

External Research Report ER81 [2023]



Enablers and barriers impacting on the development of affordable alternative housing tenures in New Zealand

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Project LR15601

Livingston and Associates Ltd, funded by the Building Research Levy





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RESEARCH REPORT

**Enablers and barriers impacting on the development of
affordable alternative housing tenures in New Zealand**

**Prepared for BRANZ
Funded by: The Building Research Levy**

June 2023

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1. Executive summary

1.1 Introduction

“Housing is fundamental to our economic and social wellbeing and plays a central role in individual and community health outcomes, family stability, and social cohesion. A responsive housing market facilitates labour market mobility, allowing people to move to take up job opportunities and enhancing the productivity of the economy.”¹ Unfortunately, housing markets around the world, including in New Zealand, have struggled to provide adequate, good quality affordable housing with long term security of tenure to meet their populations’ needs. New Zealand is a signatory to a number of United Nations conventions that state households’ ability to access good quality housing at an affordable price is considered as a human right. Some housing markets have responded to pressures within their housing systems to provide a range of alternative tenure structures and these responses have varied between countries.

Traditionally, home ownership and the stability it provides has been associated with a range of positive educational, health and social outcomes. A key challenge for government housing policy is how, in the context of falling rates of owner occupation and a growing intermediate housing² market, with growing numbers of life-long renters, these benefits might also be secured by those unable for reasons of affordability to secure home ownership. Renters, particularly those on fixed incomes, are vulnerable to growth in market rents and this results in high levels of renter financial housing stress³. Affordable alternative housing tenure models are one potential strategy which could help reduce the impact of declining housing affordability trends.

This research builds on and complements current⁴, and previous research funded by the Building Research Levy⁵ and investigates the opportunity to operationalise various affordable alternative housing tenure models in a New Zealand context. A number of different models have been used in New Zealand and overseas. These include rent to buy, community land trusts, rental and limited equity cooperatives, co-ownership and shared equity models and hybrid combinations of the different models.

¹ New Zealand Productivity Commission (2015) Using land for housing. Page 1.

² The intermediate housing market refers to those private renter households with at least one member in paid employment who are unable to affordably buy a dwelling at the lower quartile dwell sale price.

³ Renter financial housing stress refers to those households paying more than 30% of their gross household income in rent.

⁴ The initial findings and recommendations of a BRANZ study on the rental trap suggest that serious consideration ought to be given to making alternative tenure models as a mechanism to increase eventual owner-occupier rates for a growing cohort of low to medium-income households. Publication due June 2023.

⁵ Livingston and Associates Ltd (2018) “*Alternative Tenure Models and their Potential Applicability in a New Zealand Context*”, a report completed for BRANZ with support from the Building Research Levy.



This research examines the interrelationships between different elements of the housing and related systems and how these impact on the potential for affordable alternative housing tenure models to support the provision of affordable housing. The project's research team includes Ian Mitchell (Livingston and Associates Ltd), Chris Glaudel (Community Housing Solutions), Dr James Berghan (Otago University) and Dr Daniel du Plessis (BRANZ).

The research encompasses a number of stages including modelling housing outcomes to identify the level of need for alternative tenures, a rapid review of overseas literature examining affordable alternative housing tenure enablers and barriers, interviews with key stakeholders, a systems based analysis of New Zealand's enablers and barriers to affordable alternative housing tenures, and a discussion of the implications of our findings in a policy and housing market context.

Special thanks goes to all of the people and organisations who participated in the research, including our research advisory group members, the industry survey interviewees, and especially BRANZ for funding the research and providing advice as appropriate.



1.2 Housing outcomes

Over the last three decades housing costs have increased faster than household incomes reducing housing affordability for both private renters and potential first home buyers. In particular,

- The number of renters unable to affordably⁶ buy a dwelling at the lower quartile house price has increased by 36% between 2018 and 2022 or from 213,400 households (in 2018) to 289,300 households (in 2022);
- The number of renters who cannot affordably rent, particularly those earning less than 80% of the regional median household income, has increased with 42% (227,200) of renters paying more than 30% of their household income in rent and 17% (90,100 households) paying more than 50% of their income in rent;
- Renter households on lower incomes have poor housing outcomes with 36% of households earning less than 80% of the regional median household income paying more than 50% of their income in rent;
- Renter affordability is poorest in larger centres with the exception of Wellington where higher incomes offset higher rent; and
- Household income relative to housing costs is the key issue with an over representation of Māori and Pasifika households in the need statistics.

Affordable alternative tenure models, used to a limited extent in New Zealand and more commonly overseas, offer the opportunity to improve access to good quality affordable housing.

1.3 Industry interviews

The industry interviews investigated the barriers and enablers impacting on providers offering affordable alternative tenure models in New Zealand, how they operate within the housing and related systems to provide affordable housing and their ability to operate at scale⁷. Semi-structured interviews⁸ were used with sector participants to identify and collect information on affordable alternative tenure models already in use domestically. The interview responses are broadly consistent with the experiences of organisations identified in our overseas rapid literature review.

The interviews included affordable housing providers interested in alternative tenures, iwi groups offering or developing alternative tenure models, financiers and equity investors, property sector participants and their advisors, and local and central government representatives. A total of 30 interviews were conducted which included 17 affordable housing providers and iwi groups, and 13 financiers and equity providers, property market participants, their advisors, and local and central government organisations.

⁶ Housing costs are assumed to be affordable if households spend no more than 30% of their gross household income in rent.

⁷The research process associated with the industry interviews received approval from the New Zealand Ethics Committee as meeting the appropriate standards for social research in Aotearoa New Zealand – NZEC Application 2022_27

⁸ A copy of the survey instrument is included in Appendix 2.



The semi-structured interviews suggest there are a number of system based issues impacting on the ability of affordable alternative housing tenure models to grow. These traverse a wide range of areas with the key themes in the responses identifying:

- New Zealand currently lacks a consistent, focused appropriately funded national housing policy with clear and measurable goals. This is seen as a barrier by potential affordable alternative tenure providers. The housing market has longer time frames than the three year electoral cycle and policies that change with each successive government hinder the development of a well-functioning housing market with appropriate tenures catering across the full spectrum of housing need;
- The economic viability of affordable alternative housing tenure developments is such they require some form of subsidy. Access to development sites at values reflecting the intended social outcomes and/or low cost long term patient capital is essential if the sector is to grow to scale;
- Access to finance and low cost equity is also a major constraint within the sector. Finance mechanisms which are beyond the scope of changing government policy (like inclusionary housing) could be advantageous. The absence of long term sustainable low cost capital is considered a barrier to growth. In addition, the “on” “off” and “on” again nature of government funding and grants hinders providers’ ability to grow to scale;
- Housing system participants’ knowledge of affordable alternative housing tenures is limited. The sector lacks a peak body to champion affordable alternative tenures and assist in preparing best practice guides and standardised tenure documentation. A peak body could also promote alternative housing tenures, increase communities’, their advisors’ and financiers’ knowledge about them, assist with the development of industry toolkits about how to undertake alternative tenure developments, and drive the standardisation of market acceptable legal structures and documentation (including the unique challenges and opportunities facing Māori collectives);
- Local government and their policies and regulations can either hinder or enable alternative tenures. Some see housing affordability as a central government issue and want nothing to do with the sector. Others such as Queenstown Lakes District Council have been innovative in supporting a housing trust and Christchurch City Council has also been supportive to a number of providers;
- A lack of standardised documentation for the different types of alternative tenures also adds to the lack of market knowledge. Banks in particular are keen on tenure document standardisation as this reduces the time involved in internal sign offs from legal and risk management teams;
- Māori collectives face institutional racism across the housing sector, having to work against a systemic way of being and having to “squeeze our unique selves into square holes” set by high-level policies and frameworks;
- Building a home on general land is complex, and even more complex on multiply owned Māori land. Navigating the many organisations and agencies involved can be challenging and time-consuming. More sharing of successful, standardised structures and processes through a centralised space could help Māori organisations who are feeling like they are having to ‘reinvent the wheel’ all the time;



- Successful Māori housing developments have the potential not to just house Māori, but to support wider aspects of wellbeing and whānau ora by building financial literacy, empowering whānau, and supporting connection (or reconnection) to the land and to aspects of their culture. The focus is much broader than on just building houses;
- The most appropriate tenure model is not always clear from the outset, and is often not known until collectives know the whānau and households that they are working with. Affordability for the whānau determines the model used; and
- Māori-specific, place-based approaches are needed to ensure Māori are not marginalised further where 'mainstream' tenure models fail to account for the differences in Māori household incomes and the challenges facing different iwi across different rohe.



1.4 Housing system analysis of factors that enable or limit the growth of alternative tenure models

Affordable alternative housing tenures have improved the outcome for a small number of households in New Zealand over the last two decades. The ability of this sector of the housing system to grow to scale is limited by a number of system wide barriers. Our analysis of the wider systems impacting on the ability of affordable alternative housing tenures to grow focuses at four interdependent system wide levels:

- Sociohistorical barriers and enablers;
- Governmental barriers and enablers;
- Industry and organisational barriers and enablers; and
- Barriers and enablers at the household or end-user level.

It is important to note that the above segmentation of the housing system is specific to the alternative tenure component of the much larger and complex housing system or ‘ecosystem’.

1.4.1 Sociohistorical barriers and enablers

Sociohistorical level barriers and enablers reflect the historical, social, and cultural context or environment that gave rise to the current housing landscape. They identify aspects of these formative factors as the primary barriers and enablers of alternative housing tenure models:

- Tangata whenua and te Tiriti o Waitangi / the Treaty of Waitangi;
- The social norms and values regarding housing in New Zealand; and
- The economic development framework underpinning housing policy in New Zealand.

Tangata whenua and Te Tiriti o Waitangi / the Treaty of Waitangi

Dominant colonial perspectives of housing and property have tended to prioritise individualised, commodified relationships to housing and land. Many of the systemic barriers identified at the governmental, industry, organisational and household levels such as those relating to an enabling legislative framework, access to capital and finance, institutional racism, the role of relationships and household affordability are directly related to the lack of consideration of the foundational role of the Treaty and the need to consider Māori interests in the housing context to ensure Māori communities have access to housing options that reflect their cultural identity and cultural values.



A new approach to enabling housing by, for, and with Māori is already underway. A Māori and Iwi Housing Innovation (MAIHI) Framework for Action is being implemented by the dedicated Māori Housing Unit, Te Kāhui Kāinga Ora, within the Ministry of Housing and Urban Development (HUD). The MAIHI Ka Ora – National Māori Housing Strategy and the MAIHI Ka Ora Implementation Plan provide the necessary strategic direction to guide action. Beyond the framework and strategy, the four year \$730 million investment in the Whai Kāinga Whai Oranga funding programme is a step change in the level of investment for Māori by Māori housing. This new approach explicitly embeds identifying and changing the housing system, but a continued commitment to the approach and on-going funding will be necessary to deliver the required system change in Māori housing.

Social norms and values regarding housing

A strong social preference for fee simple title owner occupation exists in New Zealand. It has been the dominant tenure and focus of government policy for generations. As many forms of affordable alternative tenure models do not offer full fee simple ownership, they are seen as inferior forms of tenure. Strong cultural signals about the importance of home ownership in retirement are regularly repeated in the media and advertisements, which contribute to perceptions of affordable alternative tenures as a risk.

The social norms and values embedded in New Zealand culture and permeating our approach to housing are also showing signs of change. The traditional idealised notion of a ‘home on a quarter acre section’ is increasingly under pressure from multiple sides. Trends impacting on the preference for fee simple title homeownership include affordability challenges; climate change; cost of infrastructure; trends toward living in cities; and broader acceptance of denser housing and unit title developments. While tax policy continues to favour investment in homes, the tide seems to be slowly moving to change the view of homes as an investment opportunity, to a place to live and raise a family in a community. Concerns about the rising number of people paying rent or a mortgage entering retirement. The cumulative force of these trends may cause a shift in social norms and values which reduce barriers to alternative housing tenure models.

The economic development framework underpinning housing policy in New Zealand

New Zealand’s economic development framework underpins housing policy in New Zealand and can both enable and limit the growth in affordable alternative housing tenure models. New Zealand and other western liberal democracies adopted what is termed the “neoliberal” approach to economic growth and development in the late 1980s and early 1990s. Since the adoption of this framework, New Zealand has witnessed a continuing decline in the rate of owner occupation and a sharp increase in rental stress. The decline in housing affordability has increased interest in affordable alternative housing tenure models as a means to provide a growing proportion of the population with options to achieve owner occupier like housing outcomes.



New Zealand's economic development framework also shows signals of a change in thinking. The Government Policy Statement on Housing and Urban Development identifies outcomes of: thriving and resilient communities; wellbeing through housing; Māori housing through partnership; and an adaptive and responsive system. The last National-led Government recognised that some households are not well supported through government programmes and experimented with a social investment approach. The current Labour-led Government has adopted a wellbeing approach. These trends signal a reframing of economic thinking to value outcomes that go beyond a narrow fiscal cost/benefit economic analysis to encompass social and cultural benefits.

1.4.2 Governmental barriers and enablers

Governmental level barriers and enablers capture those aspects of the housing system set by central government that impact on the development of a sustainable market for affordable alternative housing tenure models. This includes housing policy, resource planning, taxation and the domestic legal and financial framework that are implemented through the institutions of government. From a systems perspective, housing policy, the legal and tax treatment of wealth accrued via capital gains, land use planning, local governance and the institutional requirements associated with access to finance and the banking sector all serve to reinforce and perpetuate a social preference for full fee simple ownership.

Looking across the barriers at the governmental level, three recurring themes emerge:

- The lack of an enduring and holistic approach to housing that has bipartisan support to deliver better housing outcomes across New Zealand;
- The lack of an enabling legislative and legal framework to support the growth of affordable alternative housing tenure models; and
- The absence of an investment framework to facilitate the development and growth of the industry. Affordable alternative housing tenure developments require some form of subsidy without which they are typically uneconomic. Consequently, a sustainable government led investment framework is essential if the sector is to grow to scale.

Central government is the most influential actor in the housing system. From a systems perspective, there are policy, legislative, and fiscal responses are required to ensure equitable outcomes in the housing market are achieved. Based on our analysis, we identified these foundational requirements at the governmental level:

- A National Housing Act;
- An enabling legislative framework; and
- An investment framework.



As a package, these set the foundation for a coordinated and strategic approach to enable affordable alternative housing tenure models. The proposed National Housing Act will provide a clear end goal for other legislation and all stakeholders. The legislative and investment frameworks will address the legal and fiscal barriers currently limiting alternative tenures. Identified enablers include:

- Establishing effective systems for estimating housing needs and demand, and the consequential resources required for new supply and improving existing stock;
- Identifying the roles of central and local government and conferring appropriate powers and resources to fulfil those roles;
- Identifying the roles of other stakeholders including private developers, community housing providers including iwi and Māori organisations, private capital and philanthropists;
- Identifying the range of fiscal and other tools government will utilise or support others to utilise to meet housing goals;
- Adopting legislation which: removes existing planning and zoning constraints; provides access to finance on whenua Māori; enables value capture and inclusionary housing; codifies cooperative housing as a distinct tenure; and broadens the ability of registered charities to end rather than simply ameliorate the harshest impacts of poverty through alternative tenure models;
- Providing sustainable, consistent and coordinated access to debt and equity to address the financial viability constraints of affordable alternative tenure models;
- Making permanent for Māori the types of infrastructure and housing funding currently delivered through Whai Kāinga Whai Oranga; and
- Describing the length of government's commitment to provide various types of support to programmes and how its approach may evolve over time as key milestones are achieved.



1.4.3 Industry and organisational barriers and enablers

Industry and organisational level systems barriers and enablers focus on the unique challenges associated with alternative tenure operating models at the individual provider and industry level. Institutional players such as central and local government, financial intermediaries, lawyers, and philanthropists also play an important enabling or limiting role at this level. Identified barriers include:

- Lack of institutional awareness and understanding of affordable alternative housing tenure models across the housing system;
- Access to capital and finance are directly related to the financial viability of an investment proposal. However, most affordable alternative housing tenure models are subject to inherent financial viability constraints (without subsidies) resulting in significant barriers to accessing finance and capital for development;
- Institutional racism may also limit iwi and hapū access to finance with many of the overarching financial frameworks and policies impacting on their ability to access funds;
- Variable local government attitudes toward affordable alternative housing tenure developments. Many councils consider the provision of affordable housing to be a central government issue and not of local government concern and not to be subsidised by local rate payers;
- The small scale of the affordable alternative housing tenure industry limits its ability to develop and grow. Issues such as the lack of industry standard documentation, and barriers at the pre-development stage of projects further limit the ability of organisations to gain a foothold in the market; and
- Industry representation at the national level to spearhead the growth of the affordable alternative housing tenure industry.

The industry and organisational level enabling factors flow directly from recommendations in the sociohistorical and governmental levels above. Identified enablers include:

- Addressing local government staff and elected officials', the finance sector, and advisors' lack of knowledge of alternative tenure models;
- Standardising documentation for the various affordable alternative tenure models;
- Developing organisational business and financial strategies to work at scale and attract increasing amounts of capital and finance;
- Removing institutional and organisational biases within housing policies and programmes;
- Working in partnership with central and local government, the private sector and philanthropic organisations; and
- Establishing industry representation at the national level to spearhead the growth of the affordable alternative housing tenure industry.



1.4.4 Household level barriers and enablers

Household level barriers and enablers are those aspects of the current housing system that impact on households' ability to participate in the affordable alternative housing tenure market – thereby limiting the growth of the industry overall. Many of the systemic barriers and enablers at the household level are the outcome or result of structural or systemic factors beyond their control and stem from sociohistorical, governmental, industry or organisational aspects of the housing system. Systemic barriers at the household level include the following:

- Household awareness of and understanding of affordable alternative tenure models;
- Household affordability of alternative tenure models. It is important that a range of models are developed to improve the housing outcomes of households in all the segments of the housing continuum by providing both rent plus⁹ and ownership minus¹⁰ models;
- Financial support and access to mortgage finance; and
- A lack of knowledge around financial products and areas such as dwelling maintenance can act as a barrier to affordable alternative housing tenure models. Consequently, the delivery of household stewardship is also important in delivering affordable alternative housing tenure models. Preparing households to enter an affordable alternative housing tenure programme is important and can include household financial literacy and courses around what is required to maintain a dwelling. Larger developments can also include social procurement practices to increase community participation.

⁹A rent plus are alternative tenure models which have the characteristics of a rental tenure and also provide benefits over and above a standard rental agreement such as rent to buy or a say in the way in which the building complex is managed.

¹⁰ An ownership minus tenure is similar to fee simple ownership with some limitations. Shared equity and community land trusts are examples.



The household level enabling factors include the following:

- Affordable alternative housing tenure providers working with sector industry organisations and Government agencies to increase the awareness of the range of affordable alternative housing tenure models;
- Developing and making available standardised tenure documentation and educating stakeholders on their use;
- Legislative reforms to increase access to finance and simplify the complex process of developing whenua Māori are the starting point. Guides could then be developed that can be broadly disseminated and used rather than having to 'reinvent the wheel' for each proposed development;
- Enabling multiple models to serve households with different circumstances, income levels and aspirations. Successful approaches result when families have options available and are not rejected when they don't fit into a narrow set of offerings;
- The governmental, industry and provider recommendations above are required to increase the amount and availability of financial support for households. With certainty of policy and funding settings, and with standardised documents, access to mortgage finance will be more reliable; and
- Strong and on-going household stewardship is necessary to enable the overall success of affordable alternative tenure models. This needs to be enabled through the finance settings, funding the service, and be a focus of providers.

1.4.5 Summary

The analysis of the housing system identifies a range of cross-cutting or recurring themes associated with the development and growth of a sustainable alternative housing tenure framework across governmental, industry and organisational, and household levels. Albeit raised from different perspectives, these include a systemic lack of awareness and cultural acceptance of alternative housing tenure models. If affordable alternative housing tenure models are to grow, the government will need to be an active participant by setting clear and measurable goals and objectives, facilitating access to low cost patient capital, and removing any system wide barriers for different groups to participate. Local government also has a role working with the community to ensure their policies and practices do not limit innovation in the development of alternative housing tenure models.

In summary, we have identified actions which can enable the growth of affordable alternative housing tenure models in New Zealand. The larger sociohistorical norms regarding housing have a significant influence on the system settings for enabling alternative tenures. Leadership and action at the governmental level are key to unlocking the potential of alternative tenures to provide ownership like outcomes. Fundamentally, subsidy is required to deliver affordable alternative tenure models. Legislation and investment settings will determine whether the New Zealand housing system is fertile for growing the scale of alternative tenures. If those setting are enabling, industry and organisational level players can proceed to invest and scale their operations to deliver affordable alternative housing tenures which provide ownership like outcomes for households.



2. Introduction

“Housing is fundamental to our economic and social wellbeing and plays a central role in individual and community health outcomes, family stability, and social cohesion. A responsive housing market facilitates labour market mobility, allowing people to move to take up job opportunities and enhancing the productivity of the economy.”¹¹ Unfortunately, housing markets around the world, including in New Zealand, have struggled to provide adequate, good quality affordable housing with long term security of tenure to meet their populations’ needs. New Zealand is a signatory to a number of United Nations conventions that state households’ ability to access good quality housing at an affordable price is considered as a human right. Some housing markets have responded to pressures within their housing systems to provide a range of alternative tenure structures and these responses have varied between countries.

Over the last three decades housing costs have increased faster than household incomes reducing housing affordability to both private renters and potential first home buyers. In particular, over the last three years nationally median market rents have increased by 17% and median house prices by over 50% outstripping the growth in household incomes which grew by approximately 12%. These trends have resulted in increased numbers of renter households unable to affordably pay market rents or affordably buy a dwelling thus restricting their access to good quality affordable housing within a reasonable distance to their place of work. Alternative tenure models, used to a limited extent in New Zealand and more commonly overseas, offer the opportunity to improve access to good quality affordable housing.

This research builds on and complements current¹², and previous research funded by the Building Research Levy¹³ and investigates the opportunity to operationalise various affordable alternative housing tenure models¹⁴ in a New Zealand context. This research examines the interrelationships between different elements of the housing and related systems and how these impact on the potential for alternative tenure models to support the provision of affordable housing. The project’s research team includes Ian Mitchell (Livingston and Associates Ltd) Chris Glaudel (Community Housing Solutions), Dr James Berghan (University of Otago) and Dr Daniel du Plessis (BRANZ).

¹¹ New Zealand Productivity Commission (2015) Using land for housing. Page 1.

¹² The initial findings and recommendations of a BRANZ study on the rental trap suggest that serious consideration ought to be given to making alternative tenure models as a mechanism to increase eventual owner-occupier rates for a growing cohort of low to medium-income households. Publication due June 2023.

¹³ Livingston and Associates Ltd (2018) “*Alternative Tenure Models and their Potential Applicability in a New Zealand Context*”, a report completed for BRANZ with support from the Building Research Levy.

¹⁴ A number of different affordable alternative housing models have been used both in New Zealand and overseas. These include rent to buy, community land trusts, rental and limited equity cooperatives, co-ownership and shared equity models and hybrid combinations of the different models.



The research encompasses a number of stages, including modelling housing outcomes to identify the level of need for alternative tenures, a rapid review of overseas literature examining affordable alternative housing tenure enablers and barriers, interviews with key stakeholders, a systems based analysis of New Zealand's enablers and barriers to affordable alternative housing tenures, and a discussion of the implications of our findings in a policy and housing market context.

Special thanks goes to all of the people and organisations who participated in the research including our research advisory group members, the industry survey interviewees, and BRANZ for funding the research and providing support and advice as appropriate.



3. Housing market outcomes

3.1 Introduction

Affordable housing is an important factor for economic inclusion of households in the wider economy. Housing generally is a household's largest single spending item (for example mortgage payments for owner occupiers and rents for renter households). Rising housing costs have contributed to growing social and economic disparities with low to moderate income households (those earning less than 80% of their region's median household income) experiencing the most adverse outcomes. OECD (2018)¹⁵ analysis demonstrates increased income inequality (measure by the Gini index) based on disposable income after deducting for housing costs. Renters in particular have needed to spend an increasing proportion of their income on housing leaving less residual income to cover other expenditure.

New Zealand has not been immune from the decline in housing affordability. The objective of this section of the report is to present the trend in housing affordability outcomes. The affordability measures presented include:

- Intermediate housing market;
- Renter housing stress; and
- Renter housing need and unmet need.

Definitions

- The “**intermediate housing market**” is defined as those households, currently in the private rental market, that have at least one member of the household in paid employment, and that cannot afford¹⁶ to buy a house at the lower quartile house price under standard bank lending criteria;
- **Affordable** is defined as paying no more than 30% of gross household income in housing costs;
- A **stressed renter** household is one paying more than 30% of their gross household income in rent;
- **Renter housing need** is a measure of the total number of renter households within a community which require some assistance to meet their housing requirements. This market segment encapsulates a number of different groups of households and includes stressed private renter households, those households whose housing requirements are met by social, third sector and emergency housing; and people who are homeless or living in crowded dwellings;
- **Social housing** is defined as the number of households, who because of their circumstances are in Kāinga Ora (formerly Housing New Zealand Corporation), local authority, and third sector housing; and
- **Unmet renter housing need** includes renter housing need less those households whose need is met by social housing.

¹⁵ OECD (2018), “*Opportunities for all: framework for policy action on inclusive growth*”. OECD publishing.

¹⁶ Housing costs are defined as unaffordable when they exceed 30% of gross household income.



3.2 Intermediate housing market

The objective of this section of the report is to present an update on trends relating to the size of the intermediate housing market. The intermediate housing market is a relative measure of the affordability of housing for first home buyers. The intermediate housing market is defined as those households that are:

- Currently in the private rental market;
- That have at least one member of the household in paid employment; and
- That cannot afford¹⁷ to buy a house at the lower quartile house price under standard bank lending criteria.

The intermediate housing market forms an important segment of the housing market and represents working households unable to affordably buy a dwelling at the lower quartile house sale price.

Figure 3.1 presents a more detailed view of the housing market segments.

