered four key issues before decisions were made about its housing provision:

- ageing population and changing demand for housing
- quality of the current housing stock
- housing affordability
- unmet social housing need

As a result of this strategy the Council will be extending their housing to: older people on low incomes, people with disabilities, and people on low incomes who experience barriers to accessing affordable and appropriate rental accommodation. Upgrades of housing stock to phase out bedsits and compliance with the proposed housing warrant of fitness (WoF) are also being considered.

Dunedin City Council

The Dunedin City Council's (DCC) 2010 social housing strategy was based on demographic data indicating an increased demand for social housing in Dunedin. At the same time there were outstanding maintenance and upgrade requirements identified in their 950 largely bedsit and one-bed housing stock.

Dunedin has relatively older housing stock. One in five Dunedin dwellings were built prior to 1920. In 2010, DCC reaffirmed their commitment to housing for older people. At that time they allocated \$1million a year for five years for upgrades such as roofing, insulation and ventilation. This has been in addition to a full maintenance programme to improve the overall condition of the stock.

The focus now for DCC is on real-time demand indicating the need to: enlarge bedroom spaces and modernise the existing stock; increase the supply of one and two bedroom homes; and address resident's home operating costs – energy consumption in particular. Dunedin City Council has made this investment in their housing without any direct funding from central Government.

Napier City Council



Napier City Council provide homes to older people and other low-income tenants. There is a commitment to maintain the housing and all houses are fully insulated. The Napier City Council have considered reinvesting in more housing for older people because of projected needs for this group. Waiting lists are up to a year for low-income housing and six months for housing for the elderly. There is a shortage of affordable housing in the Hawkes Bay.

Commentary

This is not an exhaustive list of local authority housing and we know of other examples where negotiations with community housing organisations have begun. Last year the Rangitikei District Council put out a request for expressions of interest for a social housing provider to purchase their housing. And, as we go to print, Horowhenua District Council has announced it is to seek community feedback on a proposal that it no longer provides pensioner housing as a core service.

Because of the specific situations in Christchurch and Auckland we will look at what is happening re affordable housing availability and local authority response, in a future newsletter.

The examples above do provide us with a picture of what is happening around the country. Local authorities are experiencing:

- an ageing housing stock
- changing demographics
- increasing costs to rate payers for housing operating and maintenance costs

Councils are assessing how to ensure essential housing assets remain available to vulnerable residents given the changing landscape. They face an operating environment that does not provide them with the same access to resources available to other organisations serving the same type of residents. Some are staying the course and committing local funds to maintain and upgrade their stock. Other councils are choosing to address these issues by working more closely with community housing organisations.

An opportunity to collaborate

Local council's recognise the need for more affordable housing in their communities addressing not just the changing demand for housing from an aging population, and the changing type of housing, but also the wider unmet housing demand from other low income and vulnerable groups. Many have confirmed their commitment to providing affordable housing in their communities by maintaining and often increasing their supply of housing by seeking opportunities to work in partnership with community housing organisations to meet the shortfall in social housing in their area and to access the IRRS. CHA believes this trend will continue under the current policy environment. Community housing organisations are seen as a safe pair of hands to manage the reconfiguration of the homes to meet modern demands.

Access to the IRRS

The costs of maintaining and operating their portfolios is a common challenge for local authorities. There is a trend beginning for local authorities to move out of housing as it is no longer feasible to charge affordable rents without committing additional ratepayer subsidies. Community housing organisations' ability to receive the IRRS is cited as a primary reason for this change in ownership. At a policy level, introducing the IRRS for all social housing tenants would help level the playing field between CHO's, HNZC and local authority housing.

Housing quality: Leading by example

The illustrations above show that some local authorities are upgrading their housing stock and maintaining it at a much better standard than the average private rental. Furthermore, a number are addressing housing quality issues by looking at the housing WoF as best practice ahead of the inadequate requirements proposed in the Residential Tenancies Act Amendment Bill.

Dr Lucy Telfar-Barnard of He Kainga Oranga/Housing and Health Research Programme, University of Otago comments:

"A number of local authorities are keen to use the Housing WoF as a tool for their own housing but only Wellington and Dunedin City Councils are working towards the Housing WoF being mandatory for all rentals in their area."

Nevil Pierse, also of He Kainga Oranga, comments:

"The Residential Tenancies Act amendments, proposed by the Government, are sadly lacking. The 1978 insulation standards will not keep families warm enough. The housing can still be mouldy, falling apart and a major health risk. Basic needs like a clean working toilet and clean space for preparing and eating food need to be included. So it's great that local councils are taking a broad-based housing WoF on board. They know their houses, and their people, and

are reviewing all the evidence of what is good housing. Other countries have good housing standards like the Decent Homes standard in Britain and the Housing Quality standards in America.”

A final comment

Local authority owned properties were originally funded by Government for the welfare of individual communities. In a country with a housing crisis, as we have, what are the pros and cons of the existing council housing model and what are the pros and cons of local authorities divesting their housing portfolios?

In the 2015 report ‘Details Matter’ (CHA; 2015; p.16) CHA made the following comment on local government housing:

“Based on the age of council housing and the range of rents charged, it is likely that a significant portion of the housing is not sustainable. Because the Income Related Rent Subsidy is not available for council housing they are denied the opportunity to increase cash flow to market levels and sustain their housing assets.

The lack of a level playing field between local government and other social and affordable housing market participants is a market distortion with negative economic and social consequences. The concerns of vulnerable residents about their security of tenure is likely to negatively impact their wellbeing. “

It appears that the concerns raised a year ago in “Details Matter” are being realised. If a level playing field existed where local authorities could also access the IRRS for their tenants would more of these local authorities retain ownership of their housing? For tenants, should it matter whether their home is owned by HNZA, a community housing provider or a local authority for them to receive the benefits of Income Related Rents?

*We’d love your feedback on the points raised in this article. You can link here for further information on **local government housing stock**. Look out for our next article on the Christchurch housing situation.*

References

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