

# Sales of state houses to aid Auckland

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## McCully signals plan to use proceeds from small towns

By Audrey Young

The sale of state houses in areas such as Paeroa, Huntly, Tokoroa, Turangi, Dannevirke and Westport is to gather pace as Housing New Zealand puts more resources into areas of need, like Auckland, the Minister of Housing, Mr McCully, said last night.

He would not confirm the number of sales planned but informed sources say an estimated 15 per cent of Housing New Zealand's rental properties could be sold within three years and the funds used to buy elsewhere.

Another move signalled in a letter from Mr McCully to the Housing New Zealand board about the Government's social objectives is that the Home Buy scheme for tenants might be beefed up to help the sale programme.

Overall, the minister envisages a reduction in the number of properties — it is just over 70,000 at present — because the amount received for properties in low-demand areas would not buy the same number in Auckland, "the main focus for new acquisitions."

Mr McCully said the Government was not in the business of being a landlord for the sake of it, but to meet demand where it actually existed.

"We have already been in the business of selling vacant properties in areas of low demand. We have also been selling properties that are too expensive to be afforded by low-income families. What we are signalling is that the pace will pick up."

It would not happen suddenly, however.

"You don't sell lots of properties really quickly. I am anxious for people to start realising that we are going to look to improve on the quality of what we do. It is not a very secret agenda."

The first preference was to sell to tenants in the Home Buy scheme, in which there have so far been 350 confirmed sales.

The realignment of stock could not have been done while Housing New Zealand was in the transition to market rents. That process was completed on July 1.

Mr McCully also signalled in the letter that the Government would have no problem extending the home lease scheme involving private landlords to 10 years and to broaden it outside Auckland.

At present, Housing New Zealand can take over management of private-sector stock for up to five years. Mr McCully said the 10-year extension was likely to encourage private sector investment in new stock.

The minister makes it clear that he wants to have a greater watchdog role over social objectives as the company enters its new phase. "We feel it is appropriate given the huge stake we have, to be close to it."

The board last week published its statement of corporate intent, projecting a \$45 million loss in the current financial year but a \$72 million profit then \$118 million in the following two years. The board changed its mission statement rejecting a proposal by Mr McCully, as a shareholding minister, that placed greater emphasis on social objectives.

Mr McCully suggested: "To let rental housing to those on low incomes and acquire, hold and divest houses to assist the Crown to meet its social objectives, in a way which maximises shareholder wealth."

The board instead chose: "Maximise the value of the company to the Crown, while contributing to the Crown's social policy objectives of facilitating access to rental housing for those on low incomes."

Mr McCully said he was considering his powers to direct the board but would wait until discussions about the asset management plan. It would then become clear "if sufficient emphasis is on the social criteria that the Government has tried to express."

Mr McCully said there was a "built-in conflict" in housing legislation that required the running of a successful business as well as meeting the social obligations of the Crown. "I don't expect the board to provide the social conscience. I expect the Government to communicate its social aspirations and obligations."