

Somewhere to live

Exploring solutions to the housing
affordability crisis in Aotearoa
New Zealand



A RESEARCH PAPER BY
DR JENNY MCARTHUR

ACKNOWLEDGEMENTS

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Cover image: Classic wooden house and fence, Auckland, New Zealand.
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ABOUT THIS PAPER



This research paper has been developed by Dr Jenny McArthur, a New Zealand researcher based at University College London, in conjunction

with the Helen Clark Foundation. Dr McArthur's research focuses on urban governance and policy, including planning, financing, funding and delivery of urban infrastructure systems. In this paper, Dr McArthur applies this expertise to aspects of the housing affordability crisis currently facing Aotearoa New Zealand, and offers a range of solutions that could help to improve the current situation. Dr McArthur focuses particularly on fiscal policies to improve declining rates of home ownership, and innovative models of housing provision, and advocates for a planned de-escalation of the speculative cycle in order to safely reduce house prices. It is understood that further policy reform to, for example, expand social housing provision, enhance the capacity of the community housing sector, increase the supply of accessible homeownership options, improve conditions for people who rent their home, and improve the equity of housing assistance provision would also help to address the current crisis and could be implemented alongside the measures explored in this paper.

INTRODUCTION

Housing raises fundamental questions of dignity and the right to shelter, the extent to which people should be able to profit from other people's basic needs, and the accumulation of financial risk. Aotearoa New Zealand's current affordability crisis results from systemic economic issues, driven by the dominant treatment of housing as an investment, not a public good. Taxation and financial regulation have created an environment where speculative investment is very profitable for property owners, the real estate sector, and banks. The thirty-year boom in property investment has driven up housing and land prices almost continuously, undermining the economic security of a growing number of households.

Urgent action is needed to address the root causes of these systemic issues. The affordability crisis is a complex problem, involving housing policies, regulation of mortgage finance, the construction sector, state housing provision, cultural behaviours and demographic shifts. There is no quick and easy solution. However, a deliberate and well-coordinated policy response is needed urgently. This paper discusses policies

which aim to improve short- and long-term affordability by disrupting speculative investment and debt accumulation, while boosting alternative forms of housing provision that cater for diverse needs. It makes the case for a package of solutions that could de-escalate the current crisis by safely bringing house prices down to sustainable and affordable levels.

These policies are discussed as a package. Their impact would be felt on different time scales: capital gains tax and debt-to-income limits would improve the affordability of private housing over the medium-to-long term; in the interim, state-led delivery of leasehold housing for management by hapū or community land trusts would boost the supply of genuinely affordable homes. Through the interlocking nature of the solutions advocated, there could be a fairer distribution of benefits and the realisation of the vision of housing as a human right.

Aotearoa New Zealand is in the midst of a severe housing affordability crisis

House prices have grown almost continuously since the early 1990s. For the bottom 20%, average housing costs increased from 29% to 51% of average income since 1988.¹

From 2011, prices have increased rapidly and the median price is now 6.5 times the median income (9 in Auckland).² Rapid price growth began in Auckland and, since 2017, has spread to smaller centres such as Tauranga, Hamilton, and Wellington. From 2014, state housing reforms removed the 'house for life' policy, leaving households who had been renting for 25-30 years to find new homes in a market without sufficient supply of affordable housing.³ Unaffordable housing has profound societal impacts, affecting education, health and social cohesion. Emergency housing providers are currently turning away 80-90% of those who seek assistance⁴, and homelessness increased 15% between 2006-2013.⁵

These issues are particularly resonant in Aotearoa New Zealand because they are

fundamental to the bicultural origin of our modern country. Before colonisation, land formed the economic base for Māori. Land was not held as private property, but instead managed according to kaitiakitanga: guardianship, and stewardship of natural resources.⁶ Around the same time, Scottish economist Adam Smith developed his theory of economic rent, vigorously disputing the way that feudal landlords extracted huge surpluses from property, while suffocating opportunities for workers to get ahead. Later, many early settlers migrated to New Zealand in the hope of escaping this extractive behaviour. Thus, the housing affordability crisis raises fundamental questions about ownership, sovereignty and freedom.

The crisis creates windfall gains for some, at the expense of others

The affordability crisis is not a crisis for everyone: some groups bear significant social costs while others, like property investors or those who purchased when prices were significantly lower, reap significant benefits. A recent investigation

¹ B. Perry. (2017). *Household incomes in New Zealand: Trends in indicators of inequality and hardship 1982 to 2016*. ISBN: 978-0-947513-92-4. Wellington: Ministry of Social Development.

² A. Tindale. (2019). *Just how big is the housing problem?* Retrieved from https://www.planning.org.nz/Attachment?Action=Download&Attachment_id=5492.

³ S. Collins (2014, February 5). State housing shake-up: Lease up on idea of 'house for life'. *New Zealand Herald*. Retrieved from https://www.nzherald.co.nz/nz/news/article.cfm?c_id=1&objectid=11196750; S. Sachdeva (2016, March 18), Nearly 600 state house tenants removed after end of 'house for life' policy, *Stuff.co.nz*, retrieved from <https://www.stuff.co.nz/national/politics/78037587/nearly-600-state-house-tenants-removed-after-end-of-house-for-life-policy>.