Figure 3.1: The housing market segments and the intermediate market sub-group

Social Renters	Private renters						Owner occupiers
	Not in-work or retired	In-work					
		Unable to affordably				Able to affordably buy at median house sale price	
		Pay rent at the			Buy at		
	lower quartile	median	upper quartile	lower quartile house sale price	median house sale price		
Social renters	Not in-work private renters	Intermediate housing market			Relatively well off private sector renters		Owner occupiers

Note that this diagram is not to scale and does not represent the relative size of each subgroup or that groups will move along the continuum. In fact, unless their incomes increase faster than housing costs, they may remain in one subgroup for extended periods of time.

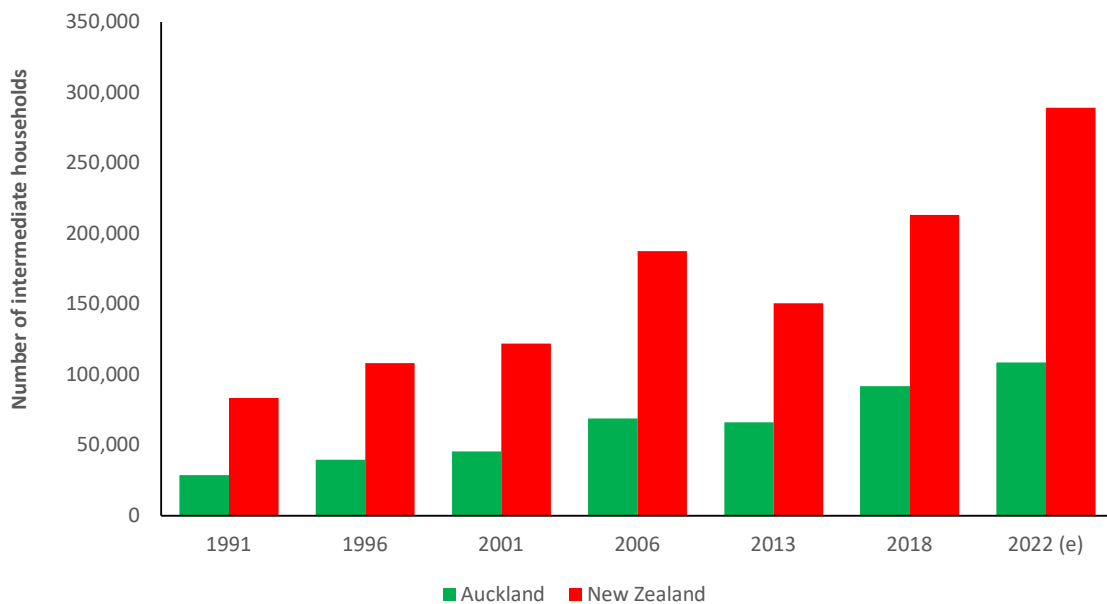
Changes in the relative size of the intermediate housing market reflect the affordability pressures faced by first home buyers over time.

¹⁷ Housing costs are defined as unaffordable when they exceed 30% of gross household income.



Figure 3.2 presents the trend in the size of the intermediate housing market in Auckland and nationally between 1991 and 2022.

Figure 3.2: Intermediate housing market 1991 to 2022



Source: Modelled based on data sourced from Statistics New Zealand, RBNZ, and Headway Systems Ltd

The number of households in the intermediate housing market has increased over the past 31 years by approximately 247% nationally (or a compounded annual growth rate of 4.1%) and 277% in the Auckland region (or an annual compounded growth rate of 4.4%). As at June 2022, there are 289,300 intermediate households¹⁸ nationally and 108,500 of these are located in Auckland. Over the same time period, the total number of households living in New Zealand is estimated to have increased by 1.4% per annum.

Table 3.1 presents analysis of the quantum of the impact of the key drivers of the change in the size of the intermediate housing market between 2006 and 2022.

¹⁸ As at 30th June 2022



Table 3.1: Key drivers of the change in the size of the intermediate housing market 2006 to 2022

Driver	Change in the number of intermediate households			
	2006 to 2013	2013 to 2018	2018 to 2022	Total 06 to 22
Growth in total households (population growth)	12,400	18,000	12,900	43,300
Growth as a result of tenure change (excluding population growth)	18,700	22,400	15,100	56,200
Change in interest rates	-44,800	-5,700	-5,900	-56,400
House sale price appreciation	33,400	64,500	72,900	170,800
Household income growth	-56,500	-36,800	-19,100	-112,400
Total change	-36,800	62,400	75,900	101,500

Source: Modelled from data sourced from Corelogic, Headway Systems, RBNZ, and Statistics New Zealand

Between 2018 and 2022, the majority of the growth in the size of the intermediate housing market was a result of house sale price appreciation. Table 3.2 presents the growth in the size of the intermediate housing market between 2018 and 2022 by region.

Table 3.2: Intermediate housing market by region – 2018 to 2022

Region	Number of intermediate households				Intermediate households as a % of all households		
	2018	2022	Chge in no of hhlds	% chge 18 to 22	2018	2022	% pt change
Northland	5,400	8,100	2,700	50%	7.6%	10.6%	3.0%
Auckland	91,800	108,500	16,700	18%	16.7%	18.4%	1.7%
Waikato	20,800	30,200	9,400	45%	11.8%	16.1%	4.3%
Bay of Plenty	13,800	19,800	6,000	43%	11.3%	15.2%	3.8%
Gisborne / Hawkes Bay	6,700	11,500	4,800	72%	8.0%	13.1%	5.0%
Taranaki	3,400	5,500	2,100	62%	7.1%	11.1%	3.9%
Manawatu / Wanganui	6,700	12,200	5,500	82%	6.9%	12.1%	5.2%
Wellington	24,700	34,700	10,000	40%	12.4%	16.6%	4.2%
Nelson/Tasman/Marl	6,600	8,100	1,500	23%	10.6%	12.2%	1.7%
West Coast	500	900	400	80%	3.6%	6.4%	2.8%
Canterbury	21,500	32,200	10,700	50%	9.0%	12.8%	3.8%
Otago	9,900	14,000	4,100	41%	10.7%	14.4%	3.6%
Southland	1,600	3,600	2,000	125%	3.9%	8.6%	4.6%
Total	213,400	289,300	75,900	36%	11.9%	15.2%	3.3%

Source: Modelled based on data sourced from Statistics New Zealand, RBNZ, and Headway Systems Ltd



The number of intermediate households increased by 36%, or 75,900 households between 2018 and 2022. Over the same time frame, the total number of households in New Zealand increased by 6.0% or 108,720. Provincial centres experienced the strongest growth in the number of intermediate households between 2018 and 2022. This reflects the stronger growth in house prices in these locations relative to the main centres.

The economic consequences of a growing intermediate housing market for the mainstream economy include the growing inability of workers in essential occupations such as police, nurses and teachers to buy in areas in which they work. Again, failure to provide the desired local housing options for these key workers can impact upon the efficiency of the local labour market and in particular labour availability in these key occupations.

The breakdown of the traditional housing pathway is likely to result in a growing number of households who will never attain home ownership. Renter households on fixed incomes, particularly those with people aged 65 years and older, are particularly vulnerable to changes in the level of market housing costs (rents). This has significant potential fiscal implications for government in terms of the level of additional support they may need to provide to these households.

Traditionally, home ownership and the stability it provides has been associated with a range of positive educational, health and social outcomes. A key challenge for government housing policy is how, in the context of a growing intermediate housing market, with growing numbers of life-long renters, these benefits might also be secured by those unable for reasons of affordability to secure home ownership.

Home ownership has also been one of households' key wealth building strategies. Growth in the intermediate housing market limits the ability of those households' (in the intermediate housing market) ability to save and accumulate wealth for old age through home ownership.



3.3 Renter housing stress

This section of the report presents analysis of customised output from the 2020 Household Economic Survey focused on the housing affordability outcomes for private renter households. Table 3.3 presents the number and proportion of households paying more than 30%, more than 35%, more than 40% or more and more than 50% of their gross household income in rent. In addition, the households are split by their income relative to the regional median household income (RMHI) and includes the impact of including or excluding the Accommodation Supplement (AS) received by any of these households.

Table 3.3: National¹⁹ housing affordability outcomes for private renter households - 2020

Gross household Income	More than 30%		More than 35%		More than 40%		More than 50%	
	hhlds	% of total ²⁰	hhlds	% of total	hhlds	% of total	hhlds	% of total
Income including AS								
Less than 80% RMHI	177,500	73%	152,300	63%	126,300	52%	86,200	36%
80% to <100% of RMHI	22,300	35%	13,700	22%	7,900	12%	2,200	3%
100% to 120% of RMHI	14,800	25%	8,200	14%	4,000	7%	1,000	2%
Over 120% of RMHI	12,600	7%	5,000	3%	2,100	1%	700	0%
Total	227,200	42%	179,200	33%	140,300	26%	90,100	17%
Income excluding AS								
Less than 80% RMHI	180,900	76%	160,200	68%	139,800	59%	104,800	44%
80% to <100% of RMHI	25,000	44%	16,300	29%	9,700	17%	2,200	4%
100% to 120% of RMHI	13,600	24%	8,500	15%	4,100	7%	900	2%
Over 120% of RMHI	17,400	9%	8,000	4%	3,400	2%	1,000	1%
Total	236,900	44%	193,000	36%	157,000	29%	108,900	20%

Source: Customised Statistics New Zealand data sets

Not surprisingly, housing stress (households paying more than 30% of their household income in rent) is higher in lower income households. A total of 78% of all stressed private renters earned less than 80% of the regional median household income (177,500 households out of 227,200). A further 10% (22,300 households out of 227,200) had gross household incomes between 80% and 100% of regional median household income. Consequently, 88% of stressed private renters earned less than their regional median household income.

¹⁹ National affordability outcomes are the summed regional totals.

²⁰ In this case, the “% of total” is calculated by dividing the number of renter households paying more than 30% of their gross household income in rent by all renter households. For example, 227,200 renters paid more than 30% of their income in rent out of a total of 540,950 renters.



As rent as a proportion of gross household income increases, low to moderate income households increase as a proportion. For example, private renter households with gross household incomes of less than 80% of the regional median household income accounted for 78% of all private renters (177,500 households out of 227200) paying more than 30% of their income in rent, 85% of private renters paying more than 35% (152,300 households out of 179,200) of their income in rent, 90% of private renters paying more than 40% (126,300 households out of 140,300) of their income in rent, and 96% of households paying more than 50% (86,200 households out of 90,100) of their income in rent.

If gross household incomes are adjusted to exclude any Accommodation Supplement payments, the total number of stressed renters increases to 236,900 or 44% of all private renters, an increase of 9,700 households or 2 percentage points. At more extreme levels of housing unaffordability, 140,300 households (26% of all private renters) were paying more than 40% of their gross income in rent, and when their incomes were adjusted to remove any Accommodation Supplement payments this increased to 157,000 households or 29% of all private renters. Although the Accommodation Supplement payment no doubt provides some respite to private renter households, it is insufficient to have a large impact on the affordability outcomes for predominately low to moderate income private renters.

Table 3.4 presents housing affordability outcomes for private renter households and also includes the impact of including or excluding the Accommodation Supplement by main urban area.

Table 3.4: Housing affordability outcomes by main urban areas (proportion of households paying more than 30% ,35% ,40% or 50% of their gross household income in rent) - 2020

Region	Gross household income including Accommodation Supplement				Gross household income excluding the Accommodation Supplement			
	More than 30%	More than 35%	More than 40%	More than 50%	More than 30%	More than 35%	More than 40%	More than 50%
Auckland	46%	36%	29%	19%	47%	39%	31%	22%
Hamilton	47%	39%	32%	22%	49%	41%	35%	27%
Tauranga/WBOP	39%	29%	21%	13%	42%	30%	23%	17%
Napier/Hastings	39%	30%	22%	14%	41%	33%	26%	18%
Palmerston North	42%	33%	26%	13%	43%	35%	28%	18%
Wellington	36%	27%	20%	13%	38%	29%	23%	16%
Nelson/Tasman/Marl	40%	33%	24%	13%	42%	35%	28%	18%
Greater Christchurch	39%	33%	26%	18%	41%	34%	28%	21%
Dunedin	51%	41%	33%	26%	52%	44%	38%	30%
Remainder of NZ	39%	30%	23%	13%	41%	34%	27%	17%
New Zealand	42%	33%	26%	17%	44%	36%	29%	20%

Source: Customised Statistics New Zealand data sets



Excluding Dunedin (which has a significantly higher proportion of students as private renters), Hamilton has the highest proportion of private renters paying more than 30% and more than 50% of their gross household income in housing costs followed by Auckland where nearly one in five private renters are paying more than 50% of their gross household income in rent, Hamilton (22% of renters are paying more than 50% of their gross household income in rent), and greater Christchurch (18% of renters are paying more than 50% of their gross household income in rent).

Table 3.5 presents the proportion and number of households paying 30% or more and 50% or more of gross household income (including the Accommodation Supplement) in rent by main urban areas and by varying proportions of regional median household income.

Table 3.5: Housing affordability outcomes by main urban area and varying levels of regional median household income (proportion of households paying more than 30% or 50% of their gross household income in rent)

Region	Households paying more than 30% of gross household income in rent				Households paying more than 50% of gross household income in rent			
	Less than 80%	80% to less than 100%	100% to less than 120%	120% or more	Less than 80%	80% to less than 100%	100% to less than 120%	120% or more
Proportion of hhlds								
Auckland	81%	46%	23%	7%	45%	0%	0%	0%
Hamilton	87%	44%	0%	0%	50%	0%	0%	0%
Tauranga/WBOP	72%	48%	0%	0%	32%	0%	0%	0%
Napier/Hastings	68%	28%	0%	0%	30%	0%	0%	0%
Palmerston North	73%	21%	0%	12%	31%	0%	0%	0%
Wellington	67%	27%	18%	0%	28%	0%	0%	0%
Nelson/Tasman/Marl	72%	0%	0%	0%	26%	0%	0%	0%
Greater Christchurch	78%	17%	0%	0%	38%	0%	0%	0%
Dunedin	83%	45%	43%	15%	50%	0%	0%	0%
Remainder of NZ	69%	30%	17%	3%	27%	0%	0%	0%
Number of hhlds								
Auckland	64,600	12,700	5,000	4,400	35,800	0	0	0
Hamilton	10,400	1,700	0	0	5,900	0	0	0
Tauranga/WBOP	6,300	1,500	0	0	2,800	0	0	0
Napier/Hastings	5,000	500	0	0	2,200	0	0	0
Palmerston North	3,500	400	0	400	1,500	0	0	0
Wellington	14,200	1,800	1,000	0	5,900	0	0	0
Nelson/Tasman/Marl	5,500	0	0	0	2,000	0	0	0
Greater Christchurch	20,900	1,400	0	0	10,200	0	0	0
Dunedin	5,800	1,400	600	800	3,500	0	0	0
Remainder of NZ	45,200	4,700	2,100	1,500	17,700	0	0	0

Source: Customised Statistics New Zealand data sets



Approximately half the private renters earning 80% of the regional median household income in Auckland, Hamilton and Dunedin are paying 50% or more of their household income in rent. Affordability outcomes for households earning less than 80% of the regional median household income outside the main urban areas (remainder of New Zealand), although not good, are better than the balance of the country.

Table 3.6 presents the regional median household incomes and housing costs for private renters, owner occupiers with a mortgage and all households by main urban area.

Table 3.6: Regional median household incomes and housing costs

	Private renters			Owner occupiers with a mortgage			All households		
	Median hhld income	Median housing costs	Median costs / income	Median hhld income	Median housing costs	Median costs / income	Median hhld income	Median housing costs	Median costs / income
Auckland	\$98,900	\$29,200	29.5%	\$147,800	\$30,900	20.9%	\$107,200	\$22,900	21.4%
Hamilton	\$72,500	\$22,000	30.3%	\$121,400	\$26,100	21.5%	\$83,400	\$20,000	24.0%
Tauranga/WBOP	\$80,700	\$23,800	29.5%	\$122,900	\$26,700	21.7%	\$86,800	\$13,400	15.4%
Napier/Hastings	\$75,000	\$19,000	25.3%	\$111,700	\$22,200	19.9%	\$87,500	\$14,700	16.8%
Palmerston North	\$73,100	\$19,000	26.0%	\$107,100	\$21,900	20.4%	\$82,100	\$15,600	19.0%
Wellington	\$101,300	\$26,100	25.8%	\$156,400	\$29,700	19.0%	\$115,000	\$19,800	17.2%
Nelson/Tasman/Marl	\$64,700	\$18,200	28.1%	\$112,700	\$22,700	20.1%	\$78,600	\$10,400	13.2%
Greater Christchurch	\$80,300	\$20,900	26.0%	\$114,700	\$24,300	21.2%	\$93,400	\$18,300	19.6%
Dunedin	\$65,400	\$20,900	32.0%	\$109,200	\$20,900	19.1%	\$76,100	\$15,300	20.1%
Remainder of NZ	\$61,300	\$15,600	25.4%	\$106,600	\$19,900	18.7%	\$72,900	\$10,400	14.3%
New Zealand	\$81,000	\$22,500	27.8%	\$123,100	\$24,400	19.8%	\$90,600	\$15,600	17.2%

Source: Customised Statistics New Zealand data sets

Owner occupiers with a mortgage had higher gross household incomes than private renter households along with higher housing costs. Higher household incomes for private renters in Wellington have off set their higher housing costs. Overall, housing costs are highest in Auckland for both private renters and owner occupiers with a mortgage.



3.4 Renter housing need and unmet need

This section focuses on the renter households that cannot meet their housing needs in the housing market with any Accommodation Supplement they may access. The discussion provides an analysis of housing need among renters ('renter housing need') and identifies the prevalence of renters whose needs are not only unmet by current market settings but who are also unable to access housing from affordable housing providers. That set of households fall into the 'unmet housing need' category. Total '**renter housing need**' is constituted by the following sets of households:

- Financially stressed private renter households;
- Those households whose housing requirements are met by public housing, community housing providers, and councils. These are referred to as social housing tenants for the purpose of this analysis; and
- People who are homeless or living in crowded dwellings and includes interim or emergency housing.

Table 3.7 presents renter housing need in June 2018 and June 2022 by region.

Table 3.7: Renter housing need

Region	Housing need – number of households				Housing need as a % of all households		
	2018	2022	Change in number of hhlds	% change	2018	2022	% pt chge 2018-2022
Northland	14,990	17,730	2,740	18.3%	21.2%	23.4%	2.2%
Auckland	147,130	169,280	22,150	15.1%	26.8%	28.8%	2.0%
Waikato	34,430	40,920	6,490	18.8%	21.2%	23.6%	2.4%
Bay of Plenty	23,990	28,770	4,780	19.9%	19.9%	22.3%	2.4%
Gisborne / Hawkes Bay	17,870	21,520	3,650	20.4%	22.0%	25.0%	3.0%
Taranaki	8,220	9,640	1,420	17.3%	17.2%	19.4%	2.2%
Manawatu / Whanganui	18,550	23,000	4,450	24.0%	19.7%	23.4%	3.7%
Wellington	39,730	47,250	7,520	18.9%	20.6%	23.1%	2.4%
Nelson/Tasman/Marlborough	10,390	12,330	1,940	18.7%	17.1%	19.0%	2.0%
West Coast	2,330	2,900	570	24.5%	16.7%	20.7%	4.0%
Canterbury	41,140	50,090	8,950	21.8%	18.4%	21.4%	2.9%
Otago	16,600	20,070	3,470	20.9%	18.8%	21.6%	2.7%
Southland	5,220	6,520	1,300	24.9%	13.8%	16.6%	2.8%
Total	380,590	450,020	69,430	18.2%	21.2%	23.6%	2.4%

Source: Modelled based on Census 2018 customised outputs, Statistics New Zealand medium housing projections, Tenancy Bond, Kainga Ora and Ministry of Housing and Urban Development data



Southland experienced the strongest growth in renter housing need between 2018 and 2022 with a 24.9% increase. Other regions experiencing strong growth in housing need included West Coast (up 24.5%), Manawatu/Whanganui (up 24.0%), Canterbury (up 21.8%), and Otago (up 20.9%). The region with the highest housing need as a proportion of all households was Auckland (28.8%) while West Coast experienced the highest percentage point increase in the proportion of needy renter households (up 4.0%).

A proportion of renter housing need is met with the provision of social housing including Kainga Ora, council housing and units provided by community housing providers. Renter housing need not met by social housing providers is defined as “unmet renter housing need”.

Table 3.8 presents unmet renter housing need in June 2018 and June 2022 by region.

Table 3.8: Unmet renter housing need

Region	Unmet renter housing need – number of households				Unmet renter housing need as a % of all households		
	2018	2022	Chge No of hhlds	% change	2018	2022	% pt chge 18-22
Northland	12,080	13,850	1,770	14.7%	17.1%	18.2%	1.2%
Auckland	115,000	129,690	14,690	12.8%	20.9%	22.0%	1.1%
Waikato	28,200	32,160	3,960	14.0%	17.0%	18.3%	1.3%
Bay of Plenty	20,970	23,850	2,880	13.7%	17.3%	18.4%	1.1%
Gisborne / Hawkes Bay	12,610	14,780	2,170	17.2%	15.4%	17.0%	1.7%
Taranaki	6,660	7,600	940	14.1%	13.9%	15.3%	1.4%
Manawatu / Whanganui	14,140	16,390	2,250	15.9%	14.9%	16.5%	1.6%
Wellington	28,720	33,070	4,350	15.1%	14.7%	16.1%	1.4%
Nelson/Tasman/Marlborough	8,530	9,540	1,010	11.8%	14.0%	14.7%	0.7%
West Coast	1,740	2,010	270	15.5%	12.6%	14.6%	2.0%
Canterbury	31,180	35,560	4,380	14.0%	13.7%	14.9%	1.2%
Otago	13,460	15,350	1,890	14.0%	15.2%	16.3%	1.1%
Southland	4,310	5,080	770	17.9%	11.3%	12.9%	1.6%
Total	297,600	338,930	41,330	13.9%	16.6%	17.8%	1.2%

Source: Modelled based on Census 2018 customised outputs, Statistics New Zealand medium housing projections, Tenancy Bond, Kainga Ora and Ministry of Housing and Urban Development data

Between 2018 and 2022, Southland and Gisborne/Hawkes Bay had the strongest growth in unmet renter housing need, up 17.9 and 17.2% respectively. Manawatu/Whanganui (up 15.9%), Wellington (up 15.1%) and West Coast (up 15.5%) also experienced strong growth in unmet renter housing need.



Auckland had the highest proportion of unmet renter housing need followed by the other regions located in the top half of the North Island. The regions experiencing the strongest percentage point increase in unmet renter housing need between 2018 and 2022 included West Coast (up 2 percentage points), Gisborne/Hawkes Bay (up 1.7 percentage points), Manawatu/Whanganui (up 1.6 percentage points), Southland (up 1.6 percentage points), Taranaki (up 1.4 percentage points), and Wellington (up 1.4 percentage points).

Table 3.9 presents the modelled housing need and unmet housing need for Māori and Pasifika households in 2018.

Table 3.9: Māori and Pasifika household housing need and unmet housing need

	Māori households				Pasifika households			
	Total housing need		Unmet housing need		Total housing need		Unmet housing need	
	Hhlds	% of total ²¹	Hhlds	% of total	Hhlds	% of total	Hhlds	% of total
Northland	5,630	38%	4,120	34%	110	1%	80	1%
Auckland	25,280	17%	16,660	14%	24,820	17%	14,120	12%
Waikato	10,440	30%	8,040	29%	780	2%	620	2%
Bay of Plenty	7,480	31%	6,030	29%	270	1%	180	1%
Gisborne / Hawke’s Bay	6,940	39%	4,410	35%	470	3%	300	2%
Taranaki	2,140	26%	1,590	24%	70	1%	40	1%
Manawatu/Whanganui	4,580	25%	3,550	25%	260	1%	170	1%
Wellington	8,830	22%	5,750	20%	3,690	9%	2,070	7%
Nelson/Tasman/Marl	1,630	16%	1,220	14%	130	1%	100	1%
West Coast	250	11%	190	11%	0	0%	0	0%
Canterbury	5,970	15%	4,060	13%	1,330	3%	840	3%
Otago	1,880	11%	1,590	12%	330	2%	270	2%
Southland	930	18%	780	18%	90	2%	80	2%
Total	81,980	22%	57,990	19%	32,350	8%	18,870	6%

Source: Modelled based on Census 2018 customised outputs

Māori households account for 16% of all households in New Zealand while Pasifika households account for 4%. Nationally, both Māori and Pasifika households are over represented in both housing need and unmet housing need outcomes in 2018. Māori households account for over 30% of households in need in Northland, Waikato, Bay of Plenty, and Gisborne/Hawkes Bay. Pasifika households account for 17% of total housing need in Auckland and 12% of unmet need. Wellington has the second highest proportion of Pasifika households in need, after Auckland.

²¹ % of total equates to Māori households with housing need as a percentage of all households with housing need.



3.5 Summary

In summary, the analysis presented in this section of the report has identified a number of trends which includes:

- An increasing number of renters cannot afford to buy, up from 213,400 households in 2018 to 289,300 households in 2022 (an increase of 36%);
- It's a country wide problem for first home buyers which is worst in Auckland, Waikato, Bay of Plenty and Wellington;
- An increasing number of renters cannot affordably rent, particularly those earning less than 80% of the regional median household income;
- Renter affordability is poorest in the larger centres with the exception of Wellington where higher incomes offset their higher rents;
- The percentage change of intermediate households is higher in the regions than in the large centres;
- The government's main policy response to improve private renter affordability (the Accommodation Supplement) has failed to have a significant impact on affordability outcomes;
- Housing need as a proportion of all households is increasing and unmet need has also increased; and
- Household income relative to housing costs is the key issue with an over representation of Māori and Pasifika households in the need statistics.

These trends establish why we need to consider how different affordable alternative housing tenure models can improve affordability outcomes. There is a growing need for affordable alternative housing tenure models that provide:

- Affordable rental products for households earning less than 80% of regional median household income (these households are unlikely to be able to buy a house in the short to medium term);
- Assistance into ownership for those nearing the owner occupation threshold; and
- Culturally appropriate flexibility to address the disproportionately higher number of Māori and Pasifika households in need.