⁴ A. Johnson, P. Howden-Chapman & S. Equb. (2018). *A Stocktake of New Zealand's Housing*. New Zealand Government. Retrieved from https://www.nzherald.co.nz/business/news/article.cfm?c_id=3&objectid=12267205

⁵ K. Amore. (2016). *Severe housing deprivation in Aotearoa/New Zealand*. University of Otago, Wellington. Retrieved from <http://www.healthyhousing.org.nz/wp-content/uploads/2016/08/Severe-housing-deprivation-in-Aotearoa-2001-2013-1.pdf>.

⁶ Kawharu, M. (2000). Kaitiakitanga: A Māori anthropological perspective of the Māori socio-environmental ethic of resource management. *The Journal of the Polynesian Society*, 109(4), 349-370.

found that the most prolific property investors ‘flipping’ properties in Auckland held properties an average 46-84 days, realising an average gain of \$55,000-91,000.⁷

The costs are borne disproportionately by Māori and Pacific populations, single-parent households, and younger generations.

The current approach fails Māori

Under a rights-based approach to housing, the needs of Māori are not adequately supported. Article 3 of the Treaty of Waitangi provides for the right to equal citizenship and outcomes, yet successive changes in housing legislation, as well as perceptions by officials and landlords, have discriminated against Māori populations.⁸ This has not yet been sufficiently addressed. Recent statistics show that only 28% of Māori own their homes, compared to 57% of Pākehā.⁹

The current approach fails younger generations

Home ownership for 25-40-year-olds dropped from 46% to 35% between 2001-2013.¹⁰ Combined with the financial burden of student loans, unaffordable housing creates a substantial and sustained impact on younger generations for whom home ownership is out of reach.

The current approach drives up economic inequality

Between 2015 and 2018, the wealthiest 20% of households saw their net worth increase by \$394,000 on average, and, in total, more than everyone else combined. The net worth of the lowest 20% increased by just \$1000.¹¹

Sustained government intervention is needed

The present situation is both socially and economically unsustainable, with severe impacts on health, education, and social cohesion. Additionally, very high levels of household debt can trigger a recession, since indebtedness reallocates a large share of consumer spending to debt repayments and away from spending in the economy. Recent statistics show that the social crisis is already here, and that if prices are not moderated in the near future, the macroeconomic risks will continue to build.

⁷ K. Johnston & K. Ng. (2019, September 14). Property speculators made \$1000 a day during the boom. *New Zealand Herald*. Retrieved from https://www.nzherald.co.nz/business/news/article.cfm?c_id=3&objectid=12267205.

⁸ J. Kake (2019). *Rebuilding the Kāinga*. Wellington: Bridget Williams Books.

⁹ Appendix, chart ‘Home ownership, by ethnicity’

¹⁰ Appendix, chart ‘Home ownership, by age group’

¹¹ Statistics New Zealand (2018). Wealth of top 20 percent rises by \$394,000. Retrieved from <https://www.stats.govt.nz/news/wealth-of-top-20-percent-rises-by-394000>.

Reframing the housing problem

Rather than viewing affordable housing as a privilege, we need to think about it as a human right which New Zealand has failed to uphold. Social housing providers are overwhelmed. Many people have been forced into overcrowded dwellings or homelessness. Recent work by the Independent Māori Statutory Board suggests that in principle, there is alignment between the human right to housing and the rights set out in the Treaty of Waitangi.¹² The inequalities in housing outcomes between Māori and non-Māori populations shows failure under the Article 3 responsibilities of the Treaty, which guarantee equal rights of citizenship.¹³ The universal right to housing must be the guiding principle for housing policy and related financial regulations and taxation.¹⁴ Sustained increases in the cost of housing are not inevitable, nor natural processes. They are the result of a certain set of regulations and policy decisions that we have the power to change.

Image: Classic wooden house and fence, Auckland, New Zealand. Author: Jorge Royan.

¹² IMSB (2019). *Kāinga Strategic Action Plan – Appendix A*. Independent Maori Statutory Board.

¹³ J. Kake (2019). *Rebuilding the Kāinga*. Wellington: Bridget Williams Books.

¹⁴ J. Paul (2019). Forget hope – Auckland needs action, fast. *The Spinoff*. Retrieved from <https://thespinoff.co.nz/partner/the-good-citizen/jacqueline-paul/27-06-2019/forget-hope-auckland-needs-action-fast/>.



HOW DOES THE CURRENT SYSTEM DRIVE UP HOUSE PRICES?

The housing affordability crisis results from systemic issues that have been exacerbated by changes in the global financial system, in the wake of the Global Financial Crisis (GFC). The crisis in New Zealand is often attributed to an under-supply of affordable housing, an abundance of foreign buyers, and insufficient state housing. While these factors are important, this explanation overlooks the primary driver of house price growth: the system of speculative, debt-fuelled investment that treats houses as financial assets, not a public good that should be accessible to all.

It is too simplistic to explain property prices using only the concepts of supply and demand. Land markets are fundamentally different to the idealised market from Economics 101. Many economic models do not capture the role of mortgage debt in boosting purchasing power to bid up prices. With no tax on capital gains, property owners reap large, tax-free windfall gains. Since buyers assume that prices will not fall, they are willing to take on increasing amounts of mortgage debt to pay ever-higher prices, creating a self-fulfilling prophecy. Loose regulation of mortgage lending – buyers in New Zealand are borrowing up to 7.5 times their income, compared to 4.5 in the United Kingdom¹⁵ – has allowed prices to inflate rapidly. As long as mortgage lending outpaces housing supply, and capital gains are untaxed, prices will continue to

rise.¹⁶ Without targeted interventions that disrupt this system, prices cannot be brought down to genuinely affordable levels. The system has made one generation wealthy, but it is unsustainable in the long term.

Most household wealth is held in property

New Zealand has a strong cultural bias towards property investment. Houses are not just places to live; they are also treated as a source of financial wealth creation by many households. Property investment is seen as the route to financial security. Young people are encouraged to ‘get on the property ladder’¹⁷, working their way up from a starter home. An increasing share of household wealth is held in housing.¹⁸ This is problematic in two ways: first, financial capital is mostly channelled into real estate, when it could be invested into genuinely productive activities that generate decent jobs and distribute prosperity fairly. Second, it relies on continuous price growth and untaxed capital gains from property investment. The only way for prices to increase continuously is for buyers to take on ever-higher mortgages, as reflected in the growing level of household mortgage debt. Since the GFC, very low interest rates have reduced the cost of borrowing and households have responded by taking on even more debt.

¹⁵ No more than 15% of new residential mortgage lending can be issued beyond a loan-to-income ratio of 4.5. Source: IMF (2018). *Country report: United Kingdom*. IMF Macroeprudential Policy Survey. Washington, D.C.: International Monetary Fund.

¹⁶ J. Ryan-Collins, T. Lloyd & L. Macfarlane. (2017). *Rethinking the Economics of Land and Housing*. London: Zed Books.

¹⁷ S. Eaqub & S. Eaqub (2015). *Generation Rent: Rethinking New Zealand's Priorities*. Wellington: Bridget Williams Books.

¹⁸ Appendix, chart ‘Household assets, by type’

Most demand comes from investors, not first-home buyers

The current taxation settings and availability of mortgage finance allow investors to borrow to invest in property and receive substantial capital gains. Thus, a large share of the demand for property comes from those who are either professional investors, buying additional properties or climbing the property ladder. This group is highly-leveraged and accounts for 40% of total mortgage debt. Between 2017-2019, the majority of new mortgage lending was issued to this group and not to first-home buyers.¹⁹ Repayment of this debt relies on continuous price growth, which in turn requires even more lending. This cycle is unsustainable.

The crisis arises from local and global drivers

Shifts in global financial markets have contributed to affordability crises in cities all over the world. Low interest rates reduce the cost of servicing debt, enabling investors to borrow more for the same servicing cost. As long as the expansion of mortgage lending outpaces housing supply, prices will increase. Investors with a reasonable amount of equity can use this to leverage more mortgage debt, pushing up prices even further.²⁰ This also creates wider macro-

economic risks, as households take on increasing levels of mortgage debt to participate in the housing market.

The system does not support the needs of Māori

In the last 25 years, home ownership has fallen faster for Māori than for the non-Māori population. Since 1986 home ownership is down 20 per cent for Māori, compared with 15.3 per cent for the total population. The falls in home ownership did not just occur in our largest cities. For Māori, falls were close to 40 per cent in the Whangārei, Southern Auckland, Tauranga, Rotorua, and Hastings urban areas.²¹

Recently, expert commentators have noted that the housing system in New Zealand does not provide adequate support for alternative housing types, particularly papakāinga and development on Māori land. While around 5% of the land in New Zealand is owned by Māori, there is a range of barriers to developing housing on that land. In *Rebuilding the Kāinga*, Jade Kake outlines a number of obstacles, including:

- Financial barriers – Targeted Kāinga Whenua loans, aimed at enabling housing development on Māori land, already exist. Uptake of these loans, however, is low due to low Māori incomes, challenges in obtaining consent from owners, and poor credit history.

¹⁹ Appendix, chart 'Total borrowing, by debt-to-income ratio'

²⁰ J. Tookey. (2017). *The Mess We're In: Auckland's Housing Bubble from a Construction Sector Perspective*. Auckland: Policy Observatory.

²¹ Statistics New Zealand, 2016. http://m.stats.govt.nz/browse_for_stats/people_and_communities/housing/maori-and-pacific-mr Accessed 2 December 2019

- Affordability – a government subsidy of 50-90% is generally required to ensure viability of developments on Māori land, to fund new infrastructure development, consenting costs and technical support.
- Physical access and governance – since a large number of Māori land blocks have been subdivided or amalgamated, many blocks do not have legal access nor formal governance arrangements.

Why policies have not succeeded so far

Since 2013, policies aimed at improving affordability have had limited success. Solutions such as Special Housing Areas and Kiwibuild have treated the housing problem as an issue of supply and demand, and sought to increase the supply of land and housing in order to reduce prices. This overlooks the speculative nature of housing investment, and the dominance of investors – not owner-occupiers - in bidding up prices.

Policies to curb speculation, including the bright-line test and foreign buyer ban, have not sufficiently addressed the problem of the local investors who are actively bidding up prices. Loan-to-value (LTV) ratio restrictions, implemented in 2013, restricted mortgage borrowing and had a small moderating effect on house price growth.²² However, LTV restrictions are less effective when prices are rising, because price growth effectively relaxes the constraint for investors who can borrow more against their equity.