4. Rapid literature review

4.1 Introduction

Interest in affordable alternative housing tenure models has increased as housing costs have risen faster than household incomes. A number of different models have been used in New Zealand and overseas. These include rent to buy, community land trusts, rental and limited equity cooperatives, co-ownership and shared equity models and hybrid combinations of the different models. The objective of this section of the report is to present a rapid review of local and overseas literature with a focus on factors which have enabled and/or limited the growth of these models in different housing markets.

The review of the literature identified a number of barriers to and enablers of affordable alternative housing tenure models and these include:

- Policy related issues;
- Sustainable access to finance, capital grants and enduring sources of funding;
- Development financial viability;
- Land use planning;
- Legal system issues;
- Cultural acceptance of different models;
- Access to suitably zoned and located development sites;
- The market's familiarity with different tenure models;
- The propensity of central and local government and their agencies to work with not for profit community housing providers; and
- The scale (size) of affordable alternative tenure housing providers.

4.2 Policy related issues

Key themes in the published literature suggest countries with focused, system wide affordable housing policy settings tend to produce better results over time, particularly if these policies are enduring across multiple decades. Countries with neo-liberal policy settings, and constantly changing policy settings with election cycles have struggled. Singapore provides an example of a country with a clear housing policy focus, which has endured for a number of decades, to achieve their affordable housing goals.

Pawson et al.'s (2022) review of Singapore's policy demonstrated their housing system is a unique combination of public provision and owner-occupation. Singapore's home ownership system policies are longstanding and deeply entrenched, and have evolved since they were originally introduced in the 1960s. Singapore's policies devised the basic pattern of subsidised public development of housing for owner-occupation, financed by compulsory savings. Approximately ninety per cent of all land in Singapore is state-owned, and about 80 per cent of Singaporean households occupy dwellings built by the government agency, the Housing and Development Board. Those households are owner-occupiers who own long-term tradeable leases (99 years, or the remainder term).



In addition, first home buyers in Singapore benefit from government guaranteed loans of up to 90% of the value of the dwelling (typically an apartment) and with an allowance to fund the 10% deposit required from their superannuation savings with the Central Provident Fund²². These policies have achieved rates of owner occupation in excess of 80% for the last 30 years. We note that governments in other countries also provide loan guarantees. For example, the South African Government provides loan guarantees up to 90% of the purchase price for a dwelling for civil servants.

Owners in Singapore are allowed to sell subject to a levy on resale profits, and the resale market is active. Only citizens can buy new Housing and Development Board apartments and there are restrictions on using Housing and Development Board apartments for other than owner-occupation. Only citizens can rent out a whole apartment, and only after an initial occupancy period. This level of government control of the housing system is unlikely to be acceptable in many western countries. However, it does demonstrate how a clear policy combined with a system wide response which endures over a number of decades can drive the targeted policy outcomes. We note that this policy delivers a government built product (rather than a market or bespoke dwelling) on a 99 year tradeable land lease, with government loan guarantees and deposit assistance designed to support owner occupation (home ownership) with a capital gains tax on resale.

Pawson et.al. (2022) also noted that Australia (like New Zealand) lacks an overarching home ownership policy which is out of step with other countries such as Singapore, Canada, Ireland, and England and lacks an enduring and coherent home ownership policy(s). Current home ownership policies solely focus on the adoption of more effective first home buyer assistance mechanisms. Such measures are associated with the aim of enhancing housing affordability. However, this objective is in tension with the dominant theme of home ownership policy: to facilitate wealth accumulation through asset ownership. While the major tax and social security policy settings that support wealth accumulation continue to be treated as sacrosanct, measures that aim to assist first home buyer access and affordability will achieve little.

Schmid et al (2022) also noted countries without a comprehensive housing policy may be denying households of a basic human right and commented "*National constitutional and international court decisions show that at least the core of the right to housing is not only of a programmatic nature but also legally enforceable; that it extends from the negative prohibitions to positive obligations for a state to enable the full realisation of the right; and that it includes basic standards of reasonableness of a national housing policy. The right to housing is thus violated if a State purses a manifestly unreasonable housing policy – if, as is the case in several European states, a national housing policy hardly exists at all; if such a policy boils down to the promotion of home ownership without addressing the situation of those who cannot afford it; or when the existing housing tenures are manifestly insufficient to meet the housing demands of vulnerable groups of society. Then, a State is bound to offer additional housing options, including alternative and intermediate tenures. In the face of the current crisis, the right to housing may thus be reconceived as a right to adequate housing options (page 3).*"

²² The Central Provident Fund (CPF) is the Singapore's government agency that administers the country's compulsory savings and pensions system.



Pawson et al. (2022) suggested both central and local government can act as either system wide enablers or barriers to the development of affordable alternative tenure models. Singapore's system wide approach to achieving its housing policy goals is an exception. The majority of other countries have a range of policies impacting on the supply of affordable alternative housing tenure which impacts on one part of the housing system which enables or limits growth.

Pawson et al (2022) suggested affordability objectives of alternative housing tenure models are constrained by commercial imperatives of treasury frameworks, which have seen dividend objectives trump broader social and economic policy goals. As a consequence, states have relied on deal based and brokered negotiations with developers, justified according to the legal obligation for all state-owned corporations to act as commercially as any equivalent private-sector entity. This restricts the ability of states to exchange value for affordability or other desired outcomes delivered by alternative housing tenure models.

For example, Ayoade and Ahmed (2019)^a in their research into alternative tenure models in Britain found key barriers to growth included never ending grant conditions, and a rigorous bureaucratic qualifying process community land trusts needed to complete. These effectively become barriers to increasing the supply of affordable housing.

Cambridge University (2020) also identified policy changes in England that impacted on the availability of low deposit loans which had a flow on impact on first home buyer demand for shared equity schemes. They suggested the alternative tenure market has not managed to achieve scale because successive governments have kept launching piecemeal schemes, kept changing the rules of the game and making it hard for consumers to understand alternative tenure products, and making it difficult to build support from mortgage lenders and the wider construction/development industry.

Crabtree et al.'s (2019) international review of cooperative housing models noted one of the ways to enable the growth of affordable alternative tenure models. They concluded a broader more systems wide approach was required to encourage the growth of alternative housing models and should include housing as well as supportive policy and/or public funding which is core to establishing a stable asset base for the provider. If the State itself is not the developer, access to appropriate finance, and familiarity and acceptance in the market is essential. They also noted state support is required but not to the extent that their autonomy and flexibility is impeded. It requires a supportive environment in which the sector can develop its strengths including a sector wide institutional agency(s).



Crabtree et al (2019) cited the example of Finland (Helsinki) and Singapore, as comparator country practice that exemplifies the potential for government to play a leading role in land development for the benefit of first home buyers. The Finnish Right to Occupy and Part Ownership schemes both rely on significant state interest rate subsidies and cooperative developers. They provide secure and more affordable housing to occupiers. They also noted significant supply-side first home buyers assistance programs and mechanisms continue to operate. Perhaps the most important examples are:

- The deployment of land-use planning regulation requiring developer contributions of ‘affordable housing’ for sale as well as for rent (as in Germany, Ireland, the Netherlands and the UK); and
- Government land development to produce first home buyer appropriate dwellings (as in Finland, the Netherlands and Singapore).

Government policies supporting peak industry bodies representing alternative tenure providers can also enable growth. Bunce (2013) concluded that a lack of a peak industry body championing alternative tenure models (particularly housing cooperatives) was a limitation on their growth. Such industry bodies can act as an information centre advising groups on how to establish cooperatives, promote the models to policy advisors, local government, lending institutions, and the public and their advisors.

Published research demonstrates a significant role for government to support the affordable alternative housing tenure sector. For example, Van Bortel et al. (2019) suggested the private sector investment in affordable housing in Europe is often enabled with incentives to provide housing at below market rents such as co-investment by national or supranational government agencies. These include the use of social bonds such as those issued by the European Investment Bank.

Gibb and Hayton (2017) in their review of affordable housing supply in European states identified barriers limiting the number of affordable housing units being developed as:

- Favourable tax treatment of owner occupation; and
- Unhelpful European Union interpretation of state aid rules in relation to not for profit providers.

Gibb and Hayton (2017) concluded government policy to enable alternative housing tenure models requires a combination of long term policy readjustments (e.g. redesigning subsidy and financial policies, and promoting effective land and planning policy instruments) with a need for committed and sustained political leadership.



Gibb and Hayton (2017) concluded that big questions regarding national and municipal financial systems, regulation and tax policy require a wider governmental approach. They suggested key enablers required to increase the supply of affordable housing under a number of tenure models include:

- Effective systems for estimating housing needs and demands, and the consequential resources likely to be required for the construction of new supply and the improving of existing stock;
- The political will and commitment to affordable housing at governmental level is imperative. Without such commitment at national and municipal level, effective programmes of affordable housing are unlikely to be developed and delivered. Non consistent housing policies hinders not for profit providers ability to grow;
- Consistent housing affordability policies which provide access to subsidised loans and grants. In addition, policies enabling not for profit providers access to private sector funding is advantageous;
- Policy prescriptions which seek to redress a fiscal imbalance in favour of owner occupation, in taxation and subsidy terms;
- Production of a national housing strategy outlining the key housing challenges facing the nation as above; and
- Develop models and organisational structures that encourage knowledge exchange and links to innovation and good practice in the provision of affordable housing.

Milligan et al. (2016) in their research on Australia's affordable housing industry concluded a stable and robust policy framework to steer the development of a viable affordable housing market is essential, especially to ensure that private funding will flow to potential providers, to give provider organisations the confidence to invest in their business continuity, and to encourage contestability. They concluded there has been a pattern of fragmentation of responsibilities, weak coordination, role conflicts and a lack of policy capacity within governments (Australian Federal and State governments) which is widely seen by industry players to have severely hindered the effectiveness of recent approaches to expanding affordable housing model provision. In addition, Australia lacks a critical piece of industry infrastructure, a specialist financial intermediary²³ with a responsibility to match diverse community housing provider demands for private financing with the strong interests of institutional investors in scaled-up rental housing investment.

Benedict et al. (2022) agreed and indicated that the Australian private sector's appetite for investing in affordable housing tenures was limited due to concerns about changing government policy environments and even the prospect of projects being withdrawn during the procurement phases. *"They emphasised that a stable regulatory environment and funding certainty is essential to increasing the scale of private sector investment"*, (Benedict et al. 2022, page 56).

²³ Source Milligan et al (2016) was published the National Housing Finance Investment Corporation has started to provide some of these services



Van Bortel et al. (2019) discuss the linkages between neoliberal policies in a number of European countries which resulted in less public investment in affordable housing models and increased reliance on private sector partnerships. For example, France introduced tax incentives which resulted in increased private sector investment in affordable housing. The abolishment of the public status of social housing providers in the 1980s and the subsequent acquisitions of social housing portfolios by institutional investors in Germany also reflects these neoliberal policy changes. They also identified institutional barriers in the current housing system (spatial planning, public administration, construction industry, and finance structure) which require change and time to adapt to facilitate a scale up of community driven provision of alternative housing tenure models.

In summary, a strong policy framework focused on achieving measurable affordable housing market outcomes is a key enabler for affordable alternative housing tenures. Community housing providers and private sector developers require a consistent policy environment to provide confidence needed to invest in developing affordable alternative housing tenure model developments. Housing developments have significant lags and if policy is constantly changing with each election cycle, providers are unlikely to grow to scale and more likely to remain niche players in the market.

4.3 Sustainable access to finance and capital grants

Globally, affordable alternative housing tenure models struggle to provide financially viable returns relative to private sector investments. This limits providers' abilities to sustainably access capital and finance to grow their operations. A key enabler or barrier to affordable alternative housing tenure development is sustainable access to patient long term capital. Policy environments which chop and change access to subsidised finance, including grants, and/or make the process overly bureaucratic are likely to hinder the sector's ability to grow, whereas jurisdictions which have bipartisan support for funding mechanisms are likely to encourage capacity within the affordable alternative tenure sector.

Oxley (2013) in his research into enabling the production of affordable rental housing models identified tax credit schemes used in France since the early 1990s and the USA tax credit schemes introduced in the late 1980s as key enablers in the supply of affordable housing units. These schemes provided the key capital grants required on a sustainable basis for organisations to grow and invest over time, knowing with some certainty capital grants would be available on a competitive basis.

Gibb and Hayton (2017) in their review of affordable housing supply in European states identified risk averse lenders limiting the ability of not for profit providers to grow. Gibb and Hayton (2017) cited Ballantyne (2016) who concluded country-specific policies are not always transferable, but examples of models deployed in the USA (low income housing tax credits) and long term savings policies tied to affordable housing in France can be utilised to increase the supply of affordable housing. Ballantyne concluded that major changes to promote affordable housing supply, subject to national housing systems and their institutions, typically require political support for larger funding programmes.



Bunce (2013) in his research on housing cooperatives in the USA found one of the barriers to non-social housing cooperatives growing in scale was they were considered an unknown risk by financial institutions and consequently access to funding was restricted. Archer et al. (2019) investigated the experience of organisations involved in 57 investments in community land trust schemes to 33 different groups over a 10 year period from 2008 for the Charities Aid Foundation found raising funds in Britain and for pre-development activity was a key barrier limiting growth. The Canadian Urban Institute (2017) concluded a significant barrier to not for profit affordable housing providers scaling up their operations was a lack of access to affordable long term capital.

Land/ground lease based models where the ownership of the land is retained by a third party (indigenous group, the community or a not for profit provider) have been a significant barrier for organisations wanting to use the land as security and for occupying households seeking mortgages to buy ownership rights within the development. For example, Ayoade and Ahmed (2019) suggest community land trust models do not conform with industry lending standards in Britain which constrained their ability to borrow. Community land trusts could improve their acceptance if they increased their flexibility to allow residents to staircase their equity shares and acquire freehold title to the land. However, they point out this goes against the underlying purpose of a community land trust retaining control over the land component.

Hamzah (2014) in her review of the potential for intermediate housing tenures in Malaysia concluded for any of these models, (cooperatives, deed restricted, community land trusts, shared owner and shared equity) government intervention would be required either in the form of subsidies or land at non-market prices.

Thaden and Pickett (2021) noted that community land trusts were not proliferating in many states in the USA and suggested a lack of available funding as the biggest problem and noted affordable housing (at below market prices) requires a subsidy.

Gibb and Hayton (2017) also cited Rowley et al. (2016) who concluded enablers to increase the supply of affordable housing include improved access to institutional finance and funding via a government guaranteed finance intermediary and specialised housing finance aggregators to help smaller providers access long term finance. He also noted that the spatial delivery of dwellings under any subsidised rental housing scheme is important in terms of access to education and employment opportunities, as well as services.



Barenstein et al. (2022) compared housing cooperative development in Switzerland and Uruguay and the conditions required to enable their emergence, growth and survival along with the trajectories of housing cooperatives. They concluded that in both Switzerland and Uruguay access to land and finance was an important enabler. In Uruguay, the Housing Act (1968) established a land bank of public land which could be leased (ground leased) for housing development. However, subsequent military coups dismantled the majority of the framework around housing cooperatives. In the mid-2000s a change in government led to increased funding and over 13,000 cooperative units have subsequently been funded, demonstrating the need for ongoing government support. A conservative national government elected in 2019 may bring an end to the favourable funding environment. In the case of Switzerland, the tight and interdependent relationship between the city government and housing cooperatives, which are considered a key policy instrument to maintain and expand the affordable housing sector, assists with enhancing the sector.

Barenstein et al. (2022) also noted affordable housing co-operative development in the USA grew a great deal during the 1950s as a result of an unsubsidised federal government mortgage insurance program, and into the 1960s and 1970s with federal government subsidy programmes. State agencies also spurred development of affordable housing, the most notable being the Mitchell-Lama Housing Program in New York. Mitchell-Lama provided both favourable financing and tax abatements, and was considered one of the most successful programs for developing affordable housing. The Nixon administration ended the federal financial subsidy programs and replaced them with operating subsidies. As a result, cooperative development for low-and moderate-income families in any appreciable numbers stopped in the 1970s. At the same time, the United States of America's cooperative housing movement failed to understand the power of the condominium concept and to respond to social changes of the 1970s and 1980s. The researchers also considered a lack of political understanding of the tenure models and the social and economic benefits they can deliver was a barrier to growth.

Bunce (2013) in his research on housing cooperatives in the USA concluded a lack of local and central government support for cooperatives both in terms of grants and the inflexibility of local government planning attitudes to facilitate alternative housing tenures limited expansion of alternative tenure models.

Davis and Sin (2016) identified a number of challenges to grow the shared ownership model in England including:

- Increasing government funding;
- Identifying and collecting data across providers and lenders to provide a fuller picture of the tenure, and increase confidence in the tenure; and
- Bringing in more lenders and investors to increase funding for development and purchase of shared ownership homes.

Tually et al. (2022) concluded there are a range of barriers and enablers to expanding alternative housing models for older households in an Australian context with key issues being government incentives and subsidies for developers, which are a critical enabler to ensure affordable alternative tenure housing models are financially viable.



Gibb and Hayton (2017) in their review of affordable housing supply in European countries identified the barriers to affordable alternative housing tenure developments included risk averse lenders and community housing providers, including on occasion the not for profit sector. They also noted the impact of the 2008 global financial crisis in the form of tight mortgage lending criteria affecting lower income households and first time buyers on the sector.

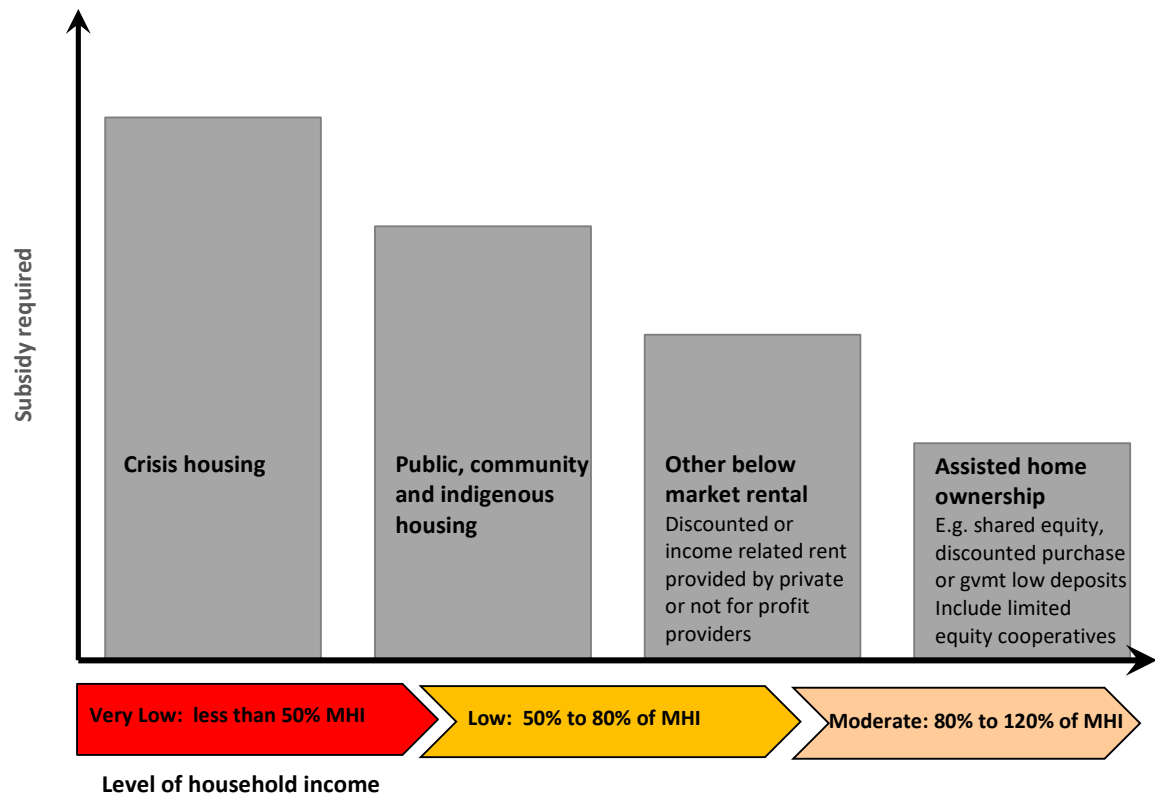
Palmer (2019) cited research by Ground Solutions Network (2017) which identified a lack of access to subsidised capital and/or land as barriers to community land trust growth in the USA.

Randolph et al. (2018) researched six Australian cases studies of different affordable housing projects using a range of tenure models and concluded that local or central government land contributions act to an affordable alternative housing tenure development opportunity can be the difference between the project proceeding or not. The government equity investment (via the land contribution) offers considerable potential for delivering feasible projects and net benefit to government.



Figure 4.1 presents Randolph et al.'s analysis of the level of government grants/subsidies required for different housing tenures by relating the tenures with the likely targeted level of household income.

Figure 4.1: Continuum of housing needs and affordable housing options



NB: MHI = median household income.

Source: Randolph et al. (2018)

Randolph et al. (2018) concluded as providers targeted households with lower incomes the optimal tenure/form of housing provision changed along with the level of subsidy required per household to ensure the financial feasibility of any development. Consequently, the relative level of subsidised funding required to feasibly develop different affordable alternative housing tenure models increased with lower income households.



Crabtree et al. (2019) undertook an international review of affordable alternative tenure policies and concluded that access to appropriate finance and capital were key enablers of growth in the sector. They also noted that, in some countries, providers lowered costs via self-help initiatives (as in several Latin American countries) and some used member savings to provide working capital (as in Germany) as sources of capital. Khan et al.'s (2019) research into the opportunity for affordable housing cooperative developments in Karachi, Pakistan, also found lack of access to finance a major barrier.

Rowley et al. (2014) noted the Australian experience from their research that alternative models of housing supply (through community land trusts and shared equity schemes) have the potential to deliver positive outcomes. One of the barriers to growth in this area is a reluctance of banks to lend money to alternative products. An important role of government is to demonstrate that such models are effective and can be low risk investment opportunities.

Tsenkova and Witwer's (2011) research in Alberta Canada into the barriers limiting the provision of affordable housing by the private sector identified fiscal barriers including a lack of indirect and direct subsidies, non-existent tax incentives; and restrictive lending and borrowing practices by financial institutions. They also suggested the following changes which may enable the increased supply of affordable housing:

- Providing better access to land at lower costs by potentially using subsidised land leases;
- Introducing inclusionary zoning to increase the supply of affordable housing;
- Establishing sustainable funding for affordable housing tenures; and
- Enhancing the role of philanthropy.



Benedict et al. (2022) note the USA has been successful in attracting private sector capital into the affordable rental sector where liberal access to finance and changes in state housing policies encouraged private equity real estate investment in riskier assets. However, international experience on the success of attracting private capital into the affordable housing sector is mixed. Table 4.1 summarises Benedict et al. (2022) views on the effectiveness of the different approaches employed.

Table 4.1: International models of private sector participation in social and affordable housing supply

Approach	Affordable housing	Appropriate housing	Efficiency	Longer term benefits	Risks & unintended consequences avoided
Private investment					
Government bonds and guarantees (eg USA and UK)	Strong evidence	Strong evidence	Strong evidence	Strong evidence	Weak evidence
Tax concessions (eg US low income tax credits)	Strong evidence	Strong evidence	Strong evidence	Weak evidence	Weak evidence
Private development and partnerships					
Build to rent and multi-unit housing	Medium evidence	Weak evidence	Weak evidence	Medium evidence	Weak evidence
Partnerships Including PPPs and mixed tenure projects	Medium evidence	Medium evidence	Weak evidence	Medium evidence	Weak evidence
Inclusionary zoning	Medium evidence	Medium evidence	Medium evidence	Weak evidence	Weak evidence
Private ownership or management					
Rental assistance	Strong evidence	Weak evidence	Medium evidence	Medium evidence	Weak evidence
Private equity investment	Weak evidence	Weak evidence	Weak evidence	Strong evidence	Strong evidence
Large corporate landlords	Weak evidence	Weak evidence	Weak evidence	Strong evidence	Strong evidence

■ Strong evidence
 ■ Medium evidence
 ■ Weak evidence
 ■ Contra evidence

Source: Benedict et al. (2022)



Benedict et al. (2022) concluded the international evidence points to strong and rising private sector interest in investing in the social and affordable housing sector and that it is clear that private involvement should be viewed as a way of extending, rather than replacing, public subsidies to house low income earners and those with special needs. They also noted there are a number of risks that need to be managed with increased private sector investment including:

- The potential disruptions to established communities or displacement of residents when social housing stock is transferred, sold or redeveloped;
- The risk that public subsidy or assets will be 'leaked' through sale or redevelopment of existing social housing or time limited affordability requirements on new products;
- Dilapidation or mismanagement of social or affordable rental housing stock;
- Reduced growth of the not-for-profit, community housing sector, forced to compete with private entities for limited funding; and
- Increased supply of sub-market housing for those on moderate incomes such as key workers, but reduced supply of homes affordable to those on very low incomes as inclusionary planning obligations are discharged without the additional government subsidy needed for deep affordability.

Benedict et al. (2022) also concluded the international evidence suggests that involving the private sector does not necessarily lead to increased social or affordable housing supply and, in fact, may lead to poorer outcomes for residents and communities. However, when programs are carefully designed and risks mitigated through stringent regulation and oversight, private involvement can:

- Extend public subsidy and resources, by leveraging access to additional sources of capital and land;
- Assist in cross subsidising the provision of housing for those on very low and low incomes;
- Support innovation in the design and delivery of new housing products and the mix of market segments served;
- Contribute to capacity building within the not-for-profit social and affordable housing sector and the housing industry more widely; and
- Help stabilise rates of new housing production, enabling construction to respond better to shifts in demographic demand (e.g. population growth and change, unmet housing need), rather than peaks and troughs in the market cycle.