The pipeline of state housing construction has increased substantially under the current Labour-led Government. Yet, the rapid increase in the state housing waiting list and in requests to emergency providers show that this state housing alone cannot respond to current needs. Without sustained government intervention to de-escalate the speculative cycle and safely bring down house prices, the affordability crisis will continue to blight the lives of future generations.

²² Armstrong, J., Skilling, H. & Yao, F. (2019). Loan-to-value ratio restrictions and house prices: Micro evidence from New Zealand. *Journal of Housing Economics* 44, 88-98.

To address the current crisis and disrupt the speculative cycle, policy solutions should steer two transitions in the systems of housing provision, financing and investment.

- Adjusting taxation and mortgage regulations that facilitate high, untaxed profits from speculative housing investment.
- Diversify the way that we deliver and manage housing, to deliver genuinely affordable housing that caters to low-income and key worker populations, and the needs of Māori.

Disrupting the speculative investment cycle

- **Capital gains tax (CGT):** the introduction of a CGT has been recommended by successive tax working groups, with the effect of taxing property (leaving the primary residence exempt) in line with other financial investments. While both major political parties have previously ruled out implementing a CGT, it is the view of this author that this policy must be brought back onto the agenda if we are to meaningfully address the affordability crisis.
- **Debt-to-income limits:** limits to mortgage lending for high-income households would moderate the self-reinforcing cycle between mortgage lending and house prices. Recent data shows that only a small proportion of

mortgage debt is lent to first-home buyers.²³

There are also large volumes of debt enabling high-income households to buy additional properties, bidding up prices. As long as the supply of mortgage debt outpaces the supply of homes, prices will continue to increase. Limiting the expansion of debt is key to slowing down house price growth.

- **Refinancing:** a progressive refinancing scheme could reduce household debt burdens for the primary home, to mitigate the risk of negative equity resulting from changes to taxation and mortgage lending.

Alternative housing provision to meet diverse needs

- **Māori housing:** targeted funding, finance and capacity development should be introduced for papakāinga development. The government could work with iwi, Māori housing providers, and the finance sector to pursue innovative financing alternatives which would improve access to finance to build on Māori land.
- **Integrate housing into urban planning:** urban planning should project demand for affordable housing within growth plans, identifying where the market cannot provide affordable supply and specific areas for housing expansion. Housing could be delivered directly by Urban Development Authorities (UDAs).²⁴ Housing

²³ Appendix, chart 'Total borrowing, by debt-to-income ratio'

²⁴ The current Labour-led Government has recently established Kāinga Ora with the intention that it will be an Urban Development Authority, and that the Urban Development Bill intended to provide Kāinga Ora with the relevant tools to enable urban development is, at the time of writing, at the select committee stage in Parliament. It is not yet certain that Kāinga Ora will be empowered to act in the manner that this research paper recommends for UDAs), however it is at least a step in the right direction.

delivered by Urban Development Authorities could be transferred to hapū or community land trusts, which would retain ownership of land and sell permanently affordable leasehold properties, with targeted provision for Māori, low-income and key-worker populations. Leasehold properties, provided on a secure

long-term basis, allow genuinely affordable prices to be offered because buyers do not carry the cost of the land. UDAs can acquire land through compulsory purchase, or use existing public land, integrating their developments with the growth planning undertaken by local authorities.



Image: A high-density (state housing) apartment block in the Auckland CBD, Auckland City, New Zealand. Looking west from Greys Avenue. Author: Ingolfson.

How quickly would affordability improve for those who are shut out of the market?

The introduction of a CGT and debt-to-income limits would reduce prices over the medium to long-term. The policies advocated here aim to guide prices down by tapering the debt-to-income ratio, to avoid inducing a shock to the financial system. In the interim, housing delivered by Urban Development Authorities and transferred to hapū and community land trusts for sale as leasehold properties would provide genuinely affordable housing, with targeted provision for Māori, low income and key worker populations.

How would these policies address poor housing outcomes for Māori?

The proposed policies include targeted allocations for Māori to rent or buy affordable leasehold properties in urban areas, with prices linked to incomes and not market prices. The proposals also direct the government to work together with iwi, Māori housing providers and the finance sector to pursue innovative financing alternatives to improve access to finance to build on Māori land.

Why provide refinancing for households who already own their own home?

The primary purpose of refinancing is twofold. First, to reduce the amount of household debt in the economy, which creates a significant risk of triggering a recession. Second, it reduces the risk of households falling into negative equity when other policy instruments bring down house prices.

This requires coupled policy interventions: the government allows households to refinance their family home, transferring a proportion of their mortgage debt to a zero-interest loan from a new government-backed entity and substantially reducing the overall interest payments.²⁵ The new entity then securitises the pool of zero-interest loans to allow commercial banks to buy the debt and recover principal repayments through the securities purchased. Since the introduction of a CGT and of debt-to-income ratios would reduce property prices, such debt relief should not be seen as a handout, but rather as a buffer for households at high risk of negative equity. The scheme would target lower-income households. Overall, the deflation of the bubble is heavily redistributive – capturing a substantial proportion of the inflated property values, and using that to reduce debt burdens for lower-income households and expand affordable housing provision, while prices are brought back down to affordable levels.