Benedict et al. (2022, page 77)



Schmid (2022) also noted the pivotal role public funding plays in the provision of intermediate tenures in Europe and noted *“One basic conclusion may however be postulated; namely, the crucial role of State involvement in intermediate tenures, This is true for old and new property rights, where the most promising schemes are ground leases granted by municipalities with public interest orientated obligations; it is likewise true for private governance models such as cooperatives, whose success typically depends on public funding, at least in the start-up phase; and it is also true for all forms of public-private cooperation, which carry public involvement already in their name. Extending and fine tuning public involvement and public-private cooperation in what may be called “smart tenure models” might provide the most valuable contribution of legal housing studies to address the European housing crisis”, (Schmid (2022), page 387).*

In summary, access to capital and government grants on a sustainable basis is a key enabler for growth. Unless providers have some certainty over the availability of finance and grants, they are less likely to commit to increasing supply of affordable alternative housing tenure.

4.4 Pre - development challenges and financial viability

Organisations incur significant costs preparing development proposals. Small scale not for profit alternative tenure developers often struggle with absorbing these costs with no guarantee that the development is viable or will proceed. As a consequence, predevelopment costs can act as a significant barrier to growing both the number of providers and the development of alternative tenure housing dwellings.

Gilbert et al. (2020) concluded Australian government agencies can enable developments by de-risking and supporting the viability of diverse housing projects through subsidies in the form of land, grants, and access to special mortgage products for purchasers of diverse housing products; as well as through access to development finance, and special development assessment pathways.

Archer et al.'s (2019) research in Britain suggested public bodies have a role in overcoming pre-development challenges included in supporting affordable developments by assisting in meeting significant predevelopment costs whilst organisations plan and develop their housing proposals.

Wallace (2019) researched shared home ownership models outside London and found grant funding was typically required to make developments viable. Tually et al. (2022) also concluded affordable housing was a poor risk proposition for developers because of a project's poor viability.



Benedict et al. (2022) concluded one of the key barriers to affordable housing developments in Australia was that they were not economically feasible, particularly when compared to build to sell developments. They also noted private sector interest in affordable alternative housing tenures may wane if yields on other investment classes increase. They also emphasised private investment in affordable housing tenures, particularly for low income households, are reliant on “deep” capital grants. They also suggested that in countries where deep financial subsidies are not available, governments may need to use other policies such as the use of government owned land or land use planning powers to enable financially competitive returns.

In summary, like all affordable housing models, the ability to provide sub-market cost housing requires a subsidy to improve the project’s viability. Central and local government’s ability to de-risk developments via funding of predevelopment costs is an important enabler for the sector.

4.5 Land use planning

Planning rules and regulations can be both enablers of and barriers to affordable alternative housing tenure models. For example, the Canadian Urban Institute (2017) identified inclusionary zoning as a planning tool that has the potential to upscale the private sector production of affordable housing particularly in partnerships with not for profit housing providers. In addition, streamlining the approval processes for affordable alternative tenure model developments can also be a significant enabler.

One of the key lessons Randolph et al. (2018) drew from different affordable housing case studies in Australia using a range of tenure models was that, while planning policies can deliver additional sources of cash or land, the financial benefit of planning bonuses is limited. Likewise, Gibb and Hayton (2017) in their review of affordable housing supply in European states identified a lack of policies that limit the impact of groups with vested interests (NIMBY forces) on planning led solutions to the provision of affordable housing solutions/models was a barrier.

Tsenkova and Witwer (2011) research on Alberta, Canada into the barriers limiting the provision of affordable housing by the private sector identified the following:

- Cumbersome planning approval processes increasing the time required in the pre-development phase;
- Uncertainty and risk over whether a development would proceed; and
- Community opposition to affordable housing developments in their neighbourhoods.

Tsenkova and Witwer (2011) also suggested changes in planning and development approval processes which may enable the increased supply of affordable housing such as:

- Increasing the transparency and predictability of the development approvals process; and
- Introducing inclusionary zoning to increase the supply of affordable housing.



Tually et al. (2022) in an Australian context identified the key issues being planning, regulatory and financing frameworks which must respond to new ways of thinking about affordable housing for older people. Gilbert et al (2020) also identified the following issues:

- Planning system challenges can include difficulty accessing sites where medium and higher density built form is permitted which can have a significant impact on a development's financial viability;
- A lack of clarity as to the permissibility of unconventional housing or development types within land-use zones; and
- A lack of flexibility in development controls to allow for design innovations, such as reduced car parking and / or shared facilities within the development.

In summary, planning regulations can be used as an enabler for the alternative housing tenure market by overcoming cumbersome planning processes, minimising the impact of NIMBYism, and using inclusionary zoning as a source of grants or development sites.



4.6 Legal system issues

A number of legal system issues were discussed in the international literature including:

- The standardisation of legal agreements used for each alternative tenure model;
- The additional legal costs associated with some alternative tenure models;
- Complex tenure agreements making it difficult for participants to understand their rights and obligations; and
- Legal rules around the separation of the value of land and improvements particularly for community land trusts.

Cambridge University (2020) suggested the standardisation of the shared equity agreements in Britain would improve market acceptance as there are disadvantages if there are different providers introducing too many controls and different processes. This, along with the need to improve the market's understanding of shared equity and other models as a tenure, is important as it could improve access to bank lending and/or deposit requirements.

Cromarty (2020) concluded that one of the barriers to shared ownership housing in Britain is providers' access to finance. He noted the finance sector has found the tenure documents complex and suggested a simpler standard shared ownership lease would be advantageous. In addition, a lack of scale has hindered the sector and if there was an increase in the supply of shared ownership properties (i.e. the sector increased in scale), it would encourage more lenders to consider shared ownership loans.

Tually et al. (2022) also researched Britain's shared ownership scheme and concluded it had a number of disadvantages which included additional legal costs of staircasing, payment of an ongoing service charge and the underlying leasehold tenure.

Crabtree et al. (2012) suggested major policy considerations for promoting community land trust type innovation in Australia concerns whether a national definition, (as applies in the USA and UK), is desirable to build familiarity and consistency. Legislation providing a better way of enabling the ready separation of fixtures from land may also be desirable.

In summary, the standardisation of alternative tenure agreements would be advantageous for the sector as this would assist with improving both the market's and lenders' familiarity with the different models. Legislation providing national definitions and clear options to separate fixtures from land are also enabling of alternative tenures.



4.7 Cultural acceptance of different models

Crabtree et al. (2012) found existing land tenure arrangements on indigenous lands might not readily enable mainstream forms of home ownership, especially where land is held collectively and not currently subdivided. They found a high degree of flexibility in community land trust programmes in the USA can and do deliver affordable rental, co-operative and owner occupied housing for indigenous communities. The sector in the USA has provided secure and affordable housing, and has experienced much lower default and foreclosure rates than the open market average during the 2008 global financial crisis.

Crabtree et al.'s (2012) made a number of findings on the opportunity of community land trusts in Australia to provide affordable housing for indigenous communities and these included:

- The need for public subsidies to underpin any future home ownership schemes for indigenous households aspiring to move from rental housing into some form of low cost home ownership;
- Access to land that is ready to be developed;
- Market scale was a consistent issue. Markets that in all likelihood are very small and effectively closed, as many communities would wish to limit eligibility to community members and kin, may result in issues regarding the need for workable exit strategies if a household wishes to leave but a suitable buyer cannot be found, which would most likely mean the organisation having the capacity to buy back the property;
- Issues about the legal treatment of the model and how to separate houses (fixtures) from land, and how ground leases would be treated under the various Acts governing indigenous land holdings, as well as potential governance models; and
- The need for and capacity of organisations and models to be responsive to indigenous housing aspirations.

Berghan (2021) investigated the potential for kaupapakāinga, a Māori cohousing approach. Kaupapakāinga is a hybrid model of papakāinga and cohousing where whānau are connected by kaupapa (rather than, necessarily, whakapapa), which could have the potential to contribute to Māori housing needs and aspirations, particularly for Māori living away from their ancestral homelands. He concluded kaupapakāinga could yield potential benefits to whānau, but there were possible challenges in that it's not located on ancestral whenua, it's a different way of living, New Zealand's inflexible regulatory frameworks, and it needs ongoing input to sustain the social and physical infrastructure. A Māori cohousing approach needs to be clear in its intention to provide a particular style of living amongst Māori but located for pragmatic reasons, rather than an ancestral connection to the whenua.

Residents stress the need for accurate and early information, particularly around the amount of work or input required on an ongoing basis. Educating prospective residents around the expectations of collective living (and how it differs from more conventional housing types) is critical for facilitating a good quality of life for residents in developments with communal aspects (Dupuis & Dixon, 2006). That being said, collective models inherently require time and effort to respect and consider others, which will not necessarily suit everyone (Wardle, 2013).



Berghan (2021) emphasised although cohousing and papakāinga communities have different foundations, both are attempting to subvert (and improve) conventional development patterns which tend to prioritise individualisation. A challenge, though, is that collective models often do not fit within existing planning regulations, or financial and legal frameworks. District plans may not explicitly accommodate collective housing approaches, and local authorities can be unfamiliar with (and therefore, apprehensive about) alternatives to the status quo. Banks will often approach collective developments in the same way as a conventional residential development and may be hesitant or unwilling to lend to a collective of individuals rather than an established property developer. The result tends to be that collective communities either compromise elements to fit existing structures and frameworks which were not designed with alternative housing models in mind, or shoulder the burden of the additional resourcing costs to resolve these challenges. Given the budget and risk-averse nature of property and housing in New Zealand, it is likely that collective models will continue to be seen as ‘experimental’ until they are more widely established.

Berghan (2021) concluded the kaupapakāinga approach could offer pragmatic benefits to whānau Māori on multiple bottom lines: socially; environmentally; and culturally. To genuinely contribute to discussions of affordability, the approach needs to go further than being just a Māori iteration of cohousing. A kaupapakāinga approach would need to look beyond housing to explore alternative methods of decommodification and reconsider mainstream notions of ‘property’ and ‘ownership’ in ways which can better offer an alternative, affordable housing model. Māori communities are diverse – geographically, economically, socially – and so there will be no ‘one’ right pathway to housing. A hybrid approach, like that proposed here, will not appeal to everyone. But this is another option that might provide some whānau with a different pathway to a safe, secure home. Co-opting elements of cohousing and papakāinga models, bringing Indigenous knowledge together with collective Western models, could contribute to a stronger sense of home and security for Māori, as well as create a uniquely Aotearoa model of development. Given the current pressures on housing, such alternatives could be needed more than we think.

Menzies et al. (2020) cited Alcantara (2005) and describes the problems First Nations people have faced in obtaining mortgages for building on tribal land through a legal prohibition on seizing assets in case of default. The distinguishing of private property rights, perversely, has enabled a way around this, through a device termed a Certificate of Possession. Loan guarantees have been provided by tribes, and government departments have been a source of loan funding for housing developments on a revolving fund basis. Rent-to-own agreements can then be set in place following development of land through the issuing of a Certificate of Possession. The Certificate of Possession, in conjunction with tribe and/or government support, may provide a practical solution for tackling the housing problems that face many Reserves in Canada. Menzies et al (2020) also noted challenges for First Nations people in the USA where lending in Indian Country faces barriers similar to those in other underserved markets and rural areas but is more complicated because tribal trust land cannot be alienated or encumbered. Most loans were made for fee simple land. While a loan guarantee programme enables lending on tribal trust land, lenders identified daunting administrative barriers to establishing leases and title records. They also note the deposit requirements associated with a mortgage also serve as a barrier to affordable secure housing.



4.8 Access to suitably zoned and located development sites

Access to development sites located in areas of high demand priced to reflect the costs associated with providing affordable alternative tenured dwellings is cited as an important issue. For example, Wallace (2019) researched shared home ownership models outside London and found limited access to affordably priced development sites located in areas of high demand was a key barrier to the expansion of the schemes. Crabtree et al. (2019) concluded access to land at an affordable price in the right location close to services would enable development.

Tually et al. (2022) concluded there are a range of barriers and enablers to expanding alternative housing models for older households in an Australian context. They identified land acquisition as a key issue and a vital part of expanding affordable housing options. Being able to access land at no cost or below-market rates, for example through peppercorn leasing of vacant land owned by governments or not-for-profits, or utilising private land such as suburban backyards, can greatly increase affordability.

Scanlon, and Arrigoitia's (2015) review of affordable housing developments in the United Kingdom found they are at a disadvantage in trying to secure development sites compared to traditional residential developers. This is due in part to the longer pre-development timeframes associated with affordable housing developments like co-housing. The increased time frames and financiers' unfamiliarity with affordable housing tenure developments result in a preference for higher return lower risk developments. Development feasibility, access to finance and spatial planning issues can be barriers to affordable housing developments (such as co-housing) although these can be overcome. The longer development timeframes make it advantageous for affordable housing developers to have access to development sites on preferential terms such as extended settlement periods.

Urban Advisory (2020a and b) in their recommendations on how to encourage affordable housing developments in New Zealand also considered access to land at affordable prices and developing appropriate finance models as key enablers for the community housing sector to provide affordable alternative tenure housing.

Benedict et al. (2022) noted governments were increasingly focusing on long term ground leases as a mechanism for contributing land for mixed income and tenure developments by the private sector. Ground leases enable governments to share operating accountability and risk of the development project, but to retain the asset on the public balance sheet. This asset is then to be returned at the end of the term with an improved capital value.



4.9 The public's and their advisors' familiarity with the different tenure models

Most housing markets are dominated by two key tenures (owner occupation and renting from either a public sector organisation or private sector landlord). Alternative tenures are in the minority and often not well understood by potential occupiers, their advisors and lending organisations. This can act as a significant barrier to growing the sector. If alternative tenure models are not well understood, households are likely to be reluctant to commit to a tenure when it involves one of the biggest financial decisions they are likely to make, particularly if their legal advisors do not understand the tenure themselves. Craigforth et al. (2020) evaluated the Scottish Government's three shared equity programmes:

- Help to buy;
- New supply shared equity; and
- Open market shared equity.

They used secondary data sources, housing market statistics and interviews with key stakeholders to complete their evaluation. Their findings included substantial improvements in marketing to increase market knowledge of these schemes may have improved their effectiveness. Cambridge University (2020) also identified the need to improve the market's understanding of shared equity as a tenure is required to enable it to grow. Wallace (2019) researched shared home ownership models outside London and found the lack of public awareness and understanding of these models a barrier to growth.

Palmer (2019) cited research by Ground Solutions Network (2017) which identified one of the barriers to community land trust growth in the USA was the reputation of community land trusts. They were considered unfamiliar and a complex housing solution by policy makers and funders.

Tually et al. (2022) found the key enabler for expanding alternative housing models for older Australians included enhancing market familiarity with alternative tenure models. Crabtree et al. (2019) concluded familiarity and acceptance in the market in Australia were an important enabler in terms of the ability of providers to grow. Gilbert et al. (2020) suggested a lack of knowledge in the market and community over different types of affordable housing products was a barrier to growth. Bunce (2013) in his research on housing cooperatives in Australia found the barriers to non-social housing cooperatives growing in scale included the lack of public perception or awareness of affordable housing cooperatives and their negative view of them being for social housing "dole bludgers". An important message being affordable housing is not necessarily targeted at social renters, but rather at working low to moderate income households.

Davis and Sinn. (2016) identified a number of challenges to grow the shared ownership model in England and suggested developing a charter to establish what a good shared ownership service looks like, including consistent messages and approaches for customers, would assist growth and the public's familiarity with the models.

In summary, if the sector is to grow, providers and their peak industry bodies must improve familiarity with different alternative tenure models among market, lenders and policy makers.



4.10 The propensity of central and local government and their agencies to work with not for profit community housing providers

Archer et al. (2019) interviewed 33 community land trusts that had developed 524 affordable homes in England since 2008 and identified two key barriers for community land trust development. These were access to affordable land and the availability of pre-development funding. Other issues impacting on the ability of community land trusts to grow were:

- The speed of responses from local authorities and negotiations over S106 agreements; and
- Willingness for local authorities to work with community land trusts.

Ayoade and Ahmed (2019)a in their research into alternative tenure models in England found positive cooperation between local authorities and developers has achieved beneficial relationships, improved housing outcomes and resulted in an increased supply of alternative housing tenure units. Ayoade and Ahmed (2019)b suggested policy shifts towards a relaxation of planning rules and a reduction of local authority charges on small and medium scale developers employing shared equity and community land trust models would incentivise supply and drive innovation. They observed that housing system challenges faced by potential affordable housing providers are not considered a priority by government.

Thaden and Pickett (2021) in their study in the USA noted that alternative housing tenure developments (community land trusts in particular) were not proliferating and suggested working with local authorities to gain control and have input into the decision making over vacant land or brownfield development sites is pivotal to being able to develop a community land trust that delivers for a community.

In summary, the willingness of both local and central government to work with affordable alternative housing tenure model providers can be an important enabler for the sector. Cooperation between the different players can provide an environment where the preferential access to land can allow better housing outcomes for the community.



4.11 The scale (size) of affordable housing providers

The small size of the affordable alternative housing tenure sector is often seen as a barrier to growth with lack of scale and asset base seen as limiting their ability to provide affordable housing in areas of need.

Archer et al.'s (2019) research on England's housing market identified barriers at the pre-development stage of a project which included a lack of organisational capacity to manage the development including assessing the site's development feasibility. This limited their ability to respond quickly to opportunities and make decisions within market led timeframes when dealing with public bodies and funders.

Palmer (2019) also identified a lack of scale (or achieving a sustainability threshold) within community land trusts impacting on their sustainability in many states in the USA. Community land trusts typically include ongoing stewardship of their occupiers and as such require scale to justify the resources required. Insufficient staff capacity to cope with the demands of seeking capital grants and educating policy makers around the opportunity community land trusts provide was also a challenge. Wallace's (2019) research on shared home ownership models outside London found a lack of organisational ambition hindering growth. Randolph et al.'s (2018) research also concluded increasing the scale of not for profit housing provision in Australia offers significant financial benefits for the long term delivery of affordable housing.

Lang and Stoeger's (2017) investigation into the institutional framework for cooperative housing developments in Austria found it favoured larger organisations. However, it also resulted in partnerships between small entities and larger cooperatives. They found partnerships with large-scale, non-profit and cooperative providers to develop collaborative housing is also prevalent in other European countries, such as Germany, Sweden, The Netherlands and England. They also noted the role of 'socially skilled actors' who can perceive and seize opportunities were important in constraining policy environments.

Thaden and Pickett (2021) in their study of alternative housing tenure developments, community land trusts in particular, in the USA noted that they were not proliferating and suggested the conflict between the desire to grow to scale with the tension of maintaining community control of a development as an inhibitor to growth.

In summary, larger scale developers provide the sector with the capacity and expertise to grow. However, care needs to be taken to ensure scale does not overwhelm community input and support of individual alternative housing tenure projects.



5. Industry and sector interviews

5.1 Introduction

The objective of the industry and sector interviews²⁴ was to investigate the barriers and enablers impacting on providers offering alternative tenure models in New Zealand, how they operate within the housing and related systems to provide affordable housing and their ability to operate at scale.

Semi-structured interviews²⁵ were used with sector participants to identify and collect information on alternative tenure models already in use domestically. The interviews included:

- Affordable housing providers interested in offering or developing alternative housing tenures;
- Iwi groups interested in offering or developing alternative housing tenure models;
- Financiers and equity investors;
- Property sector participants and their advisors; and
- Local and central government representatives.

A total of 30 interviews were conducted which included 17 affordable housing providers and iwi groups, 13 financiers and equity providers, property market participants, their advisors, and local and central government organisations. The interview responses are grouped into the following topics:

- General issues impacting on organisations' ability to offer and grow alternative housing tenures;
- Central government policies and procedures;
- Issues for Māori collectives;
- Finance and capital market features;
- Local government policies and procedures;
- Legal system characteristics; and
- Other considerations.

²⁴ The research process associated with the industry interviews received approval from New Zealand Ethics Committee as meeting the appropriate standards for social research in Aotearoa New Zealand – NZEC Application 2022_27.

²⁵ A copy of the survey instrument is included in Appendix 2.



5.2 General issues impacting on organisations' ability to offer and grow affordable alternative housing tenure models

A number of potential barriers and enablers strongly identified by a number of providers and others operating in the wider housing system are presented in this section of the report. Table 5.1 presents a summary of the key general issues identified through the semi-structured interviews.

Table 5.1: Key general issues identified in the industry interviews

Key issues	Number of responses			% of total		
	Providers	Other	Combined total	Providers	Other	Combined total
Education / knowledge about the models	14	11	25	88%	85%	86%
Standardisation of documentation	14	10	24	88%	77%	83%
Household stewardship	9	9	18	56%	69%	62%
Economic viability of the models	6	4	10	38%	31%	34%
Partnerships at a local level / service providers	6	4	10	38%	31%	34%

5.2.1 Education / knowledge about the models

The majority of respondents consider the public's, local and central government's, the finance sector's, potential occupants, and their advisors (solicitors, real estate agents etc) lack of knowledge about the different sorts of alternative tenure models is a significant barrier which limits growth within the sector.

The following are representative of the comments from interviewees:

- A lack of understanding of cooperatives as a tenure model is inhibiting potential developments, it's not "an alternative hippy model" rather a sustainable multi-generational long term affordable housing model;
- Alternative tenures have not been well socialised within the community;
- We need to build the communities' understanding of what shared equity and rent to buy models can provide households and to promote good news stories from our developments;
- The benefits associated with our products (shared equity and rent to buy) need to be better socialised with our key partners to keep them interested in supporting our trust;
- Households lack knowledge around the basics of debt, mortgages, and investing and what it means to be a home owner. These sorts of basic skills should be taught in schools. Without this knowledge they have no chance of understanding an alternative tenure model;
- People are not familiar with the different tenure models. A lot of education is needed. Many of the households have been lifelong renters and need homebuyer education;
- First home buyers do not understand alternative tenures and are easy to "spook". The sector has a lot of work to do within the community to socialise their models with both householders and their advisors;



- Providers must be proactive and clearly demonstrate the benefits their programmes provide to the community;
- The cooperative housing sector lacks a peak industry body promoting and educating all parts of the housing system on the models and the benefits they can provide;
- Educating the community and banks about our product (shared equity/progressive home ownership) is a lengthy business and it takes time to build momentum and the key is building familiarity with the model in the community. Education needs to focus on real estate agents, the banking sector, the legal community, and workshops with large employers and key workers;
- For banks, this is niche public/community good lending, so it is not so much about the money, rather helping communities and making the banks feel good about being involved so we need to understand the models and the value proposition;
- Providers have an obligation to proactively promote what they do – affordable alternative housing tenure – not social housing – but housing for essential key workers; and
- Unlocking the local community information networks is key to getting people to come forward and learn more about what is available.

5.2.2 Standardisation of documentation

The lack of industry standard documentation defining the legal structures and operator and occupier rights was seen as a barrier to growth within the sector. By default, newer providers are adopting documentation developed by prominent providers. For example, the New Zealand Housing Foundation’s “shared equity” and Queenstown Lakes Community Housing Trust’s “community land trust leasehold” documentation are developing into default accepted formats. In part, this is supported by the lenders active in the sector acceptance of these legal structures. The time and cost delays associated with developing alternative documentation, appropriate legal structures, and working through a financier’s legal and policy approval processes are beyond the scope of most providers. At this stage, there does not appear to be any similar documentation for cooperative structures or for developments on multiply owned Māori land, although we understand work is underway on the latter.

The following are representative of the comments from interviewees:

- Bespoke tenures and bespoke deals result in a lot of legal fees and tend to be difficult to secure finance. There is a need to standardise the documentation to make it easier for all parties involved;
- Standardisation of the different types of housing tenure model documentation would help improve access to finance as it would facilitate bank acceptance;
- Standardisation would, over time, improve the public’s acceptance of the model and assist in creating a secondary market for units (community land trust and cooperative memberships) as people and their advisors would know what they are buying;
- You need products that advisors, financiers and investors recognise. Standardisation of the legal frameworks behind the models is essential;



- Standardisation of the legal framework and documentation is a key to be able to access finance without incurring lengthy time delays and high fees. The worst thing the government did was developing their own documentation around their progressive home ownership product rather than using what was already working in the market; and
- Banks want standardised alternative tenure documents.

5.2.3 Household stewardship

Providing support and education regarding alternative tenure products and preparing households to access them is a key component of many providers' programmes. Low to moderate income households' financial circumstances are such they are not typically in a position to enter alternative tenure programmes immediately. The challenges facing these households include an accumulation of short term debt, the need to further develop their financial knowledge and budgeting skills, and developing a belief that they can achieve a different form of tenure with some support and changes in the ways in which they operate their household.

The following quotes are representative of the comments from interviewees:

- These models are targeting households which benefit from education focused on improving their financial literacy and understanding of what it means to be a long time member of a community;
- We have a programme we provide under a Whānau Ora model. Every family has a plan, and we work together to achieve it;
- Massive challenge of getting whānau to believe they can own their own homes. They don't know or understand the process overall, not just shared equity;
- There is real buyer hesitation for anything other than freehold titles. Years of messaging from banks, realtors, and financial advisors are all in favour of that tenure;
- As a financier unless we know households will have wrap around services to support them, we are less likely to be involved with a provider; and
- Stewardship and socialisation of the benefits of the model go hand in hand in growing the knowledge within a community about the benefits of home ownership and how and why households should have an ownership goal.



5.2.4 Economic viability of the models

The economic viability of alternative tenure model housing and the need for some form of subsidy is seen as a barrier limiting the sector's ability to grow. Providers and others within the wider housing system commented on the necessity of land or capital subsidies for the alternative tenure models to assist lower income households. Lacking that, financial viability limits their ability to leverage private sector capital and attract developers to partner with them.

The following are representative of the comments from interviewees:

- The majority of these models are unviable without some form of direct or indirect subsidy;
- These models provide submarket returns and as a consequence will not be able to attract private sector capital and they will struggle to operate at scale without private sector capital;
- Affordable alternative tenure models are not economic in their own right and this will limit their growth to a subsidised housing delivery model constrained by grant funding;
- The cash yields from alternative tenure models are too low to attract sufficient capital to allow them to grow to scale; and
- The decline in housing affordability makes it hard to justify using government money to support them into home ownership.

5.2.5 Partnerships at a local level / service providers

Partnering with established providers willing to outsource their expertise was seen as an enabler allowing smaller organisations to establish themselves in the sector and access skills and knowledge, they cannot afford to employ full time.

The following are representative of the comments from interviewees:

- We partnered with the New Zealand Housing Foundation as we did not have the internal expertise required to offer a shared equity programme and it allowed us to focus our resources on our overall business activities;
- Community housing providers who want to provide alternative tenure models, particularly during their initial stages, need good partners to provide them with the support needed in terms of identifying the needy demographic they are wanting to help, household selection and stewardship, and access to key documentation;
- Forming effective partnerships is the key to accessing knowledge about the tenure, documentation, how to manage a programme, accessing support from philanthropic investors and getting your bank on side;
- Partnerships are pivotable for knowledge transfer. Partnering with larger successful providers gives small community housing providers access to their knowledge, processes, documentation, services and expertise; and
- We do not deliver the homebuyer education component ourselves. Habitat for Humanity does this for us.



5.3 Central government policies and procedures

A number of potential barriers and enablers which were strongly identified by several providers and others operating in the wider housing system are presented in this section of the report. Table 5.2 presents a summary of the key issues relating to central government policies and procedures identified through the semi-structured interview process.

Table 5.2: Issues relating to central government policies and procedures in the industry interviews

Key issues	Number of responses			% of total		
	Providers	Other	Combined total	Providers	Other	Combined total
Lack of a national housing policy	7	2	9	44%	15%	31%
Neoliberal approach to housing market outcomes	7	3	10	44%	23%	34%
Charities services constraints	6	2	8	38%	15%	28%
Connecting up with the government funding models	8		8	50%	0%	28%
Constantly changing policy	4	4	8	25%	31%	28%
Providers chasing funding sources	4		4	25%	0%	14%

5.3.1 Lack of a national housing policy

New Zealand lacks a focused appropriately funded national housing policy with clear measurable goals. The Government's current policy statement on Housing and Urban development sets out a vision and a pathway to affordable secure housing options. However, the process has been slow and the funding underwhelming. For example, although Government has increased the amount of support for households to move into owner occupation via grants and alternative tenure models (progressive homeownership which is a form of shared equity tenure), the level of funding is such this will only provide real benefits for a limited number of households. At best this support may assist less than a decimal point of households into secure affordable owner occupation. The progressive home ownership policy also has household income thresholds set at over 130% of median gross household income, which suggests the policy is aimed at supporting middle to upper middle income households into owner occupation rather than needy low to moderate income households struggling in the rental market. Overall, the policy statement is not supported by appropriate funding to support its vision(s) and lacks clear measurable goals to monitor its performance over time.



The following are representative of the comments from interviewees:

- Niche solutions with limited funding will not significantly improve market outcomes. We need an overall strategy that is place based, well-funded, developed with the local community, and customised to meet housing need in local housing markets;
- New Zealand and government agencies seem sold on home ownership and the security and wealth creation it delivers. However, this is beyond the reach of so many within our community that we need a different solution. Hard working low income renters need something better than what the rental market currently provides. If we had enough secure affordable rentals maybe we would not have the same drive for home ownership. The trouble is families cannot afford to pay the market rents being asked;
- Kāinga Ora is not meeting the need from our iwi and hapū. They don't seem to understand housing need across the whole continuum. As the government's key provider, they should be delivering and getting families into affordable housing. They do not seem to be able to work collaboratively – the system seems to be broken;
- Current housing plans are really just pilot schemes with funding that runs out in 2024. The sector needs more long term bipartisan support if it's going to grow;
- The government (agencies) all just seem to focus on building houses and don't seem to have any focus on helping the people – it's all just about the number of houses built; and
- Government policy lacks an understanding of iwi and hapū relationships with the land and how it should be developed. Typically, "land and housing is seen as a source of wealth" rather than "land as a source of health" for the community. This fundamental difference makes it difficult for Māori organisations to operate and provide housing within the current government funding programmes.



5.3.2 Neoliberal approach to housing market outcomes

In the late 1980s, New Zealand joined most other western liberal democracies in adopting what is termed the “neoliberal” approach to economics. The neoliberal approach to affordable housing solutions suggests that the market will provide affordable outcomes provided it is unhindered from government regulations. This approach and lack of intervention was seen as a barrier to growth in the affordable alternative housing tenure market by a number of interviewees.

The following are representative of the comments from interviewees:

- “Our market will provide” mind set drives the outcomes we see today. If we want different outcomes, we need to adjust the market settings to achieve the affordability outcomes we want;
- The drive to get fiscal outcomes is inconsistent with the spirit of what they are trying to achieve and has been a massive time delay. Some transactions have drawn out for several years;
- The Crown treats everything as a market commercial transaction rather than a social good. The sector is not a partner with the Crown it is a service provider at best;
- The free market model is just not working and the inequality of outcomes is getting worse. Dwelling ownership and the associated wealth created leads to a greater disparity between households; and
- Constraints around land which must always be sold at full market value hinder councils’ (and government’s) ability to grow the sector. If they want to sell land so it can be developed to provide affordable and social housing outcomes, the impact of these restrictions (covenants) on land use should be reflected in the price paid for the land.



5.3.3 Charities Services constraints

A significant proportion of alternative housing tenure providers are not for profit registered Charities. A number of interviewees commented on the constraints and costs of conforming with Charities Services guidelines which impacts on their ability to provide affordable alternative housing tenure products in today's housing market. We note that the Queenstown Lakes Community Housing Trust was also deregistered as a Charity as its operation was deemed not consistent with alleviating poverty (a key role for a Charity). Although the tax rules for registered community housing providers were changed to offset some of the impact of not being able to operate as a charity, noncharitable status does have implications for potential donors.

The following are representative of the comments from interviewees:

- Charities Services view on alternative housing tenure models relative to the need to elevating poverty hinders the ability of community housing providers to offer affordable alternative housing tenure. Their household income thresholds in particular is a constraint;
- It took a long time to achieve charitable status. It took three tries and a trip to see them in Wellington; and
- Declining housing affordability has placed pressure on our ability to offer our shared equity models within some markets and stay within Charities Services guidelines in terms of acceptable levels of household incomes.



5.3.4 Connecting up the models with Government sector funding

A range of government agencies offer grants to support households in need. However, they all have different criteria and add to the way application pathways can overly complicate the process(es) for a provider.

The following are representative of the comments from interviewees:

- Current government funding processes are too slow and bureaucratic. Often by the time they have made a decision the development opportunity has been lost;
- The government sector is disjointed and there is a need to connect up the dots so they can work together and support providers who are trying to deliver housing solutions to their clients;
- Government has shifted all the risk onto the provider and is capturing the benefit for themselves. It is a low trust model;
- The Progressive Home Ownership contract form and the application are not fit for purpose for us as an iwi;
- When providing public funding/subsidies - there is a tension between the ownership/wealth creation models (like shared equity) and retained affordable models (like community land trusts and affordable rental tenures). Both drive better outcomes, however, at a local government level, there is debate over whether it is appropriate to use a public good (like council owned land) to drive wealth creation aspirations for a few households or are we better to ensure any value growth or wealth benefits are retained for the wider community. This is likely to become more of an issue if policies like inclusionary zoning are implemented; and
- Realistically it is so difficult to get a viable development once you take into account the limitations councils place on the number of dwellings you are allowed to develop on a site, their design, combined with the level of funding that's available. In the end you just have to go where the funding is and unfortunately this stifles innovation and better design outcomes. Plus, for our local housing market it may mean we need to follow the funding and service the households that it supports rather than focus on helping the households most in need.



5.3.5 Constantly changing policy

Successive New Zealand governments have failed to develop effective bipartisan housing policies and as a result potential alternative housing tenure providers have had to cope with an ever changing policy landscape. Funding sources and grants come and go as the political parties in government change. The “on again, off again” sources of funding and potential delivery mechanisms create uncertainty and additional risk within the sector, thereby limiting organisations’ ability to grow and upscale their operations.

The following are representative of the comments from interviewees:

- There has been no consistency in government support for different types of alternative tenure models;
- A challenge has been the lack of consistency in supporting schemes over time. It is hard for organisations to plan and scale up. Also has alternated between loans and grants. Some providers take a while to get to the starting line and the appropriation then is running out;
- Government agencies are risk averse and unwilling to consider opportunities like affordable rental and limited ownership cooperatives they don’t understand. They should focus on the outcomes rather than the details of the legal structures; and
- Despite their rhetoric, government sector agencies are not willing to partner with affordable housing providers trying to develop innovative housing solutions.

5.3.6 Providers chasing funding sources

As government policy evolves over time, funding programmes for different components of housing needs have varied. To continue to operate and support more households, not for profit housing providers have had to refocus their operations on the parts of the housing continuum which are supported by current policy.

The following are representative of the comments from interviewees:

- There has been no consistency in government support for different types of alternative tenure models;
- The funding streams tend to drive the tenures, so right now we are looking at public, affordable and progressive home ownership. Can be accused of ‘chasing the money’ but the reality is subsidy is needed to deliver the below-market homes; and
- Community housing providers are limited to servicing housing need which is funded. For example, when government support shifted to organisations providing the Income Related Rent subsidy for households on the Ministry of Social Development’s housing register, the sector responded and moved away from servicing other parts of housing need along the housing continuum so they could get funding and continue to grow. Is this the optimal outcome?



5.4 Issues for Māori collectives

Many of the barriers and enablers for Māori housing collectives bear similarities with those of other industry and sector providers generally. While comments from Māori organisations and housing providers are woven through other parts of this section of the report, this separate sub-section expands on some nuanced and unique elements when considering alternative tenures for Māori.

The comments in this section draw specifically from the interviews with Māori organisations, housing providers, and iwi participants, as well as drawing from secondary data sources²⁶ in efforts to reduce the research burden and survey fatigue on Māori participants. In particular, the following specific issues are discussed:

- Central government partnerships and institutional racism;
- Relationships with whenua/land;
- Legal challenges;
- Social procurement and capacity building – as it is not just about building houses; and
- Affordable alternative housing tenures, but for whom?

5.4.1 Central government partnership and institutional racism

Treaty partnership means relationships with government departments are different for iwi than with other housing providers. There is a need to recognise and consider historical redress, to understand what “partnership” looks like, and to see where central government agencies (such as Te Tūāpapa Kura Kāinga - Ministry of Housing and Urban Development) truly partner with iwi, not just collaborate. Different iwi have different ‘bargaining power’ depending on whether they are pre- or post-settlement. Some Māori collectives already have land that they can put forward for development, while others need to source or purchase land. For settled iwi, the use of settlement land raises the question of ‘double-dipping’, when considered alongside others such as Queenstown Lakes Community Housing Trust who can access land through a planning tool (inclusionary zoning) or other developers obtaining land through charitable relationships with aligned organisations.

Similarly, there tends to be devolvement of responsibility from central government, alongside other stakeholders and agencies who are oblivious to the impact and power their role has over Māori collectives and the flow-on implications this has on-the-ground. Investment in the ‘mainstream’ results in a lack of investment in Māori rōpū. Prior investment into those organisations means when new funds become available, such as the progressive home ownership programme, Māori collectives are not as prepared to take advantage of the opportunity. With the short term duration of many funds noted above, this restricts the delivery through Māori collectives.

²⁶ Secondary data sources included publicly available iwi planning documents and reports such as Te Ara Mauwhare Pathways to Home Ownership Trials (R & K Consultants, 2021).



Key comments raised in interviews and literature included:

- The land was lost through the land wars, returned through a shitty settlement process and now we're having to pay through that treaty settlement to pay for these programmes;
- It's a low-trust model. Not necessarily from the people we deal with day-to-day, but at the policy level. It's the framework;
- The progressive home ownership contract form and the application are not fit for purpose for us as an iwi;
- We're having to work against a systemic way of being. Culture doesn't change overnight, and they're the ones with the power;
- They're really making us squeeze our unique selves into square holes;
- In Te Ara Mauwhare, the groups who already had land could start developing sooner, they were a step ahead;
- This project has worked because we have tipped in the land, which enables this to work. We have taken the hit because we are serving iwi members; and
- It's "a winning formula" in the sense of Māori collectives coming with the land for housing development as a starting point, and government to then come with funding. But there are nuanced challenges when it's settlement land.

5.4.2 Relationships with whenua/land

The role of the whenua (land) is important for Māori housing located on ancestral land. Tangata whenua relationships with land are embedded in collective Indigenous epistemologies, conceptualised in the phrase "ko au te whenua, ko te whenua ko au" (I am the land, the land is me). Developing housing on ancestral whenua results in a different connection or relationship to the land than conventional, private development where those relationships can be more transactional. A deeply embedded, cultural attachment to the land can exist as part of a broader cultural landscape of significant sites including maunga and awa. The ability to return to, see, and be part of that cultural landscape is an important part of cultural connection (or reconnection) with both the physical landscape, as well as providing opportunities for (re)connecting with other whānau from the iwi/hapū, learning about their whakapapa, connecting with and living on the whenua, being encouraged to learn te reo Māori, and so on.

On the other hand, for Māori collectives whose takiwā (district, territory) covers a large geographical area, the ability to build single papakāinga is likely to be seen more at the regional, papatipu rūnanga level and interact with those regional cultural landscapes.



These key comments were raised in interviews and literature:

- It's pretty special to be able to see our sites of significance. We can see our maunga, we can see the land our tūpuna once walked;
- Te Puni Kōkiri support for papakāinga works if you live on your whenua within your rohe. If you live in another region and have strong ties there, there isn't any government support for you; and
- We don't have the same ability to build a single papakāinga as perhaps other iwi. Our takiwā means we have a wider iwi aspiration to fulfil.

5.4.3 Legal challenges

As noted in the sections above, developing housing on general title land for Māori collectives, or on multiply owned Māori freehold land, is complex. Māori land is typically owned by multiple owners, and is protected from being sold out of Māori ownership under Te Ture Whenua Māori Act 1993, meaning banks are, by and large, unwilling to lend for buildings on Māori land. The Kāinga Whenua Loan Scheme, established in 2010, was designed as a solution for multiply owned land by using the house as security instead of the land. Nevertheless, there are restrictions on the type of home that can be built – it must be single-storey, at least 50 square metres, have reasonable road access and be built on removable piles (so the home can be removed in the event of a loan default). As a result, only 70 loans have been issued under the scheme since its inception – a reflection of the arduous application process rather than from a lack of interest.

Navigating the many organisations involved in facilitating the loans (Kāinga Ora, Kiwibank and Māori Land Courts) can be challenging and allows for miscommunication when whānau receive inconsistent or conflicting information and advice from those different organisations.

Additional central government funding in the 2021 budget established the Whai Kāinga Whai Oranga initiative. This joint fund between Te Tūāpapa Kura Kāinga and Te Puni Kōkiri has \$730 million dedicated to fund small and large-scale Māori housing (repairs and new builds) and capacity. It remains to be seen how successful this initiative will be and whether it will continue with new budget allocations, or these will sunset, as has so often been the case.



5.4.4 Social procurement and building capability, not just houses

Beyond home ownership (or home ownership-like outcomes), alternative tenure models have the potential to generate a range of social and cultural benefits for whānau, including financial literacy, confidence/empowerment, physical house improvements, cultural connection and more. There is a strong emphasis among Māori collectives on building capability and capacity, not just houses.

Social procurement practices highlight a preference to employ local people, and where possible, Māori, in the construction of Māori housing developments. Furthermore, many Māori collectives emphasise the involvement of whānau as early as possible in developing houses. For instance, through Te Ara Mauwhare, Te Tihi had whānau o Ruahine Whanau Alliance involved in some decisions to do with the physical structures such as the direction the houses face, as well as internal colours and fittings.²⁷ Involving whānau throughout the process (rather than them just moving in post-construction) enables whānau to build a connection to that home and that place early on. In this example, there is an intention that the whānau housed there will name the papakāinga and their own homes too – “ownership” begins to take on deeper meanings and attachments than just an economic function.

Similarly, interviewees spoke of how housing whānau builds confidence and empowerment. Where home ownership (or likewise) may not have been a realistic aspiration or option before, whānau begin to see how it can become a possibility. Enrolment in financial literacy programmes to qualify for shared ownership housing models help to improve the financial literacy of the iwi/hapū/hapori more broadly than just those who are housed (as more whānau complete the programmes than are placed in homes).

These key comments were raised in interviews and literature:

- Our model is quite different [to non-Māori collectives]. They [for example Queenstown Lakes Community Housing Trust] build the home and lease it, we help the whānau to build the whare they need, and they're fully engaged with the process;
- We have a programme, our models are Whānau Ora models. Every whānau has a whānau plan that they work together to achieve, including financial education to prepare for becoming an owner;
- We identify whānau interested in shared ownership and then work with them to get ready. We fund an entity who provide support around homeownership education, financial literacy, debt reduction, budgeting, and mortgage finance and so on;
- We have a preference for build to rent and shared ownership as an opportunity to build wealth. Leasehold on communally owned land is an option for some, but harder to build wealth and equity; and
- We are always balancing the financial return to the iwi and the social return to whānau – hitting that balancing point is interesting.

²⁷ R & K Consultants Ltd. (2021). *Te Ara Mauwhare Pathways to Home Ownership Trials* (R & K Consultants, 2021). Te Puni Kōkiri. <https://www.tpk.govt.nz/en/o-matou-mohiotanga/housing/te-ara-mauwhare-summative-evaluation-june-2021>



5.4.5 Affordable alternative housing tenures: but for whom?

Finally, comments from interviewees and the literature raise the question of who affordable alternative housing tenures are really designed for. According to the Ministry of Business, Innovation and Employment, the Māori median household income is consistently lower than that of New Zealanders generally.²⁸ If affordable alternative housing tenures focus on the general median household income, then from the beginning, we are not looking at the right spot when it comes to Māori housing. For whānau Māori, with lower household incomes, the ability to borrow is less, and so the subsidy needed from providers is higher.

Furthermore, the type of alternative tenure model chosen depends, in a large part, on the whānau that are going into the homes and their affordability. While a common goal is to enable whānau to be starting with equity in the home from the outset, given the commonly lower starting point, this is not always possible. As a result, it is important for Māori collectives to be able to both adjust to meet the whānau they are working with (rather than forcing them to fit a set model), and to have a diversity of options to support a diversity of whānau circumstances. Māori collectives, then, need to have knowledge and capacity to resource that range of options.

Interviewees also highlighted the need for place-based approaches, to address the needs and affordability levels of whānau in that specific area or rohe.

These key comments were raised in interviews and literature:

- Annual household income for Māori means the traditional shared equity model doesn't work for most. The whānau we are supporting require a massive subsidy;
- Māori household income is different. Some of the existing models don't necessarily capture that, and the most appropriate model isn't always clear at the beginning. It's not always known until you know the whānau and households you are working with. The affordability for the whānau determines the progressive home ownership model used;
- We began a shared equity project, advertised to whānau as shared equity homes, but whānau weren't interested in living there. Since then, we now identify whānau who are ready for shared equity home ownership and work with them and their aspirations on where their home will be, and what it will look like; and
- The fact that there is no centralised space means everyone is reinventing the wheel around some of these issues, every time. Why do we have to reinvent the wheel every time?

²⁸ Ministry of Business, Innovation and Employment – Hīkina Whakatutuki (n.d.). *Overview of Māori employment outcomes in Aotearoa New Zealand*. <https://www.mbie.govt.nz/business-and-employment/employment-and-skills/employment-strategy/maori-employment-action-plan/annexes/overview-of-maori-employment-outcomes-in-aotearoa-new-zealand/>



5.4.6 Summary

While many of the comments and experiences of Māori collectives are similarly woven throughout the previous and following general interview sections in this report, this specific section highlights considerations for collectives developing alternative tenure models for Māori. Drawing from interviews and associated literature, there are strengthening calls for a connected and holistic ecosystem for Māori housing finance in ways that embody a Treaty-based foundation, embed tikanga and kaupapa-Māori principles free of institutional racism, and contain the flexibility to support place-based, whānau-centred housing across a broad spectrum.



5.5 Finance and capital markets

A number of potential barriers and enablers that were strongly identified by a number of providers and others operating in the wider housing system are presented in this section of the report. Table 5.3 presents a summary of the key issues relating to finance and capital markets identified by the semi-structured interviews.

Table 5.3: Issues relating to finance and capital markets in the industry interviews

Key issues	Number of responses			% of total		
	Providers	Other	Combined total	Providers	Other	Combined total
Access to finance (including legal costs)	14	5	19	88%	38%	66%
Consistent long term source of capital	11	7	18	69%	54%	62%
Need for community / gvmt patient capital / grants	7	1	8	44%	8%	28%
Pre-development funding	4	1	5	25%	8%	17%
Social bond/centralised funder-organiser	4	2	6	25%	15%	21%

5.5.1 Access to finance (including legal costs)

A significant majority of interviewees identified banks' risk averse lending policies which have hindered innovation and growth within the sector. Respondents were also concerned about banking regulatory policies limiting flexibility within the sector, whereas regulatory authorities suggest the issue is with the way in which banks interpret policy and their attitude to risk.

The following are representative of the comments from interviewees:

- Financiers are driving the standardisation of alternative tenure documentation to ensure they are familiar with the models (legal structures) being used;
- Bank funding requirements are forcing us to use a unit title structure within our cooperative development rather than focus on an affordable cooperative rental model;
- Access to finance is a big barrier. There is only one bank prepared to lend on a chattels only security on Māori owned land, and the house needs to be on piles;
- Bank funding was also hindered by valuers' lack of understanding of the cooperative model and significantly discounted the value of the common house and open green space. This impacted on our ability to borrow;
- Banks are too risk averse and are slow to consider funding innovative housing solutions like cooperatives; and
- Institutional racism within the banking system limits the ability of iwi to develop their land.



5.5.2 Consistent long term source of capital

The absence of long term sustainable low cost capital is considered a barrier to growth. In addition, the “on” “off” and “on” again nature of government funding and grants hinders providers’ ability to grow to scale.

The following are representative of the comments from interviewees:

- Affordable alternative tenure models need a sustainable source of funding if they are to grow which is not subject to political change. Inclusionary zoning would help;
- Inclusionary zoning and value capture taxes could help provide the sector with a source of sustainable funding, but they would need to be applied across the whole housing market not just in some local council areas;
- Kāinga Ora has the potential to partner with innovative alternative tenure providers but seems to be limited by its fiscal constraints. Their incentives are not aligned to enable development partnerships with community housing providers to encourage alternative tenure developments;
- The risk adjusted returns from affordable alternative housing tenure investments are too low to attract private sector capital without government support/underwriting;
- Without the ability to leverage private sector capital the sector will remain niche. The cash yields are just too low to attract institutional money into the sector. Some hybrid structure combining community housing provider expertise with government sector support/underwriting and private sector capital must be the way forward;
- There is a need for a sustainable source of capital beyond one off grants which come and go with government policy. Inclusionary zoning is an example of a funding model which can provide a steady source of development finance in areas which are growing; and
- Philanthropists are an important source of seed funding which allows providers the ability to demonstrate a concept can work and case study examples of what can be done. However, although they can support the sector to provide innovative housing outcomes, in the medium to longer term a deeper source of finance is required.



5.5.3 Need for community / government patient capital / grants

The broader the source of equity and funding the greater the resilience of the sector going forward. Access to community sources of capital, and central and local government grants for affordable housing models is pivotal for future growth.

The following are representative of the comments from interviewees:

- Government sources of funding are disjointed between different agencies which adds to the challenge in making projects feasible;
- Most affordable housing models need long term low cost patient capital to make them viable. There is only one logical source – central government;
- Government grant terms and conditions tend to be very restrictive and the process is slow and bureaucratic;
- Community support is essential (grants/access to land for development) as support is just not there at a national level so to grow to scale local councils, developers, and investors need to get behind these schemes;
- We are reliant on the Trust to finance us. The fact that the Trust owned the land was helpful;
- There needs to be a balance between the level of community support and the ability of individual households to accumulate wealth. The greater the community support the more the focus has to be on retaining a higher proportion of the wealth for the whole community and more on providing a secure long term affordable housing model; and
- Partnerships are essential to unlock the resources within a community (local government/iwi/community housing providers). It is by working together at a local level that we can grow the sector however this needs motivated champions to drive the opportunities.



5.5.4 Pre-development funding

The affordable housing sector has a large number of small innovative typically undercapitalised housing providers. These organisations have limited working capital and find it difficult to fund the pre-development costs associated with a project and secure funding for the overall project. Funding this stage of a development is high risk, however some seed funding would allow organisations with limited resources opportunity to grow.

The following are representative of the comments from interviewees:

- It is hard for small providers as they have limited capital and don't want to use those funds covering predevelopment costs;
- The Ministry of Housing and Urban Development's is reluctant to help community housing providers at the front end feasibility stage if the land doesn't have full known development yield, typologies, sizes etc. Community housing providers don't have the working capital to complete the necessary feasibility work;
- Christchurch City Council has been innovative and provided predevelopment loan(s) to an alternative housing provider(s), one of which was subsequently written off when the development did not proceed. At least they tried; and
- Ministry of Housing and Urban Development's unwillingness to help community housing providers with funding in the initial stages of a development hinders the ability of small organisations to get involved in the sector. Pre-development costs can be prohibitive to smaller organisations with limited resources.

5.5.5 Social bond/centralised funder-organiser

Feedback from some within the sector suggests there could be a role for an organisation to act as a facilitator organising social bonds and distributing debt for projects. The feasibility of this type of structure in New Zealand is unknown and could need some form of government underwrite to be successful.

The following are representative of the comments from interviewees:

- There is a need for a community housing funding organisation which can coordinate the capital raising and funding of different alternative housing developments. If the structure was right, it could attract philanthropic investors and could be supported by a government guarantee; and
- Some form of government guarantee would alter the risk profile of investing in the sector and open up the potential for growth.



5.6 Local government policies and procedures

A number of local government policies and practices were seen as potential barriers and enablers by a number of providers and others operating in the wider housing system are presented in this section of the report. Table 5.4 presents a summary of the key issues relating to local government policies and procedures identified by the semi-structured interviews.