²⁵ J. Montgomerie (2019). *Should We Abolish Household Debts?* London: Polity Press.

Refinancing policies are often introduced after a financial crisis hits, to help households remain solvent and avoid foreclosure. In 2009, the US government introduced the Home Affordable Refinancing Program (HARP), offering refinancing at reduced interest rates to high-risk households. Research shows that this reduced households' annual debt service burden and reduced foreclosure rates.²⁶ This paper proposes refinancing as a pre-emptive measure, to reduce the level of private debt in the economy, as well as the debt burden for individual households to mitigate the impact of falling housing prices on existing homeowners.

How does this change the government's role in housing provision?

The proposed policies give the government direct control over provision of housing through Urban Development Authorities. Instead of relying heavily on the market to deliver affordable housing to meet diverse needs, the government can plan and directly deliver housing to keep up with demand. To do this, substantial capacity development is needed so that technical expertise, planning and delivery are retained in-house, to reduce reliance on outsourcing.

What about retirees?

Residential property is a significant source of financial wealth for many retirees, who rely on downsizing their primary home to contribute to retirement savings.²⁷ The primary residence is exempt from the proposed CGT, ensuring that retirees will be able to recover the value of their home without a significant penalty. Over the medium term, however, the general reduction in price level would mean that retirees would not receive windfall gains from inflation at the same rate as recent years.

²⁶ S. Agarwal, G. Amromin, S. Chomsisengphet, T. Landvoigt, T. Piskorski, A. Seru & V. Yao (2015). *Mortgage refinancing, consumer spending and competition: Evidence from the Home Affordable Refinancing Program*. NBER Working Paper 21512.

²⁷ J. Noviarini, A. Coleman, H. Roberts & R.H. Whiting (2019). Housing liquidation and financial adequacy of retirees in New Zealand. *Housing Studies* 34(9), 1543-1580.

Papakāinga development

Papakāinga are housing developments on Maori land, supporting collective forms of living with multiple homes on shared land.

Case Study 1: Mangatawa Papakāinga, Bay of Plenty

The Mangatawa Papakāinga has grown from four homes in 1987, to 36 homes in 2019, with seven more dwellings planned. The vision is to support community needs and Māori to get into their own homes, on their own whenua (land). The papakāinga provides housing for single occupants, families, and kaumātua (65+), at affordable prices.

This includes a mix of tenure types: kaumātua units, rental and homeownership under License to Occupy. The land is owned by a Māori incorporation, and housing is developed for shareholders or their beneficiaries. The construction of housing involves partnerships with local training institutions to provide social outcomes, including employment and training opportunities. The papakāinga operates in partnership with Housing New Zealand (now part of Kāinga Ora), which provides grant funding and long-term finance.

Mangatawa Papakāinga has drawn from a range of grants and financing mechanisms since 1987, as government support and financial mechanisms evolved. There remain a number of challenges to develop papakāinga, including access to finance and meeting building and planning consent requirements.²⁸

Integrated transport and housing delivery

This discussion paper proposes direct provision of housing through UDAs, by integrating housing delivery with growth management and transport investment.

At present, local authorities plan for growth based on population projections, rezoning land to enable development across greenfield and brownfield areas. While growth planning determines public investment into transport infrastructure, there is limited capacity for direct delivery of housing to keep up with growth. A significantly stronger role for UDAs can ensure that the supply of housing is sufficient to keep up with growth, building capacity within government to design and deliver affordable housing. UDA-led development can also integrate with growth management by targeting areas close to public transport and amenities.

²⁸ Kake, J. (2019). *Rebuilding the Kāinga*. Wellington: Bridget Williams Books.

Case study 2: Greater London

While house prices in London are amongst the highest in the world, one strength of the planning approach is the integration of transport and housing delivery. Greater London has ambitious targets to reduce car use and no expansion beyond the existing urban boundary, so housing must be targeted along transit corridors with upgrades planned.

The London Plan process projects future population growth and identifies a series of corridors based on land capacity and planned infrastructure investment. Along each corridor,

housing estimates are determined, based on development capacity, to set delivery targets for respective Borough Councils. Borough Councils work in partnership with private developers to negotiate infrastructure contributions and the share of affordable and market-rate homes. While this approach successfully intensifies housing along transit corridors, close to existing amenities, stronger regulation would be required to deliver homes that are both well-located and affordable for local needs.

WHAT COULD THESE POLICIES MEAN FOR DIFFERENT HOUSEHOLDS?