Table 5.4: Issues relating to local government policies and procedures in the industry interviews

Key issues	Number of Responses			% of total		
	Providers	Other	Combined total	Providers	Other	Combined total
Partnerships with Council	6	4	10	38%	31%	34%
Lack of flexibility in council regulations	4	1	5	25%	8%	17%
Housing outcomes not our problem	0	2	2	0%	15%	7%
Community / council resistance to change / NIMBY	5	4	9	31%	31%	31%

5.6.1 Partnerships with councils

Working with councils was seen as desirable although councils' attitudes to partnering with affordable housing providers is variable. For example, Queenstown Lakes District Council has been innovative in supporting a housing trust and Christchurch City Council has also been supportive to a number of providers. Conversely, some councils consider affordable housing as a central government issue which they should not concern themselves with. The following are representative of the comments from interviewees:

- Affordable housing is a central government issue not a local government concern, which ratepayers should not subsidise;
- Lack of council infrastructure in some locations, particularly rural sites, makes development hard and Councils don't seem keen to be flexible and find solutions;
- Councils can have a role to play and act as a facilitator working with providers and others;
- Councils have a role to play but are less likely to support models that allow for too much individual benefit. Models which retain the most value for the community are more likely to get support;
- Councils have a lot of underutilised land which, if they were prepared to work with community housing providers, could be used to provide affordable alternative housing tenure models;
- Councils should be more engaged and partner with providers to deliver better outcomes for their communities;
- Housing outcomes are a central government not a local government issue. This is not an area council should support with capital or land; and
- Councils should not add to developers' costs and make housing more expensive for everyone by introducing things like inclusionary zoning.



5.6.2 Lack of flexibility in council regulations

Providers focused on trying to provide innovative housing solutions commented that council rules and regulations tended to hinder their ability to maximise their sites, particularly when they were developing non-standard designed developments. The inflexible approach resulted in higher consenting costs, extended timeframes and increased uncertainty over whether the project could proceed.

The following are representative of the comments from interviewees:

- Council staff lack the flexibility to be innovative in consenting different types of housing which is more efficient at meeting housing need in terms of design, density and delivery of key services;
- Consenting was a challenge with council struggling to accept the common house within our cooperative development and did not understand our concept including the central provision of some services such as hot water;
- Councils need to have greater focus on the outcomes and social good affordable tenure developments can deliver rather than getting caught up in all the detail;
- Council's resistance to increased density is a challenge as it limits our ability to get the maximum benefit out of a site;
- Council's inflexibility over development design can limit what we can do and hindered our ability to design viable affordable rental units for older people. Our design incorporated studio units around a communal space all within one building. Each unit had an ensuite plus sink. However, the council considered it a multi dwelling development (as each unit had its own sink) and thus required a full resource consent and higher development contributions. This added significant costs and delays and impacted the overall viability of the project; and
- Council's risk averse approach to consenting allows NIMBYs to limit affordable housing tenure innovation by requiring full consenting and neighbourhood notification. A lack of community understanding of the difference between "affordable" and "social" housing also does not help and demonstrates community biases and resistance to anything different. All this adds to the costs, time delays and hinders the viability of developing something different which is targeted at supporting needy households.



5.6.3 Community / council resistance to change / NIMBYism

The risk averse nature of council staff, decision makers and existing householders, combined with a lack of understanding of the difference between social and affordable housing has resulted in delays in developments and increased resistance within the community.

The following are representative of the comments from interviewees:

- We have noticed concerns from neighbours about government support. There is a lack of understanding of the difference between social housing and other affordability supports;
- Councils do not seem to understand the difference between “social” and “affordable” housing. They are risk averse and don’t seem to want to innovate as it might upset some within the community. NIMBYism is alive and well. If these people understood what we are trying to do, they should welcome us into their community; and
- Developers are reluctant to sell sites to alternative housing tenure providers because they do not want to risk backlash from potential buyers.



5.7 Legal system issues

A number of potential barriers and enablers relating to the legal system which were strongly identified by a number of providers and others operating in the wider housing system are presented in this section of the report. Table 5.5 presents a summary of the key issues relating to the legal system identified by the semi-structured interviews.

Table 5.5: Issues relating to the legal system in the industry interviews

Key issues	Number of Responses			% of total		
	Providers	Other	Combined total	Providers	Other	Combined total
Legal changes to support cooperatives	4	2	6	25%	15%	21%
Iwi / multiply owned Māori land	5	3	8	31%	23%	28%

The following are representative of the comments from interviewees:

- We need to have legal structures that encourage housing cooperatives and get changes in legislation, for example like the Australian model;
- Banks do not seem to want to lend on multiply owned Māori land. At best they may provide some finance on the buildings, which have to be on piles;
- A key barrier is that building a home on general title land is complex, and building on multiply held land is even more complex;
- A better framework is required to govern and develop Māori titled land. Perhaps government agencies could take the lead and develop some examples of how these standardised structures can work and promote these across the country; and
- Developing agreed legal structures which allow iwi to retain the underlying unencumbered ownership of the land whilst allowing funding for members to undertake housing development would enable more activity.



5.8 Other considerations

A number of other potential barriers and enablers which were strongly identified by several providers and others operating in the wider housing system are presented in this section of the report. Table 5.6 presents a summary of the key issues relating to the wider housing system identified by the semi-structured interviews.

Table 5.6: Issues relating to the wider housing system in the industry interviews

Key issues	Number of Responses			% of total		
	Providers	Other	Combined total	Providers	Other	Combined total
Need to demonstrate benefits from model(s) and the level of need in their community	8	2	10	50%	15%	34%
Lack of scale within providers and expertise	8	5	13	50%	38%	45%
Models required for all stages of the continuum	6	1	7	38%	8%	24%
Access to land in appropriate locations	7	1	8	44%	8%	28%
Retained affordability in perpetuity	5	2	7	31%	15%	24%
No alternative tenure peak industry body	1	5	6	6%	38%	21%
Successful demonstration projects	3		3	19%	0%	10%
Sector consolidation	3	1	4	19%	8%	14%

The following are representative of the comments from interviewees:

- If alternative tenure providers want subsidies, they need to be able to demonstrate that communities need their housing models and the benefits they provide to the families that live in them;
- Communities need to be able to demonstrate the level of housing need, measure it with appropriate metrics and monitor need going forward;
- There are too many small organisations all chasing the same funding with a lack of the necessary skills and expertise to undertake developments. They need to partner with skilled people/organisations so they can deliver for their communities. Sector consolidation could help deliver more affordable housing to households;
- A lack of scale (size) within housing providers limits the resources they have available to develop opportunities. There are too many small providers – they need to work together and pool resources or partner with each other;
- The affordability in perpetuity was a key component. Being provided with land at below market values or gifted land from councils and others provides the base for an affordable housing development. Schemes where individual households capture the majority benefit (wealth creation) from the use of the community’s capital (the gifted land) didn’t seem like a good fit. We liked the land lease model’s ability to retain in the trust long term;
- New Zealand lacks a peak industry body for alternative housing tenure models. Their job would be to advocate for the sector with government (central and local) and the banks, develop a toolkit of information about how to plan and develop alternative housing tenure, and develop standardised legal documentation around agreements and structures;



- Providers and their peak body need to be able to clearly demonstrate the benefits they are providing to communities and sell that to councils to build support and partnerships;
- They need to measure the benefits and compare these to the costs so they can show why the community should support them;
- The sector lacks a champion to promote alternative housing tenure models. The sector needs passionate innovative people to get their message across; and
- It is important to consider and understand the different types and level of housing need within the community and then focus efforts on where it can deliver the most good.

5.9 Summary

The semi-structured interviews suggested there are a number of system based issues impacting on the ability of alternative housing tenure models to grow.

- The lack of a consistent focused and appropriately funded housing policy in New Zealand has limited the ability of the sector to improve housing outcomes;
- Access to finance and low cost equity is also a major constraint within the sector. Finance mechanisms which are beyond the scope of changing government policy (like inclusionary zoning) could be advantageous;
- A lack of general knowledge of alternative tenure models and the differences between affordable and social housing can drive NIMBYism and opposition to alternative models;
- The alternative tenure community does not have a peak body to promote the alternative housing tenures, increase communities', their advisors' and financiers' knowledge about them, assist with the development of industry toolkits about how to undertake alternative tenure developments, and drive the standardisation of market acceptable legal structures and documentation (including the unique challenges and opportunities facing Māori collectives);
- Institutional racism persists. Māori collectives are consistently having to work against "a systemic way of being";
- The alternative housing sector is fragmented with numerous small operators which could benefit from some consolidation;
- Council rules and regulations around building design are impacting on model innovation and building design; and
- There is a growing requirement to measure and monitor housing need so as to be able to measure the impact of different policies on housing market outcomes.



6. Housing system analysis of factors that enable or limit the growth of alternative tenure models

6.1 Introduction

This section of the report focuses on a housing system level analysis of the factors that have enabled and/or limited the growth of affordable alternative housing tenure models in a New Zealand context. The analysis draws on both New Zealand and overseas research findings, stakeholder interviews and three case studies of alternative tenure models operating across New Zealand.

The analysis segments the wider system at four interdependent levels:

- Sociohistorical barriers and enablers;
- Governmental barriers and enablers;
- Industry and organisational barriers and enablers; and
- Barriers and enablers at the household or end-user level.

It is important to note that the above segmentation of the housing system is specific to the alternative tenure component of the much larger and complex housing system or ‘ecosystem’. In the framework, sociohistorical level barriers and enablers reflect the historical, social, and cultural context or environment that gave rise to the current housing landscape.

Governmental level barriers and enablers capture those aspects of the housing system set by central government that impact the development of a sustainable market for affordable alternative housing tenure models. Barriers and enablers at this level contribute to fostering a ‘level playing field’ for the development of a market for affordable alternative housing tenure models. This includes housing policy, resource planning, taxation and the domestic legal and financial frameworks that are implemented through the Institutions of government.

Industry and organisational level barriers and enablers focus on the unique challenges associated with alternative tenure operating models at the individual provider and industry level. Identified barriers include institutional racism, partnerships for delivery, industry representation at national level, lack of institutional awareness and understanding of affordable alternative housing tenure models, variable local government attitudes towards affordable alternative housing tenure developments, the scale of alternative tenure models and access to capital and finance.

Household level barriers and enablers signal those aspects of the current housing system that impact on the development of a sustainable market for the provision of affordable alternative housing tenure models at the household level. This includes households’ awareness and understanding of affordable alternative housing tenure models, the availability and ease of accessing official information and advice relating to such models, financial support and access to mortgage finance, household stewardship, and participation in the development process.



The analysis is based on the information presented in the prior sections of this report. Section 3 documented the increasing stress that households in the intermediate market face and the level of unmet housing need. It also highlighted the finding that housing outcomes for Māori and Pasifika households are worse than the national averages. Section 4 reviewed international research and identified barriers to and enablers of affordable alternative housing tenure models in different housing markets, with the most common ones summarised in Section 4.1. Section 5 provides a summary of industry and sector interviews, with the main topics raised summarised in Section 5.1.

6.2 Interdependencies

Taking a system solutions-based approach, the objective of the analysis is to provide stakeholder groups operating at different but inter-related levels of the housing system (specific to affordable alternative housing tenure) with an analysis of research findings specific to their role and function within the system. The analysis also identifies interdependencies between and across system layers.

There are often strong or prerequisite 'cause-effect' relationships between barriers and enablers at various levels of the housing system. Throughout the analysis, 'barriers' generally refer to the absence or lack of some of the fundamental building blocks of a sustainable and thriving market for affordable alternative housing tenure models. So strong are some of these interdependencies that failure to address all of the identified barriers within certain levels will result in failure across a large proportion of the entire system.

Reference to enablers is used in the context of those elements of the housing system that were found to facilitate the successful development of a market for affordable alternative housing tenure models in New Zealand and elsewhere.



6.3 Sociohistorical system based barriers and enablers

Sociohistorical barriers and enablers focus on those aspects of the housing system that relate to some of the less tangible but core factors that influence housing outcomes in New Zealand. It touches on some of the cultural or social perceptions of the role that housing has traditionally played in New Zealand's society, the policies and attitudes that foster or serve to reinforce such perceptions and the impact these have on the provision of alternative tenures.

The research identified several sociohistorical factors that either support or serve as barriers to the development of alternative tenure models overseas and in New Zealand. The most important of these include:

- Tangata whenua and Te Tiriti o Waitangi/Treaty of Waitangi;
- Social norms and values regarding housing in New Zealand; and
- The economic development framework underpinning housing policy in New Zealand.

6.3.1 Tangata whenua and Te Tiriti o Waitangi

Te Tiriti o Waitangi/the Treaty of Waitangi is the foundation of the relationship between Māori and the Crown. In it, the Treaty recognises the sovereignty of Māori and their rights as tangata whenua (people of the land). The Treaty recognises the unique cultural, economic, and political interests of Māori, and imposes obligations on the Crown to protect and respect those interests. This includes the guarantee to Māori of the right to tino rangatiratanga over their kāinga and ensuring Māori can access adequate housing.

Historical injustices have meant this has not always been the case. Māori experiences of land loss and displacement have had a lasting impact on housing options and opportunities. Throughout history, Crown-imposed legislation and funding (or lack of funding), along with encouraging the assimilation of Māori into Pākehā society (and to adopt Pākehā ways of living) have contributed to the alienation from land and poor Māori housing outcomes.

The role of housing extends beyond a basic need for shelter. It also plays an important part in cultural identity. Many Māori have a strong connection to their ancestral whenua, and housing needs and preferences are often influenced by cultural values. The term 'kāinga' explicitly means more than a residential dwelling and is a space that nurtures cultural identity. However, dominant colonial perspectives of housing and property have tended to prioritise individualised, commodified relationships to housing and land. For instance, from the late nineteenth century onward, access to finance for Māori housing improvements is only readily available if the land titles are individualised. This is at odds with the communal nature of Māori world views and relationships to land.

There remains a need to consider Māori interests in the housing context to ensure Māori communities have access to housing options that reflect their cultural identity and cultural values. Increasing calls are being made for Māori housing solutions to be developed by, with, and for Māori, to ensure Māori can be well-housed from a Māori perspective.



6.3.2 Social norms and values regarding housing in New Zealand

Although the notion of New Zealand as a ‘quarter acre paradise’ has faded with time, a strong social preference for fee simple title owner occupation still exists in New Zealand. It has been the dominant tenure and focus of government policy for generations. As discussed in the literature review (Sections 4.2, 4.7 and 4.9) and on several occasions during provider and industry participant interviews (Sections 5.2.1 and 5.6.3), a degree of suspicion towards, and lack of knowledge regarding alternative tenure forms of housing is pervasive in New Zealand. This includes a bias against alternative tenure developments at the community level based on fear regarding the perceived income levels and behaviours of the future occupants. There is also a lack of understanding of the differences between social housing and affordable alternative housing tenure models and the segments of the population they target.

Although often referenced in the media, there is relatively limited academic literature on the role of culture as an enabler or barrier to the development and growth of alternative tenure models in New Zealand.

The preference for fee simple title owner occupation in New Zealand is furthermore being reinforced by tax settings. The stakeholder interviews (Section 5.5.2) identify the favourable tax treatment of owner occupation by the exclusion of a capital gains tax on real estate investments as having incentivised owner occupation (and ownership of multiple dwellings). Although the introduction of “bright line” tests has recently sought to somewhat temper short term speculation, the desirability of fee simple ownership as a means to enjoy tax free increases in wealth has not been addressed.

As many forms of affordable alternative tenure models do not offer full fee simple ownership, they are seen as inferior forms of tenure. Section 4.5 of the literature review identified the negative impact of community opposition to affordable housing developments in their neighbourhoods. Such opposition or so-called NIMBY forces was also raised during interviews (Table 5.4 in Section 5.6.3) by about a third of providers of affordable alternative housing tenure models. This recently played out in Queenstown Lakes District when a proposal to include an affordable housing obligation on residential subdivisions was likened to a “form of indirect wealth tax”. During interviews with stakeholders, 31% of alternative tenure providers identify community and council resistance to change – specifically the influence of NIMBYs – as a factor influencing the successful implementation of alternative housing tenure models.

Owner occupation is also closely aligned with messages about a secure retirement. Current superannuation policy settings were established at a time of historical high rates of owner occupation which assumed ownership of a mortgage free home upon reaching retirement age. There is also an assumption that, once retired, one can sell a large family home freeing up capital to downsize and also have money to spend on travel, and other living costs. Strong cultural signals about this pathway are regularly repeated in the media and advertisements which contribute to perceptions of affordable alternative tenures as a risk.



With tax and retirement policies geared toward homeownership, and a cultural view that it is part of becoming an adult (Dupuis and Thorns, 1996) there are strong incentives for existing owners to ensure the value of their homes. This fosters a prevailing attitude among communities regarding affordable housing provision, including alternative tenure models.

6.3.3 The economic development framework underpinning housing policy in New Zealand

In the late 1980s, New Zealand joined most other western liberal democracies in adopting what is termed the “neoliberal” approach to economics. Section 4.2 of the literature review and Section 5.3.2 of the interviews strongly identified a neoliberal approach to affordable housing solutions as a barrier to the growth and development of affordable alternative tenure models.

New Zealand’s decades long decline in the rate of owner occupation from its highest levels and the rise of rental housing stress is correlated with the adoption of neoliberal settings. The international research documents the difficulty of delivering alternative tenures under neoliberal economic settings. These settings approach housing affordability issues from a market-based approach to solve imbalances in the supply of affordable housing solutions. In Section 5.2.4, commercial imperatives were considered to limit the tools available to deliver the subsidy required to achieve affordability for low to moderate income households. As referenced in Section 4.2, this restricts the ability of states to exchange value for affordability or other desired outcomes delivered by alternative tenure models (Pawson et al. 2022).

Consequently, as discussed in Section 4.2, states have relied on deal-based and brokered negotiations with developers due to a legal obligation for state-owned enterprises to operate on a commercial footing similar to private-sector (profit maximising) entities. These deals contribute to constraints on accessing capital and debt finance due to the costs associated with bespoke terms.



6.4 Governmental system based barriers and enablers of alternative tenure models

The research identified the following barriers and enablers at the governmental level:

- A national housing strategy;
- An enabling legislative framework; and
- An investment framework.

Central government has the responsibility to ensure equitable outcomes in the housing market. It can utilise its policy, legislative, and fiscal powers to ensure it is advancing towards the progressive realisation of the right to housing. It has the most influence over barriers and enablers in the housing system that function as prerequisites for the development of a sustainable market for affordable alternative housing tenure models. The policy, legislative and investment framework set by the central government in turn sets the role and boundaries for local government and the other participants in the housing system.

Unlike most other elements in the analytical framework, the absence of any one of the building blocks at the governmental level has the potential to destabilise or disable the functioning of one or more of the core components of the wider system for providing affordable alternative housing tenure solutions. Likewise, any weakness associated with any of the socio-historical components of the system will impact on the government's ability to support an effective and efficient market for affordable alternative housing tenure models.

6.4.1 A national housing strategy

The lack of an overall strategic approach to housing that has bipartisan support to deliver better housing outcomes is strongly identified in the industry interviews as a significant barrier in New Zealand. The importance of such a strategy is supported by the international literature. The summary of international research on alternative tenures in Section 4.2 identified the importance of a strong and consistent policy framework as a key enabler of alternative tenures. Unfortunately, the lack of such a framework is consistently remarked upon by a range of sector and industry participants in interviews. The concerns discussed in Section 5.3 describe the system currently operating in New Zealand as lacking focus and subject to changing policy settings.

As documented in Table 5.2, 31% of stakeholders, other than providers, interviewed as part of the research pointed to ongoing or constantly changing policies as a barrier to developing and growing the market for alternative tenure models in New Zealand. They noted that successive New Zealand governments have failed to develop effective bipartisan housing policies, and as a result, potential alternative housing tenure providers have had to cope with an ever-changing policy landscape. Political parties seem to have found housing as a more useful tool to score political points whilst in opposition than a critical issue deserving of long-term bipartisan support. Funding sources/grants come and go as the political parties in government change. The on again, off again sources of funding and potential delivery mechanisms create uncertainty and additional risk within the system and limit organisations' ability to grow and upscale their operations.



The political culture in New Zealand on housing has evolved in recent decades. Great consistency of policies supporting affordable housing across changes of government resulted in a stable housing system which enabled high levels of homeownership to be achieved in the decades prior to the late 1980s. Government supported new owner occupiers through capital investment in new builds, by enabling capitalisation of the family benefit into a home deposit and through direct mortgage assistance for modest cost new builds. The Department of Māori Affairs also supported loans for building homes on Māori land.

Since then, housing policy remains grounded in neoliberal economics but has tended to vary more widely with changes in government. Programmes seeking to deliver affordable homes have typically been short term in nature and often changed both within governmental terms and upon transitions between governments. Tax policy on capital gains is one area of consistency with no government changing the basic exemption of housing. Another is the assumption built into superannuation payments to retirees that they will live in a mortgage free home. Given the documented trends in rising land and home prices, influenced at least partially by the favourable tax treatment, and the declining rates of owner occupation, the foundation of these policies may be eroding the effectiveness of these policies to deliver good housing outcomes.

6.4.2 An enabling legislative framework

New Zealand lacks an enabling legislative framework to support the growth of affordable alternative tenure models. The literature review identified the importance of an enabling legislative framework to the delivery of affordable alternative tenure models. Likewise, feedback from providers identifies numerous legislative and legal barriers across all levels of the housing system in New Zealand. Land use planning and associated zoning constraints are identified in Sections 4.5, and 4.8 as barriers to the development and growth of affordable alternative housing tenure models while local government policies and procedures are identified in Sections 4.2, and 4.10 of the literature review and Section 5.6 of the stakeholder interviews as current barriers. A lack of legislation for housing cooperatives and a labyrinthine process for development of whenua Māori is highlighted in Section 5.4. Section 5.3.3 furthermore identifies the approach of Charities Services to housing provision as another legislative barrier to growing the market for affordable alternative housing tenure models.

Local government planning rules and regulations can be either enablers of, or barriers to, the development of affordable alternative tenure models. Providers of alternative tenures mainly identify these rules and regulations as barriers to development as discussed in Section 5.6. The exception to this is the approach taken by Queenstown Lakes District Council which utilises a voluntary inclusionary housing programme to support the local housing trust to deliver alternative tenure products. Other councils have hesitated to follow this approach due to the lack of legislative clarity regarding the allowable rules of such programmes.



During interviews, providers commented, that in their experience, council rules and regulations tend to hinder their ability to maximise the potential of development sites, particularly when they are developing non-standard designed developments. Inflexibility results in higher consenting costs, extended timeframes, and increased uncertainty regarding whether projects can proceed. In the interviews, 25% of providers identify the lack of flexibility in council regulations as a barrier to the development and implementation of more affordable, non-traditional housing.

As discussed in Section 5.7, a fifth of stakeholders interviewed identify the lack of legislation confirming the legal structures for cooperative housing as a barrier to their growth in New Zealand. This is further illustrated in Appendix 6.

In Section 4.6 of the literature review, the legal rules around the separation of the value of land and improvements, particularly for community land trusts, and the relatively high legal cost (upward of \$30,000 per transaction) associated with drafting such agreements are identified as impediments to develop and grow the market for alternative tenure models. This is confirmed in the interviews with providers (see Section 5.7).

The acquisition of, or access to, affordable land in appropriate locations is identified in Section 4.8 of the literature review and by 44% of providers during interviews (Table 5.6) as barriers to growing the market for alternative tenure models. Evidence gathered through case studies of three alternative tenure initiatives in New Zealand supports these observations and highlights the critical role of access to land at sub-market cost, whether subsidised, provided via favourable leasehold agreements, though gifting, through the selfless intervention of philanthropists (as in the case of the Peterborough Housing Cooperative in Christchurch) or in partnership with organisations that manage communal land such as iwi or land trusts. These case studies are documented in Appendices 4 to 6.

Access to affordable land for residential development is also raised by Queenstown Lakes Community Housing Trust²⁹ as a critical factor underpinning the Trust's ability to provide affordable housing in the Queenstown Lakes District. As discussed in Appendix 4, the Trust delivers a range of housing programmes, each designed to assist low to moderate income households with affordable housing options based on their individual dwelling goals and aspirations.

A significant proportion of alternative housing tenure providers are not-for-profit registered charities. As documented in Section 5.3.3 and Table 5.2, several interviewees commented on the constraints of having to conform to the guidelines of New Zealand's Charities Services and the negative impact of these on their ability to provide alternative housing tenure products in the current housing market.

²⁹ See appendix 4



6.4.3 An investment framework

The research found that New Zealand currently lacks an investment framework to foster the development and growth of affordable alternative housing tenure models. As discussed in Section 5.2.4 and identified in Table 5.1, approximately 38% of providers point to issues relating to the economic viability of affordable alternative housing tenure models as a barrier to growing the market for such models. The literature review in Section 4.3 and interviews in Section 5.5 suggest that due to the inherent financial viability constraints associated with affordable alternative tenure models, access to consistent sources of finance/grants is necessary to ensure the sustainable development of such models.

The literature and interview feedback from providers in Sections 4.3 and 5.5.1 identify government sector funding and support as a key enabler of developing a sustainable, affordable alternative housing tenure market. However, although the literature in Section 4.3 suggests that both central and local government can act as either system wide enablers or barriers to the development of affordable alternative tenure models, the importance of access to finance and capital grants described in Section 4.3 has not translated into on-going programmes in New Zealand. As government policy associated with the funding and support of different components of the housing system has evolved, so too has the focus of not-for-profit housing providers across various parts of the housing continuum to survive in a changing environment. The absence of tools to facilitate the development of affordable alternative housing tenure models on Māori-owned whenua is identified as a significant barrier by Māori collectives. As discussed in Section 5.4.3, although the Kāinga Whenua loan scheme enables the development of housing on land in collective ownership, it places significant restrictions on the type of home that can be built and the uptake can be very low.

As discussed in Section 5.3.4, although a range of New Zealand Government agencies do offer grants to support low-income households, such grants are subject to a diverse range of criteria and application pathways that complicate accessibility for providers. As discussed in Section 5.3.5 and 5.3.6, providers identify inconsistent government support for different types of alternative tenure models as a barrier for the development of a sustainable market for alternative tenure models. These comments demonstrate how the philosophy regarding economic development discussed in Section 6.3.3 and the need for an enduring bipartisan approach to housing discussed in Section 6.2.3 permeate the institutional policy settings, inhibiting alternative tenures.

As discussed in Section 5.5.2, providers also note that without the ability to leverage private sector capital, growth in the alternative tenure sector is bound to be limited. However, they also note that financial viability is an issue limiting their ability to leverage private sector capital and attract private sector developers to partner with them. As documented in Section 5.5.2 and 5.5.5, feedback from affordable alternative housing tenure providers furthermore suggest that the roles of private and philanthropic capital in the market for affordable alternative tenure models are not well defined in New Zealand.



6.5 Industry and organisational level barriers and enablers

Industry level barriers and enabling factors refer to those aspects of the housing system relating to the development and growth of affordable alternative housing tenure models identified by the research at industry level. Organisational level barriers and enabling factors such as economic feasibility, financial risk, partnerships and access to pre-development and development finance are identified as significant barriers to the development and growth of alternative housing tenure models.

Institutional players such as central and local government, financial intermediaries, lawyers, and philanthropists also play important enabling or limiting roles at this level. Institutional settings effectively govern housing outcomes by setting the playing field and rules of the housing system in New Zealand. The research identifies the following main barriers or enablers at the industry and organisation level as:

- Lack of institutional awareness and understanding of affordable alternative housing tenure models;
- Availability and ease of accessing official information and advice;
- Access to capital and finance;
- Institutional racism;
- Variable local government attitudes toward affordable alternative housing tenure developments;
- Partnerships for delivery;
- Scale of alternative tenure providers; and
- Industry representation at the national level.

6.5.1 Lack of institutional awareness and understanding of affordable alternative housing tenure models

The lack of knowledge about different types of alternative tenure models among local and central government, the finance sector, potential occupants, advisors (solicitors, real estate agents, and valuers) and the public is a significant factor limiting growth within the sector. As outlined in Section 5.2.1, a lack of understanding of alternative housing tenure models extends across the housing system – including real estate agents, the banking sector, the legal community, local government, and the public to a large extent.

In New Zealand, local government (regional, district and city councils) plays a pivotal role in the planning, development and management of urban environments. Provider interviews identified a lack of knowledge of their models amongst local government staff and elected officials as a barrier. In Section 5.6.2 they describe how key planning rules and regulations are not designed with alternative tenure models in mind.

As noted in Section 5.5.1, alternative tenure business model(s) are also not well understood by institutional investors and business intermediaries, resulting in a heightened sense of anxiety among lenders, subsequently demanding a higher risk premium in the form of collateral (land or capital), and consequently reducing provider/developers' ability to borrow.

The lack of knowledge of the industry reduces the ability of individual organisations to work efficiently as they are constantly needing to educate and explain their models.



6.5.2 Availability and ease of accessing official information and advice

Accessing consistent information and advice across a range of public and private sector organisations is another barrier to the development and implementation of alternative tenure models. As discussed in Section 5.4.3, during interviews, providers expressed frustration regarding the often inconsistent or conflicting information and advice they receive from different organisations.

Navigating the many organisations involved to develop whenua Māori (including Kiwibank for loans, local authorities for consents and bylaws, and the Māori Land Court to obtain and register a license to occupy) can be challenging and frustrating when whānau receive conflicting advice. This results in miscommunication and a heightened sense of confusion among industry participants. Several Māori providers commented that building a home on general title land is complex, and even more complex on multiply owned Māori land. Māori organisations therefore often feel like they are having to “reinvent the wheel” all the time.

6.5.3 Access to capital and finance

As discussed in Sections 4.3 and 6.4.3, alternative tenure models struggle to provide financially viable returns on their own relative to private sector investments. The ability to develop affordable alternative housing tenure models and the ability to provide housing at below market cost requires financial subsidies, incentives and support in order to make such developments economically viable. Access to capital and finance are directly related to the financial viability of an investment proposal. The literature review in Section 4.3, and provider interviews in Section 5.5.1 note that access to sustainable finance and capital is a significant barrier to developing and growing the market for affordable alternative tenure models. Barriers accessing capital and finance were identified across all alternative tenure models and at all stages of development.

Given that most affordable alternative tenure providers are small and typically undercapitalised with limited access to working capital, they often find it difficult to fund the pre-development costs associated with a project. Many struggle to absorb these costs with no guarantee that developments will be viable or proceed. Government’s (central and local) ability to de-risk developments via funding of predevelopment costs was identified as an important enabler for the sector to become, and remain, sustainable. These findings are supported by that of the literature review in Section 4.4 that notes the importance of access to capital and finance at all stages including the pre-development stage of projects. The case studies in Appendices 4 to 6 provide a more comprehensive description of the financial challenges that providers are facing.

Barriers associated with access to finance and capital in the alternative housing tenure industry, however, are also created by factors unrelated to the financial models that underpin their operation. In Section 5.5.1 alternative housing tenure providers identified several barriers relating to financial institutions such as a lack of valuers’ understanding of these models, and the fact that bank funding requirements are forcing providers (such as cooperative housing groups) towards a unit title structure. Providers also note that banks are too risk averse and slow to consider innovative housing solutions.



6.5.4 Institutional racism

Treaty partnership means relationships with government departments are different for iwi than with other housing providers. However, as discussed in Section 5.4.1, Māori collectives consistently reflected on the systemic racism embedded across the housing sector. While day-to-day interactions with individuals from government agencies and departments are generally described as positive and supportive, many of the overarching frameworks and policies are not fit for purpose. One participant describes those frameworks and policies as operating on a “low-trust model” where iwi find themselves consistently battling against a systemic way of being. Culture cannot change overnight, but in many cases, those in positions of power appear oblivious to the impact and power their role has over Māori collectives and the flow-on implications this has on the ground.

Section 5.5.1 captures feedback from industry interviews regarding challenges associated with access to finance, including legal costs. Respondents identify institutional racism in the banking system as a significant barrier to the ability of iwi and Māori to develop their whenua.

6.5.5 Variable local government attitudes toward affordable alternative housing tenure developments

Local government and community attitudes towards alternative housing tenure developments are seen as either being conducive or severely limiting. The case studies in Appendices 4 to 6 demonstrate the impact and varied nature of community and local government attitudes towards affordable alternative tenure models and associated developments. While some local councils (such as Queenstown Lakes District Council) are implementing affordable alternative housing tenure solutions aimed at the growing number of working renter households that are unable to afford the transition to owner occupation based on traditional – predominantly fee simple title tenure models, most do not. Many councils consider the provision of affordable housing to be a central government issue and not of local government concern. They argue that the provision of affordable housing should not be subsidised by local rate payers.

As a consequence, in Section 5.6, a quarter of providers identify local government policies, rules and regulations, and processes as significantly impacting on the development of affordable alternative housing tenure solutions and differing substantially between regions.

Local government representatives, however, represent the rate payer communities within which they operate. Given the research observations on social norms and values regarding housing in New Zealand in Section 6.3.2, those relating to institutional racism above, and those relating to community resistance to change in Section 5.6.3, the challenges providers encounter are reflective of local government and community attitudes towards the development of affordable alternative housing tenure solutions.



6.5.6 Partnerships for delivery

The importance of effective partnerships is documented in the literature review and reflected in the interviews. As shown in Table 5.4 in Section 5.6.1, 38% of providers identify the need for councils to be more engaged and partner with providers to deliver better outcomes for their communities. In Section 5.5.2, interview feedback from providers suggests that Kāinga Ora's potential to partner with affordable alternative tenure providers is limited by its fiscal constraints. A related issue identified by providers during interviews concerns the difficulty providers, particularly iwi and Māori housing providers, face when working in partnership with both central and local government. They experience an inflexible approach to working with government which does not allow them to deliver a holistic response to support whānau. As discussed in Section 5.4.1, providers note the need to recognise and consider historical redress, to understand what "partnership" looks like, and to see where central government agencies can truly partner with iwi, not just collaborate.

6.5.7 Scale of providers

The small size of the affordable alternative housing tenure sector is often seen as a barrier to grow the industry. As noted in Section 4.11, the limited scale of the industry, and of many providers operating therein, results in barriers at the pre-development stage of projects due to a lack of organisational capacity and working capital to manage all aspects of the process.

A related issue concerns the lack of industry standard documentation defining the legal structures and operator and occupier rights. As noted in Section 5.2.2, in the absence of universally accepted standard documentation, anecdotal evidence suggests that providers are adopting documentation developed by more prominent providers in the sector. Feedback gathered during the development of the case studies in Appendices 4 to 6, suggests that, due to the time and cost associated with developing their own documentation, many smaller providers opt to use either the New Zealand Housing Foundation's agreements on shared equity or the Queenstown Lakes Community Housing Trust's land lease documents. These pro forma agreements seem to have evolved into default accepted formats used by others in the sector. Interview feedback furthermore suggests the use of pro forma agreements is in part driven by some lenders accepting the use of these legal documents.

6.5.8 Industry representation at the national level

The absence of a dedicated industry body to spearhead the growth of alternative tenure models in New Zealand is identified as a factor limiting the growth of housing models that could provide ownership-like outcomes to a growing number of New Zealanders. In Section 4.2 of the literature review, Bunce (2013) notes that a lack of a peak industry body to champion alternative tenure models is a limitation on their growth. A number of industry organisations such as Cooperative Business New Zealand, Community Housing Aotearoa, Te Matapihi and a range of community trusts have made significant inroads in creating awareness and championing the role of alternative tenure models across the housing system in New Zealand. However, as documented in Section 5.8 (Table 5.6), the lack of a peak industry body is considered as a barrier to the growth and development of the sector by approximately 38% of stakeholders interviewed.



6.6 Household level barriers and enablers

The literature review and the provider and industry interviews provide sound insights to the factors influencing individual households' ability and willingness to participate in affordable alternative tenure arrangements. However, many of the barriers and enablers at the household level are the outcome or result of structural or systemic factors beyond the control of households and relate to the sociohistorical, governmental and industry or organisational aspects of the housing system and market for alternative housing tenure models. These factors include:

- Household awareness and understanding of the affordable alternative tenure models;
- Household affordability of various alternative tenure models;
- Financial support and access to mortgage finance;
- The availability of models for different household needs;
- The availability and ease of accessing official information and advice; and
- Household stewardship and participation.

6.6.1 Household awareness and understanding of alternative tenure models

Alternative tenure models are not well understood by households and the public in general. Households are therefore unlikely to commit to an alternative tenure arrangement, more so if their legal and financial advisors do not understand the tenure model or arrangement themselves. Stakeholders also identify the lack of household or end-user awareness and understanding of the operation and potential benefits of alternative tenure models such as progressive home ownership, limited or shared equity, and leasehold tenure models. As noted in Section 4.9 of the literature review and Section 5.2 (Table 5.1), 88% of providers noted the lack of household understanding of alternative tenure models. For cooperatives, there appears to be a prevailing perception of the model as being “an alternative hippy model” rather than a sustainable multi-generational long-term housing model. These observations are closely correlated with the discussion in Section 4.9 and 6.3.2 on the cultural norms and values attributed to housing in New Zealand, especially the strong social preference also for fee simple title arrangements.

6.6.2 Household affordability of alternative tenure models

The affordability of housing relative to incomes serves a key barrier that limits or excludes some households from transitioning from the intermediate rental market towards models that provide ownership-like outcomes. As discussed in Sections 5.4.5 of the literature review and demonstrated in the case studies in Appendices 4 to 6, the entry-level cost associated with some “affordable” alternative tenure dwellings raises the question as to whom alternative tenures are being developed for in the current market.



Māori median household incomes are consistently lower than that of the New Zealand population generally. Where intermediate tenure models and products are based on the 'average' median household income, they are not set up for Māori from the outset. For whānau Māori with lower household incomes, the ability to borrow is often limited, hence creating the need for subsidies as discussed in Section 4.3. The lower income of Pasifika households is also likely to result in similar outcomes.

In addition, as referenced in Section 4.7, the New Zealand literature (Menzies et al., 2020) notes that the deposit requirements associated with mortgage finance often also serve as a barrier to families wanting to move into owner occupation provided by alternative tenure models.

As discussed in Appendix 5, some Māori providers of alternative tenure models such as Te Tihi, lowered costs to households by allowing them to consider lower cost materials and engaging households in self-help initiatives such as fabricating their own curtains or undertaking their own landscaping and planting. As a consequence, households reported a real connection with the project that ultimately resulted in naming their papakāinga development and individual homes.

6.6.3 Financial support and access to mortgage finance

As discussed in the case study of Te Tihi's Te Ara Mauwhare/Pathways to Home Ownership pilot project in Appendix 5, household access to mortgage finance due to affordability constraints acted as a barrier for a large component of programme participants. It also directly influenced some providers' ultimate choice of alternative housing tenure model.

In September 2019, the Government announced a reset of its KiwiBuild affordable housing programme. The KiwiBuild reset comprised major changes, including a \$400 million Progressive Home Ownership scheme for up to 4,000 families. The Progressive Home Ownership policy set household income thresholds at over 130% of median gross household income, suggesting the policy is aimed at supporting middle to upper middle income households into owner occupation rather than needy low to moderate income households struggling in the rental market.

Although government has increased the amount of support for households to move into owner occupation via grants and alternative tenure models, the level of funding is such they will only provide real benefits for a limited number of households. At best this may assist less than a decimal point of households into secure affordable owner occupation. For example, even after receiving the Accommodation Supplement, 52% of private renters earning less than 80% of the regional median household income are paying more than 40% of their gross household income in rent.



6.6.4 Availability of models for different household needs

The research finds that the provision of programmes that span the entire range of alternative tenure approaches significantly improves the likelihood of households progressing towards eventual home ownership. Too often, providers and the funding available from government programmes do not offer multiple models, forcing households to fit within what is on offer or not participate. The ability of households to afford entry level dwellings in alternative housing tenure developments has a significant impact on their ability to transition from social or private rental settings towards more secure alternative tenure models. Household incomes, savings, access to mortgage finance, and general readiness to transition to owner occupation varies significantly. The absence of a range of alternative tenure models that cater to a range of households' limits or excludes some households from transitioning from the intermediate rental market towards models that provide ownership-like outcomes. As noted in Table 5.6 and Section 5.8, 38% of providers interviewed identify the importance of alternative tenure models that cover all segments of the housing continuum.

As discussed in the Queenstown Lakes Community Housing Trust (QLCHT) case study in Appendix 4, households that aspire to home ownership but are in the early stages of the journey may initially be required to continue renting while reducing existing debt and saving for a deposit. The QLCHT's Affordable Rental programme is designed to provide affordable, secure tenure in quality homes to low-income households. This provides households the opportunity to get on their feet financially through clearing debt and/or setting savings goals.

The QLCHT's Rent Saver programme assists households that first need to save for a deposit by providing secure tenure for five years combined with a savings incentive programme. Once households have enough savings to meet minimum deposit requirements, the QLCHT's Secure Home programme enables them to purchase properties. By way of example, a household might spend five years in a rental programme before buying into the same property through shared ownership and then another five years later buying the Trust's share out completely.

6.6.5 Availability and ease of accessing official information and advice

The availability of information and advice noted in Section 6.5.2 regarding barriers at the industry and organisational level flows through to households. As the institutions lack awareness of these models, they are not able to provide reliable and consistent guidance to households.

6.6.6 Household stewardship and participation

The literature review and interviews identify the importance of programmes which prepare households to enter into alternative tenure arrangements and to support them over time. As discussed in the case studies in Appendices 4 to 6, using experienced local navigators to work with households during the application process and throughout their journey to owner occupation acts as an important enabler for the successful implementation of various alternative tenure models.



In Section 5.2.3, iwi and Māori interviewees reflected on the “Whānau Ora” approach that they follow. This empowers households by ensuring they are part of decision-making processes during the planning and construction of homes. This includes making decisions about the aspect or direction homes face, and the choice of internal colours and fittings used. The approach is driven by the notion that participation in such schemes is about more than just getting whānau into owner occupation. As demonstrated in the case studies, part of the scheme’s extensive resources are devoted to preparing whānau for owner occupation, such as through the provision of homeownership education, debt reduction, budgeting and more. The case studies show that enrolment in financial literacy programmes in order to qualify for shared ownership housing models has the added benefit of improving the financial literacy of the iwi, hapū, or hapori more broadly, as more whānau complete the programmes than are placed in homes.

While alternative tenure models can produce home ownership (or home ownership-like outcomes), they also have the potential to generate a variety of social and cultural benefits for whānau, including financial literacy, confidence and empowerment, connection to culture and more. Māori collectives emphasise using social procurement practices to employ local people (particularly, Māori) in the construction of housing developments. Whānau moving into the homes are often encouraged to be engaged in the build process to begin forging a connection to that home and place and take ownership in more than just an economic way.



6.7 Summary

Our analysis identifies a range of cross-cutting or recurring themes associated with the development and growth of a sustainable affordable alternative housing tenure framework across governmental, industry and organisational, and household levels. Albeit raised from different perspectives, these include:

- A systemic lack of awareness and cultural acceptance of alternative tenure models across the New Zealand housing system;
- The need for government to be an active participant in the housing system – especially in the market for alternative housing tenure solutions – due to the inherent financial feasibility constraints associated with alternative housing tenure models;
- Shortcomings associated with the current housing policy, legislative and legal frameworks applicable to alternative housing tenure providers and the development of Māori/iwi and communal land holdings;
- Capital and finance institutional settings that limit access to capital and finance for development;
- Institutional racism; and
- Central and local government frameworks that limit innovation in the development of alternative housing tenure models.

In addition to the above cross-cutting issues facing the alternative housing tenure industry, the analysis identified the lack of industry representation at the national level and the relatively limited scale of affordable alternative housing tenure providers in New Zealand as systemic barriers to the development and growth of affordable alternative housing tenure models at the industry and organisational level. The critical importance of partnerships was identified as a key enabler of developing the market for affordable alternative housing tenure models across all levels of the system. At the household level, the analysis identified household income, financial readiness, the need for financial support, the availability of different housing options, and active household participation as specific end-user barriers and enablers from a systems perspective.



7. Enabling the growth of affordable alternative housing tenure models

7.1 Introduction

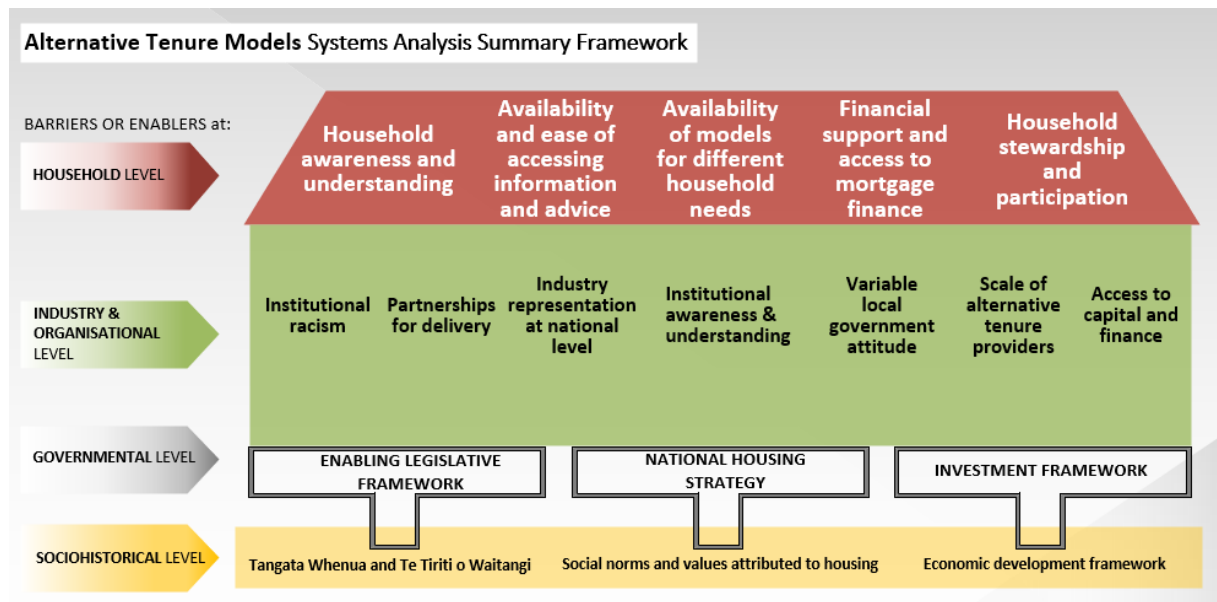
This section of the report focuses on the actions which will enable the growth of affordable alternative housing tenure models in New Zealand. These actions are designed to address the barriers and build upon the enablers identified in the previous sections. The analysis draws on New Zealand and overseas research findings, stakeholder interviews and three case studies of alternative tenure models operating across New Zealand. The case studies highlight examples of innovation that can be replicated and scaled up with changes to the system settings.

We have structured the analysis and proposed actions using the segmentation introduced in Section 6 showing the system at four interdependent levels of:

- Sociohistorical enablers;
- Governmental enablers;
- Industry and organisational enablers; and
- Enablers at the household or end-user level.

Figure 7.1 presents a systems analysis summary framework to enable affordable alternative tenure models.

Figure 7.1: Alternative tenure models systems analysis summary framework





Understanding and acknowledging the sociohistorical level barriers is fundamental to successfully reshaping the housing system to enable the development of affordable alternative housing tenure models. The analysis in Section 3 shows the extended trajectory of worsening housing outcomes. Implementing some of the proposed actions will require major shifts in established ways of working and decades to fully realise the benefits. Other proposed actions are to sustain and augment ways of working which are already underway so there are also short term wins to be realised.

The next level of the analytical framework captures those enablers identified as pivotal components or foundational prerequisites that are set by central government for the development of a sustainable market for affordable alternative housing tenure models. In Figure 7.1, central government enablers are represented as the vertical foundational piles upon which a dwelling, or the market for affordable alternative tenure models in this instance, rests.

Central government's approach to housing is established in the policy, resource planning, taxation and the domestic legal and financial frameworks. The choices made at this foundational level significantly impact the development and growth of alternative tenure models in New Zealand as they are implemented through the institutions of government. Presently, these choices have resulted in the multiple barriers discussed in the prior section. The enablers in Figure 7.1 at the governmental level are represented by the floor slab of the dwelling. It symbolises those enablers that contribute to fostering a 'level playing field' for the vertical 'construction' or development of a market for affordable alternative housing tenure models.

Industry and organisational level enablers are represented by those vertical structural components of a dwelling such as framing and cladding. It represents the most visible aspects of the market for affordable alternative housing tenure models and focuses on the unique challenges associated with alternative tenure operating models at the industry as well as the individual provider level.

Household level enablers are represented by the roof structure and signal those aspects of the current housing system that impact on the development of a sustainable market for the provision of affordable alternative housing tenure models. This symbolizes those aspects of the current system that are necessary enablers for households to secure a 'roof over their heads' that provides ownership-like outcomes similar to more traditional housing models.

It is important to note that the above segmentation of the housing system is specific to the alternative tenure portion of the much larger and complex housing system or ecosystem. The actions herein do not attempt to cover the wider system and will depend on the successful completion of other work such as the Construction Sector Accord and the Resource Management Act reforms. Any improvement to housing affordability outcomes relies on the overall housing market improving its performance and resolving constraints related to materials availability and pricing, labour skills and availability, climate adaptation, etc.



7.2 Interdependencies

Taking a solutions-based approach, the objective of the analysis is to provide stakeholder groups operating at different but inter-related levels of the housing system (specific to affordable alternative housing tenures) with actions specific to their role and function within the system. The analysis also identifies interdependencies between and across system layers.

There are often strong or prerequisite 'cause-effect' relationships between barriers identified in previous sections of the report and enablers at various levels of the housing system described below. Throughout the analysis, 'barriers' generally refers to the absence or lack of some of the fundamental building blocks of a sustainable and thriving market for affordable alternative housing tenure models. Reference to enablers is used in the context of those elements of the housing system that were found to facilitate the successful development of a market for affordable alternative housing tenure models in Aotearoa New Zealand and elsewhere.

So strong are some of these interdependencies that failure to implement all of the identified enablers within certain levels will result in failure across a large proportion of the entire system. Many of the enablers therefore represent those vital components or building blocks of an ideal environment for developing a sustainable market for affordable alternative housing tenure models that are currently missing from the system, thereby fostering its development and growth.



7.3 Sociohistorical system based barriers and enablers

The Sociohistorical barriers discussed in Section 6.3 represent deep-rooted factors which permeate all levels of the housing system and impact on affordable alternative housing tenure models. This section of the report provides recommendations to address the sociohistorical barriers described in Section 6.3 through actions which can enable the development of alternative tenure models in New Zealand. These are informed by the evidence from the literature review in Section 4 and the stakeholder interviews summarised in Section 5. The recommendations address the barriers related to:

- Tangata whenua and Te Tiriti o Waitangi/Treaty of Waitangi;
- Social norms and values regarding housing in New Zealand; and
- The economic development framework underpinning housing policy in New Zealand.

Change at this level is fundamental to the long term ability to turn around the declining housing outcomes experienced by low and moderate income households documented in Section 3. Whilst changing sociohistorical barriers can seem daunting, there are many signals that progress at this level is already occurring in some areas. In addition, step changes can and have occurred quickly, as evident by the adoption of neoliberal economic policies in the late 1980s. There is no reason a new political consensus on New Zealand's approach to housing and our economic development framework cannot be achieved quickly. Indeed, the impacts of the Auckland floods in January 2023 and Cyclone Gabrielle in February may require exactly this type of step change to remedy.