Low-income or key-worker household in urban area

- Access to long-term, affordable leasehold property delivered by UDAs
- Not restricted by debt-to-income limits on mortgage borrowing

Māori seeking to live on Māori land

- More financial support and capacity-building for papakāinga development

Young individuals or couples, currently renting and shut out of the market

- Access to long-term, affordable leasehold property delivered by UDAs
- Market prices fall over medium-long term

Māori household in urban area

- Access to long-term, affordable leasehold property managed by hapū

Young individuals or couples, owning with large mortgage

- Immediate refinancing to reduce long-term debt burden
- Property prices will reduce over medium term, reducing the resale price of owners' current property but also lowering market prices overall

Baby boomers, owning property and near retirement

- Can sell primary home without incurring capital gains tax, likely at a price below current market prices
- Opportunity to access a reverse mortgage on retirement property

CONCLUSION

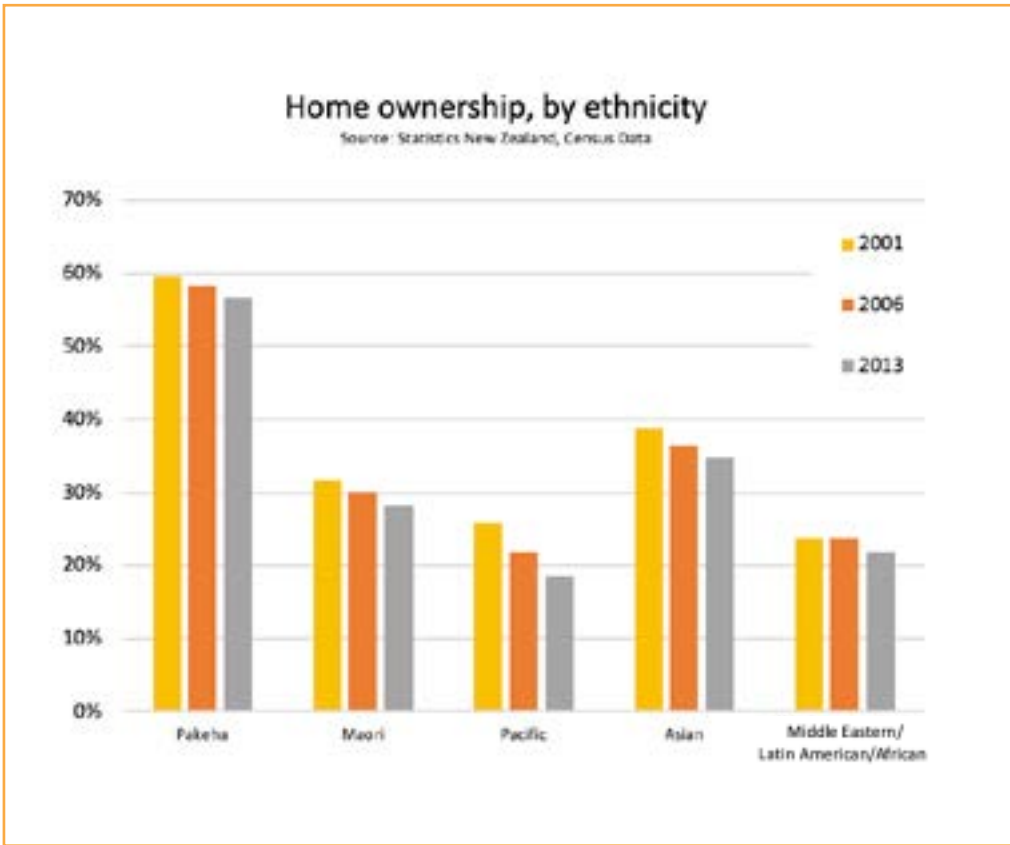
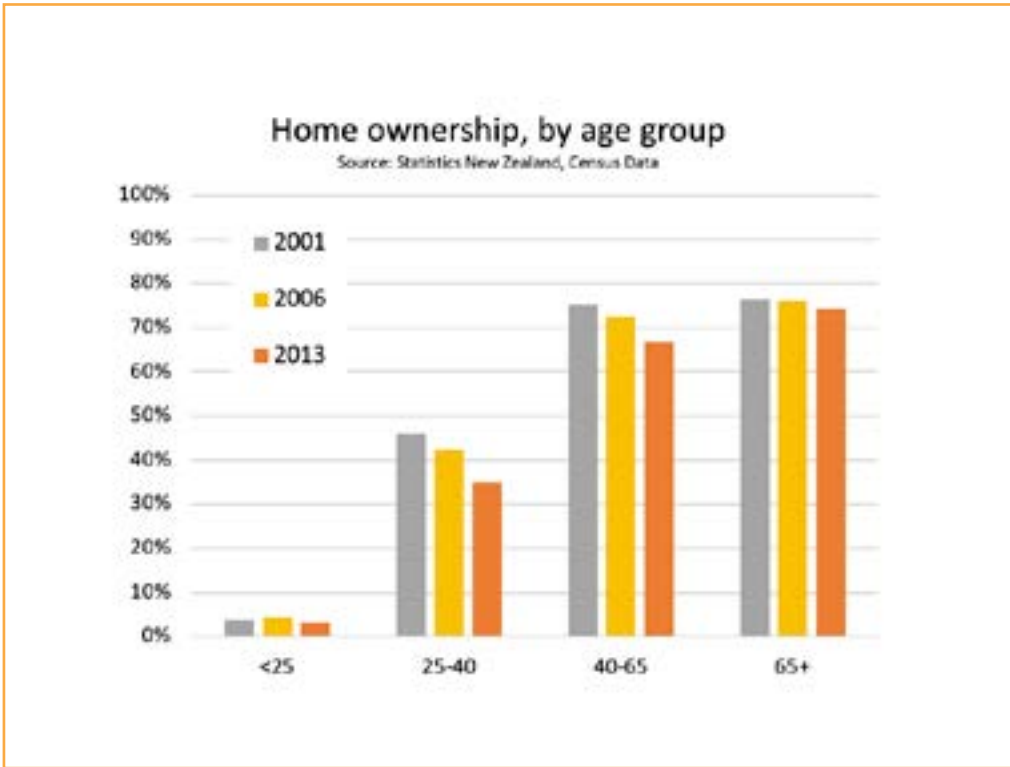
Aotearoa New Zealand's current housing and land affordability crisis is the result of an economic system which enables and encourages speculative investment at the cost of providing for people's basic needs. The crisis is having a devastating impact on socio-economic wellbeing as it drives up rates of homelessness and economic insecurity. That impact is harshly felt among Aotearoa New Zealand's most at-risk groups, including young people and Māori. There is no reason why the current crisis should be seen as normal or unavoidable.

There are ways to regulate the level of mortgage lending, to reduce incentives for speculation, to scale up government-led delivery, and to ensure that housing is managed in the interests of people. House prices can be brought down safely and sustainably, and the prospects of a damaging burst to the bubble can be avoided.

The proposals in this paper show that we do not simply have to accept ever-increasing house prices in Aotearoa New Zealand. By de-escalating the speculative cycle, we can improve housing affordability, ease the crisis, and open up a new future for all of us.

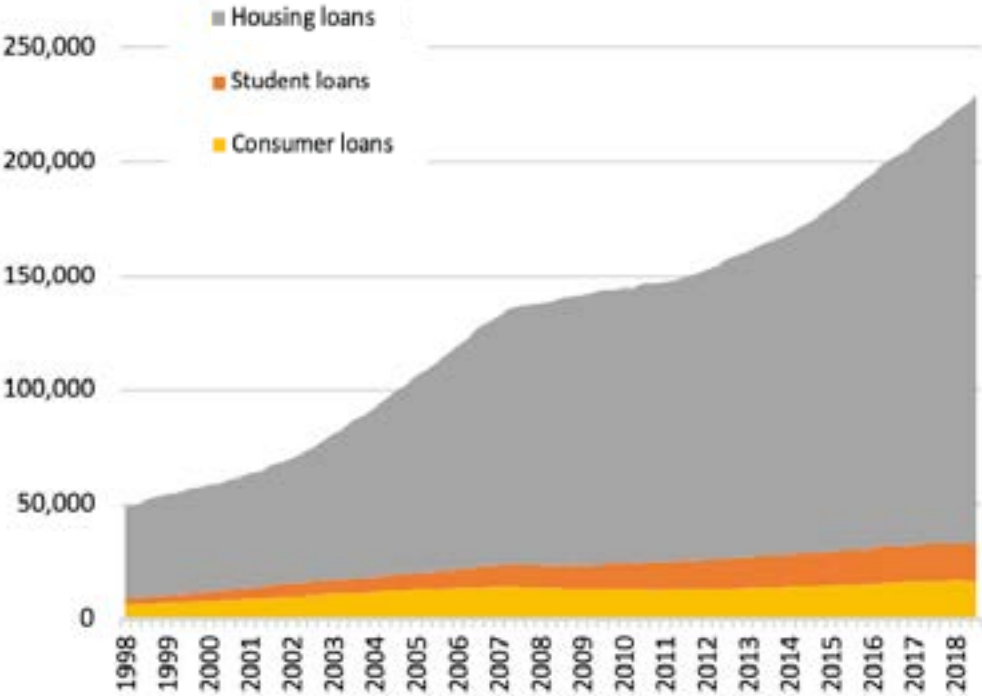
Image: Oriental Bay, Wellington, New Zealand. Creative Commons Zero - CC0





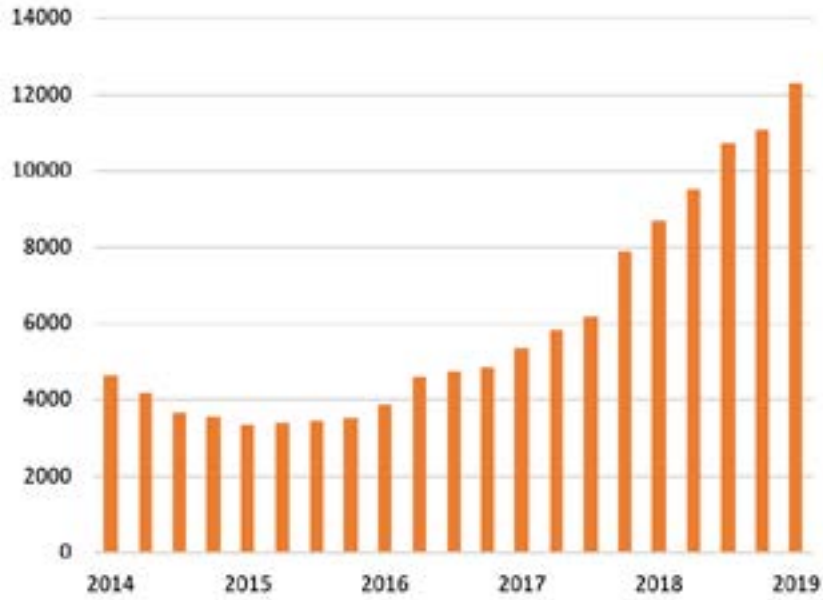
Household debt, by type

Source: Reserve Bank of New Zealand



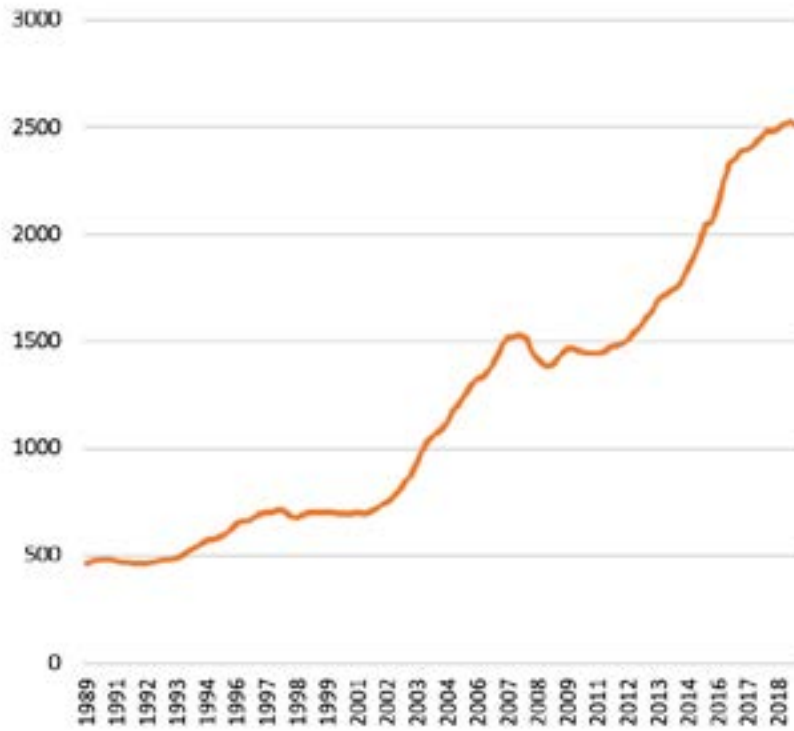
Emergency Housing Waiting List

Source: Housing New Zealand Corporation



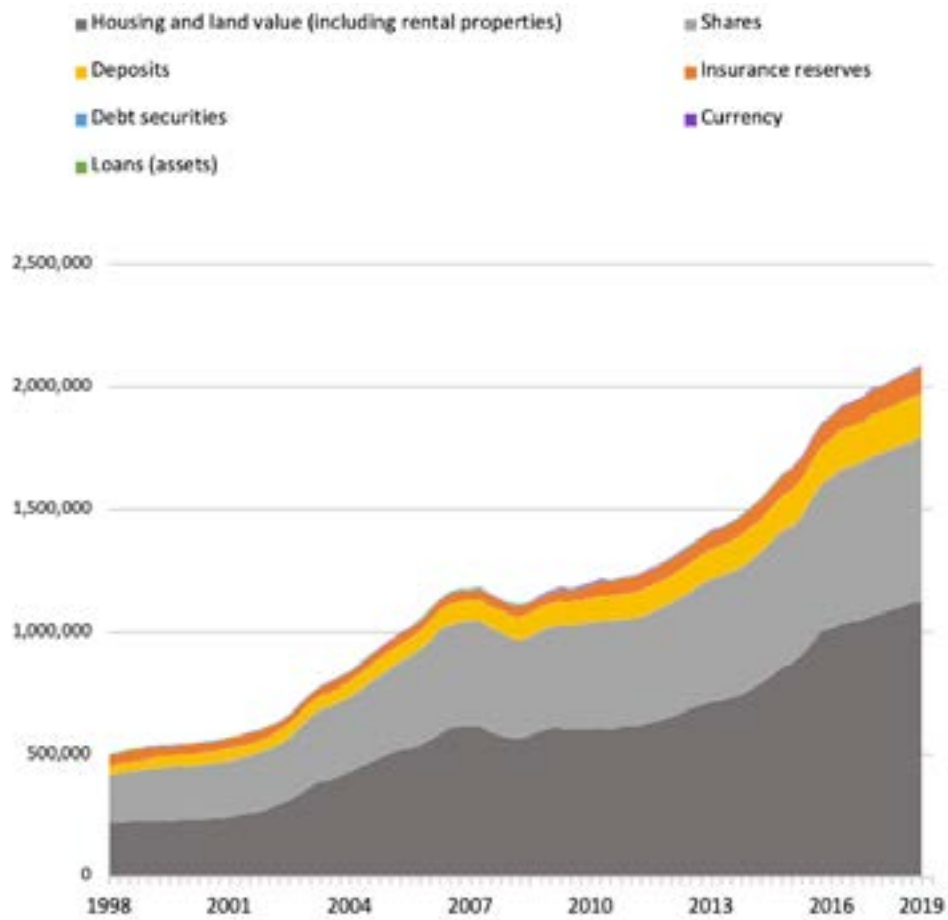
Real House Price Index

Source: Reserve Bank of New Zealand



Household assets, by type \$m

Source: Reserve Bank of New Zealand



Total borrowing, by debt-to-income ratio (\$ million, June 2017 - June 2019)

Source: Reserve Bank of New Zealand



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