7.3.1 Tangata whenua and Te Tiriti o Waitangi / Treaty of Waitangi

A new approach to enabling housing by, for and with Māori is already underway. Te Tūāpapa Kura Kāinga – Ministry of Housing and Urban Development (HUD) is leading this approach. The breadth and depth of Treaty breaches related to housing are clear from the evidence presented at the Waitangi Tribunal's Housing Policy and Services Inquiry (Wai 2750). Through HUD, the government has committed to a framework and way of working with Māori that acknowledges the previous and continuing failures of government. The outcome of the Tribunal process and the steps the Crown takes to reset the system in response may represent a turning point that deepens and makes permanent the approach discussed below.

The Māori and Iwi Housing Innovation (MAIHI) Framework for Action is being implemented by the dedicated Māori Housing Unit, Te Kāhui Kāinga Ora, within HUD. Te Kāhui Kāinga Ora worked with Māori and other Crown agencies to develop the framework. There are three main approaches in MAIHI which are meant to provide a new way of working with Māori and address housing system barriers facing Māori. The three workstreams are:

- **Respond** – addressing the immediate needs and priorities for housing;
- **Review** – reviewing the Crown's policies and programmes for Māori housing, prior actions and identifying system barriers and solutions to achieve better outcomes; and
- **Reset** – resetting the systems and processes which have failed Māori in the past with new policies and programmes which ensure the Crown's Te Tiriti o Waitangi treaty obligations are fulfilled and the injustices of the past are not repeated.



The second significant change in addressing the housing system barriers facing Māori is MAIHI Kai Ora – the National Māori Housing Strategy. The Strategy was developed with Māori and sets out a partnership approach for the Crown to work with Māori over the next 30 years to support Māori-led local solutions. It recognises the urgent need to enable Māori to deliver bespoke responses providing quality affordable homes across a mix of tenures. The MAIHI Ka Ora Implementation Plan goes beyond the vision for the future to identify the specific actions and key deliverables, allocate responsibilities, set timeframes and measurements of success. The Plan will be reviewed every three years.

The first funding allocation required to actually deliver on the MAIHI Kai Ora Strategy and Implementation Plan was announced in Budget 2021. The Whai Kāinga Whai Oranga funding programme is a step change in the level of investment in housing for Māori by Māori. Whai Kāinga Whai Oranga is a four year \$730 million investment into both homes and related infrastructure. The \$380 million for building or repairing homes includes funding for technical assistance, planning and construction. Iwi, hapū and Māori entities are eligible to apply. All tenures and scales of projects are enabled. In addition, \$350 million is dedicated to deliver new or upgraded offsite and onsite infrastructure, a significant barrier to whenua Māori located in rural areas.

The MAIHI Framework for Action, MAIHI Ka Ora and Whai Kāinga Whai Oranga demonstrate the start of a system level response to the barriers facing Māori. Additional actions are required as discussed further in this section, but the approach explicitly embeds identifying and changing the housing system. A continued commitment to the approach and on-going funding will be necessary to deliver the required system change in Māori housing.

7.3.2 Social norms and values regarding housing

The social norms and values embedded in New Zealand culture and permeating our approach to housing are also showing signs of change. The traditional idealised notion of a ‘home on a quarter acre section’ is increasingly under pressure from multiple sides. Numerous domestic and international trends are causing a rethink of this traditional notion. These trends include affordability challenges described in Section 3; impacts of climate change; cost of infrastructure; trends toward living in cities; and broader acceptance of denser housing including Unit Title developments. These all open new possibilities for growing affordable alternative housing tenure models which are commonly denser developments in higher cost urban areas designed to be less impactful environmentally.

Tax and retirement policy change may be catalysed by Cyclone Gabrielle. The Tax Working Group recommended adopting a capital gains tax on residential property, excluding the family home, but this was rejected by the Government. The purpose was to remove what is seen as an incentive to invest in residential real estate as opposed to business investments which are subject to capital gains. Opposition parties are also opposed, and the public is generally also wary. However, the bright line test which determines whether tax is due on the sale of residential property was extended from five to 10 years effective in 2021. The test was originally introduced by the National-led Government in 2015 and set at two years. The tide seems to be slowly moving to change the view of homes as an investment opportunity to a place to live and raise a family in a community.



Alternative housing tenure models can provide more affordable and secure homes for seniors, meeting their accessibility and size needs. In 2022, the Retirement Commission released a review of policy settings, sounding an alarm about the rising number of people paying rent or a mortgage entering retirement. Amongst the recommendations made, the report identifies the need to extend the range of housing options for seniors. As described in the prior section, providers are currently encountering too many barriers to deliver these models which can help support the rapidly increasing number of retirees depending solely on New Zealand Superannuation.

Addressing biases against social and affordable housing tenures and more generally against households receiving forms of government assistance will likely take longer to change, yet this is possible. Generations of Kiwis grew up in state houses without the stigma which has arisen in recent decades. Much of that stigma is correlated with rise of the neoliberal economic framework discussed below and the associated political rhetoric about social welfare programmes. Legislative changes can also help to reduce the barriers faced by providers. Inclusionary housing, discussed in 7.4.2 is documented to reduce the impact of NIMBY opposition to alternative tenures.

7.3.3 The economic development framework underpinning housing policy in New Zealand

The current neoliberal economic development framework is identified as a barrier to the growth of affordable alternative housing tenure models in New Zealand. Section 6.2 discusses these barriers. A new approach is needed and there are signals of a change in economic thinking evident in New Zealand. The Government Policy Statement – Housing and Urban Development (GPS-HUD) released in September 2021 is beginning to reframe government’s approach to housing. The outcomes from the GPS-HUD are:

- Thriving and Resilient Communities;
- Wellbeing through housing;
- Māori housing through partnership; and
- An adaptive and responsive system.

These outcomes closely align with the actions recommended in this analysis, the evidence from the literature review and interviews regarding the enablers of affordable alternative tenures. A significant focus area which represents a break from the neoliberal approach is to ‘re-establish housing’s primary role as a home rather than a financial asset’. Delivering affordable alternative housing tenures to intermediate market households requires subsidy and the GPS-HUD’s outcomes, focus areas and priorities represent an approach that recognises this is necessary.



The last National-led Government recognised that some households are not well supported through government programmes and experimented with a social investment approach. The current Labour-led Government has adopted a wellbeing approach. This approach is based on evidence and uses the Treasury's Living Standards Framework. Significantly, one of the objectives set for Budget 2022 is lifting Māori and Pacific Peoples' incomes, skills and opportunities, including access to affordable, safe, and stable housing. The current Government is taking a more direct, active role in addressing wellbeing rather than a hands off approach relying on the individual and the private market to deliver better outcomes. The literature and interviews clearly document the need for direct investment and for an economic framework that elevates the social function of housing rather than a limited real estate value based transactional approach.

There are examples where a different approach has been taken in housing. The case study of Te Tihi's Te Ara Mauwhare / Pathways to Home Ownership project in Appendix 5 describes how Kāinga Ora's agreement to sell land at prior book value rather than current market value can contribute to successful alternative tenure developments. Explicitly recognising broader whānau and social outcomes through a wellbeing lens, rather than a strict market-based approach, opens up more possibilities for the growth of alternative tenure models.

Whilst the assessment of the scale of Cyclone Gabrielle's impact is still underway, it is clear that massive investment will be required to repair and rebuild the physical infrastructure including roading, water, and communications networks, homes, businesses, and community facilities including marae. This comes on top of the pre-existing challenges of housing quality, affordability, falling rates of owner occupation, and increasing homelessness. The response set in motion by the current government and taken up by the next government following the October 2023 elections will determine whether a step change will occur.



7.4 Governmental housing system responses to enable alternative tenure models

Central government is the most influential actor in the housing system. It has the responsibility to ensure equitable outcomes in the housing market are achieved. Based on the information and analysis in the prior sections of this report, we have identified policy, legislative, and fiscal recommendations to enable affordable alternative housing tenure models in New Zealand. These will provide a clear policy direction, legal tools and the financial resources to the other participants in the housing system to proceed with certainty to improve the housing outcomes of low and moderate income households.

Based on our analysis, we identified the foundational requirements at the governmental level:

- A National Housing Act;
- An enabling legislative framework; and
- An investment framework.

These components are fundamental to improving the overall housing system and outcomes across all tenures. Further recommendations are made about actions specifically required to enable alternative tenure models.

7.4.1 A National Housing Act

The adoption of a National Housing Act is recommended to address the barriers described in 6.4.1. It is clear from the international evidence and the New Zealand experience that a clear, coordinated and long term approach embedded in legislation is required. The MAIHI Ka Ora Strategy adopted to address Māori housing needs provides the example of the necessary components of the Act. The current GPS-HUD) provides additional insights, to build this binding legislation, such as climate change adaption. On their own, MAIHI Kai Ora and the GPS-HUD are insufficient to make the permanent changes necessary. For example, while both provide direction and signals to government agencies and stakeholders, they have no ability to require changes nor any binding accountability mechanisms. Primary legislation is needed to enable the fundamental housing system settings required to improve outcomes.

The Canadian National Housing Strategy (NHS) Act provides an example of embedding strong principles and accountability into legislation, it requires the right to housing to be insured through governmental policies and programmes. It also sets out independent monitoring and accountability mechanisms to enable citizens to have a meaningful voice to ensure compliance with the progressive realisation of the right to housing. The NHS Act is the mechanism to meet the government's obligations under the International Covenant on Economic, Social and Cultural Rights. Adoption of the MAIHI framework in New Zealand's legislation will provide a mechanism to meet the government's obligations under the United Nations Declaration on the Rights of Indigenous Peoples. New Zealand's current approach sets out aspirations towards realising the right to housing, but the Canadian NHS Act affirms that in law.



A New Zealand National Housing Act formulated around the progressive realisation of the right to housing will provide a clear end goal for other legislation and all stakeholders. The National Housing Act should require the establishment of effective systems for estimating housing needs and demands, the consequential resources likely to be required for the construction of new supply, and improving existing stock. This should be done at a housing market level to provide place-based insights regarding the needs of varying households and the appropriate tenure responses. The National Housing Act should identify the roles which central and local government will take in the housing system and confer appropriate powers and resources to fulfil those roles. It should identify the roles of other stakeholders including private developers, community housing providers (including iwi and Māori organisations), private capital and philanthropists. The Act should identify the range of fiscal and other tools it will utilise or support others to utilise to meet the established goal. This will support the overall housing system and the development of alternative tenure models and organisational structures that encourage knowledge sharing, foster innovation, and identify best practice in the provision of affordable housing.

In addition to being formalised in legislation, to be enduring bipartisan support to deliver better housing outcomes is identified in the research is a key to success. The summary of international research on alternative tenures in Section 4.2 identified the importance of a strong and consistent policy framework as a key enabler of alternative tenures. Cross party support for the National Housing Act can address the barriers stated in the interviews about the ever changing policy environment and short term funding cycles.

7.4.2 An enabling legislative framework

To support the implementation of the National Housing Act, additional legislation will be required to address the current barriers. These include barriers in planning and zoning, access to finance on whenua Māori, enablement of value capture and inclusionary housing, cooperative housing, and the rules governing registered Charities. Other legislation may also be required, depending on the final content of the National Housing Act. One lens which all this legislation needs to be reviewed through is whether it further enables low to moderate income households to access affordable alternative housing outcomes. In the language of the GPS-HUD, it should enable them to live in thriving and resilient communities and achieve wellbeing through housing.

The current Resource Management Act (RMA) replacement legislation may address the barriers to alternative tenures related to land use planning and zoning. The Natural and Built Environments Bill and the Spatial Planning Bill are currently in the consultation phase. The Climate Adaptation Bill is still to be introduced. As the final detail and scope of these Bills is not yet clear, we will refer to the RMA reforms rather than the three individual pieces of legislation in our discussion below. The RMA reforms are signalled to simplify and speed up the consenting process whilst also enabling higher densities. If these outcomes are achieved, it will address many of the barriers noted in Section 6.4.2 regarding planning rules and regulations.



Top of the list for new legislation must be the enablement of access to finance to develop whenua Māori. A recurring issue raised during interviews is the unwillingness of banks to provide finance for developments on whenua Māori owned by Māori collectives. This is a fundamental system barrier where the indigenous communal landholding framework is butting up against the colonial legal and financial system. This can only be resolved through legislation. As described in Section 6.3, the current approaches are at odds with the communal nature of Māori world views and relationships to land. The solutions should be developed by, with, and for Māori, to ensure Māori can be well-housed from an Ao Māori perspective. Legislation should also simplify the complex process overseen by the Māori Land Court required to be able to develop multiply owned land. This will enable hapū and whānau to progress with greater certainty and speed to develop their land.

An Act to specifically enable value capture and inclusionary housing requirements may be required if these are not included in the RMA reform legislation. Despite the GPS-HUD signalling the need for value capture tools the Bills introduced so far are silent on this topic. As discussed in Section 6.4.2, the lack of clear enablement of inclusionary housing is stifling adoption beyond the current voluntary programme operating in Queenstown Lakes District Council. The clear message from the literature review and from provider and industry interviews is the need for access to affordable land in appropriate locations. Inclusionary housing delivers this as a proportion of all new development in a local housing market area. Local Government New Zealand members called upon government to enable local authorities to adopt inclusionary housing approaches in a 2020 remit.

Evidence from jurisdictions in the UK, Australia and the USA demonstrates that land values adjust downwards to account for the inclusionary housing requirements, just as they are adjusted to account for other changes in planning rules either liberalising or restricting development. The case study of the Queenstown Lakes Community Housing Trust in Appendix 4 demonstrates how this tool enables sustained delivery of alternative tenures, complementing other government investments. Notably, the Queenstown Trust continued to build new affordable alternative tenure homes for more than six years when no central government funding was available for these tenures.

An Act to codify cooperative housing as a distinct tenure such as has been adopted in Australia is recommended to enable its growth in New Zealand. The Retirement Villages Act is an example of such bespoke tenure legislation domestically. A fifth of stakeholders interviewed identified the lack of legislation confirming the legal structures for cooperative housing as a barrier to their growth in New Zealand.



Amending the Charities Act is needed to broaden the ability of registered Charities to end rather than simply ameliorate the harshest impacts of poverty through alternative tenure models enabling owner occupation or owner occupation like outcomes. As discussed in Section 6.4.2, providers identified the negative impact imposed by court rulings and the Charities Services' interpretation of the Act on their ability to provide affordable alternative housing tenure products. In 2014 the government established a new form of tax exemption in response to Charities Services' deregistration of the Queenstown Lakes Community Housing Trust. The new tax provisions created a point of entry test and new eligibility criteria, referenced to the KiwiSaver homebuyer assistance programme. Whilst this blunted the tax consequences, it does not offset the impact of not being a charity with donee status, which has implications for potential donors. Many organisations work closely with philanthropists to support their work, so Charities Services registration is vital to receive that financial support.

7.4.3 An investment framework

Alongside the policy framework established in the proposed National Housing Act and the other legislative fixes described above, a long term investment framework is required to enable the growth of affordable alternative housing tenure models. The key characteristics and components of the required investment framework to address the barriers described in Section 6.4.3 are: overcoming the financial viability constraints of affordable alternative tenure models; sustainable, consistent and coordinated access to debt and equity; security arrangements for government subsidies which enable private investment; clearly defined roles for private and philanthropic capital; finance to support development by Māori collectives on their whenua; and a long term commitment to base levels of funding aligned to housing market area needs. Each of these components is further discussed below.

As evidenced in the literature review and interviews, affordable alternative housing tenures are generally not economically viable without government funding or other support. Depending on the alternative tenure product, the nature and terms of the government funding and support will vary. What is clear is that funding at all stages of development is required and that philanthropic and private capital can be leveraged by an enduring investment framework.

Addressing financial viability constraints is fundamental to the growth of affordable alternative housing tenure. The necessity of access to finance and capital grants described in Section 4.3 has not translated into on-going programmes in New Zealand. Providers noted this as an issue limiting their ability to leverage private sector capital and attract private sector developers to partner with them. Addressing feasibility constraints will enable providers to leverage private sector capital furthering the growth in the alternative tenure sector.



Providers described a need for consistency and coordination in government support for different debt and equity programmes in Section 4.3. Although a range of New Zealand Government agencies do offer grants to support low-income households, such grants are subject to a diverse range of criteria and application pathways that complicate accessibility for providers. Government does not currently support debt products for providers, leaving them reliant upon higher cost sources from banks and other lenders. Real estate development is by nature a long term process and investment. Aligning application criteria, processes and timelines can simplify and speed up the development process. This will increase certainty for providers, their partners and lenders so they can make informed decisions on the allocation of their resources to projects. Supporting longer term debt products will reduce risk for all parties involved.

Private sector investors and philanthropic organisations are key players in delivering affordable alternative housing tenure models. They identified the lack of a clear investment framework from government as a barrier to their participation. The investment framework should make clear what is required from private capital and how government will enable the debt and equity products they provide. Philanthropic organisations are willing to support innovative new approaches, taking on risk that government and private capital are reluctant to pursue. They seek certainty that successful new approaches they support are incorporated into government's funding programmes once proven. A clear pathway for their contributions to achieve scale should be outlined in the investment framework. The security arrangements associated with government investment need to be developed that recognise the needs of private and philanthropic investors along with the long-term sustainability of providers front of mind. Government's approach to security for different tenure models and funding programmes must be aligned with the roles it is asking others to fulfil. In some instances, government will need to accept a subordinate position, and this should be made clear in the framework rather than in individual project negotiations.

The investment framework should make permanent for Māori the types of infrastructure and housing funding currently delivered through Whai Kāinga Whai Oranga. Alongside the recommended legislative fix to lending on whenua Māori, the tailored approach to provide technical assistance, capability and capacity, and project and longer term programme support will enable solutions by Māori for Māori to be sustained.

The benefits of investment in Māori led affordable alternative tenure models are documented in the findings of the Te Ara Mauwhare – Pathways to Home Ownership evaluation cost benefit analysis of the trials. The overall cost to government, iwi and Māori organisations of delivering 68 homes across all six initiatives was \$32.694 million, compared to a societal return on investment of \$41.848 million, resulting in a net positive societal return on investment of approximately \$9.154 million, or 28 percent.

Finally, the lack of consistent and long term programmes is a documented barrier to the growth of alternative housing tenure models in New Zealand and internationally. The investment framework should describe the length of the commitment to provide various types of support to programmes and how the approach may evolve over time as key milestones are achieved. This will provide the housing system participants with a clear direction of travel and enable them to make informed investment decisions and recognise when programmes may change over time.



7.5 Industry and organisational level enablers for alternative tenure models

The industry and organisational level enabling factors flow directly from recommendations in the sociohistorical and governmental levels above. This section discusses how the recommendations above address some barriers and the additional actions which are in the control of the industry and organisations to address themselves. This analysis follows the structure in Section 6.5 of:

- Lack of institutional awareness and understanding of alternative tenure models;
- Availability and ease of accessing official information and advice;
- Access to capital and finance;
- Institutional racism;
- Variable local government attitudes toward affordable alternative housing tenure developments;
- Partnerships for delivery;
- Scale of alternative tenure providers; and
- Industry representation at the national level.

7.5.1 Lack of institutional awareness and understanding of alternative tenure models

Addressing the lack of knowledge of alternative tenure models among local government staff and elected officials, the finance sector, and advisors is key to easing planning and regulatory issues, access to finance, and professional advisors' scepticism toward alternative tenure models. The proposed National Housing Act, legislative framework and investment framework will all help to raise awareness of these models. In addition, working through professional bodies including Local Government New Zealand, Taituarā (network of local government managers), New Zealand Planning Institute, Real Estate Institute of New Zealand and the New Zealand Law Society can bring awareness and information to these stakeholders. Responsibility to reach out will rest with MHUD which funds these tenures, the peak bodies representing providers, and the providers themselves who can speak directly to how they operate programmes locally.

The form of engagement can vary and be done both nationally and locally. Participation in workshops, seminars and conferences can provide direct communication. Case studies and project descriptions can be disseminated through newsletters, publications and social media platforms. The development of standard documentation for use with the various alternative tenure models will support raising awareness and understanding.



7.5.2 Ease of accessing official information and advice

Implementing the governmental housing system responses including a National Housing Act, enabling legislative and investment frameworks will raise the visibility of affordable alternative housing tenures. These responses will likely provide clarity of definitions and legal requirements related to the tenures and more organisations and individuals will be incentivised to increase their knowledge. The educational initiatives described immediately above will raise knowledge levels. Standardised documentation will further create a base level of consistency and make it easier to develop guidance documents providing official information and advice.

The difficulties for development on multiply-owned Māori land need to be worked through between the Crown and Māori to address the fundamental barriers facing Māori. This should be approached in the context of Te Tiriti of Waitangi and fulfilling the Crown's obligations as discussed in Section 6.3. The barriers are longstanding and in need of urgent reset.

7.5.3 Access to capital and finance

Affordable alternative tenure models currently face systemic industry and organisational barriers to accessing capital and finance. The governmental enablers discussed above will deliver significant benefits to the feasibility and certainty of new development. This section provides actions to address the remaining industry and organisational level barriers.

At the industry level, common documentation must be developed for the various affordable alternative tenure models. Bespoke approaches will not allow consistent access to capital and will work against developing institutional and household awareness. For example, legal rules around the separation of the value of land and improvements, particularly for community land trusts, and the relatively high legal cost (upwards of \$30,000 per transaction) associated with drafting such agreements are a barrier for providers and make such transactions unattractive for lenders.

There is an organically growing standardisation already occurring in the shared equity and land lease tenures. The New Zealand Housing Foundation's agreements on shared equity and the Queenstown Lakes Community Housing Trust's agreements associated with community land trusts seem to have evolved into default accepted formats used by others in the sector. In part, this is due to the acceptance of these legal structures by some lenders active in the sector. Formalisation of these and also widening to include rent-to-buy, cooperative housing and co-housing tenures will provide multiple benefits. Given that the time and cost associated with developing their own documentation are beyond the capacity of most providers, industry standard documentation will also assist smaller providers and new entrants. Standard agreements also address a lending barrier. With the currently small volume of these transactions, banks are reticent to devote resources to undertake the necessary legal and risk management work, train their staff on the products, and make necessary changes to processes and software.



Beyond enabling easier access to lending and lowering barriers to new providers, standardisation of documents may also support access to new sources of capital. The equity held by providers in shared equity models could be securitised and released so providers can reinvest in additional homes. Private equity is unlocking capital through such models internationally. This can multiply the impact of government investment and increase the number of homes delivered to support families.

Based on the government's investment framework, different sectors will need to identify the tools and resources they will utilise to grow alternative tenures. Philanthropy and central and local government are likely best positioned to provide pre-development financial support alongside provider working capital. Banks and private investors are better suited to construction and long term finance. They will need to develop products appropriate to the various alternative tenures and identify which ones they are capable of supporting. The long term certainty of the investment framework is essential for the other industry participants to invest in developing the knowledge and products for affordable alternative housing tenures to grow.

Providers will also need to develop business and financial strategies to work at scale and attract increasing amounts of capital and finance. They will need to either develop additional tenure offerings, or the capability to work in partnerships to offer the types of products which are required to meet different household needs and circumstances. With sustained funding, providers are likely to require more sophisticated internal systems and accounting/finance functions. Both staff and governance development programmes should be implemented to match the increasing scale and value of their operations.

7.5.4 Institutional racism

The emerging approach to working with tangata te whenua described in Section 7.3.1 will help to address institutional racism within the housing policies and programmes. Enshrining this approach in the National Housing Act will provide a stronger foundation for this. However, all stakeholders will need to develop the capability to work with iwi and Māori by understanding Te Tiriti/ Treaty of Waitangi the impacts of colonisation and their own role in rooting out bias in their organisations. They will need to ensure their ways of working with whānau Māori are free from bias. This includes in the products offered, the application criteria and processes, stewardship, and home designs. Māori have lower incomes than New Zealand households overall, so it is critical that alternative tenures are actually designed to meet their income, savings and whānau structure.



7.5.5 Variable local government attitudes towards affordable alternative housing tenure developments

Local government policies, rules and regulations, and processes enabling alternative tenures are needed. The proposed National Housing Act should provide clear direction to councils on their role to deliver better housing outcomes. The literature and stakeholder feedback both document the importance of local government, so defining its roles and powers will enable more affordable alternative housing tenure developments. The legislative reforms of the Resource Management Act are signalled to address constraints related to planning rules, including density, and the lengthy process to receive consents. They should also bring greater standardisation across regions. The enablement of inclusionary housing and other value capture tools can create a pipeline of land supply.

The National Housing Act should require councils to measure housing needs and monitor local outcomes over time. This will ensure they have the data and information required to make informed choices for their communities. It will also require them to then consider how they can respond when outcomes are not improving. The engagement proposed in section 7.5.1 will help to ensure local government elected members and officials have a good understanding of affordable alternative tenure models. This will reduce the potential for opposition due to incorrect assumptions about the models and perceived negative impacts. Aligning knowledge and tools will address the barriers providers currently encounter.

7.5.6 Partnerships for delivery

Alternative housing tenure providers including iwi and Māori housing providers, work in partnership with both central and local government, the private sector and philanthropic organisations. However, they often find this difficult, particularly with government. For iwi and Māori, the MAIHI framework and the related strategy and funding described in Section 7.3.1 is beginning to demonstrate how the Crown is working to change its approach to partnering. This framework should be extended to local government through the National Housing Act, or other legislation, to better enable iwi and Māori to deliver housing solutions meeting their needs. The proposed investment framework will also make partnerships easier by clearly defining the tools and funding available long term. The approach also needs to enable the range of social and cultural benefits for whānau identified in Section 5.4.4. It is not simply about the number of units built.

Partnerships with philanthropists are an important source of seed funding for innovation. Philanthropists have a greater risk appetite to try new approaches. Their funding provides the ability to demonstrate how a specific alternative tenure concept can work, such as the Peterborough Housing Cooperative in Christchurch. When this is successful, government needs to get in behind these innovations for them to achieve scale. This would lead to hybrid structures that combine community housing provider expertise with government sector support and private sector capital as a way forward. Philanthropists can then move on to find the next innovation as they don't have the capital to deliver at the scale of government and the private sector.



The private sector is a key source of investment in housing. New partnership models are emerging in the delivery of social housing which can be adapted for other tenures. Among these models are the CORT/ACC partnership in Auckland and the Community Finance delivery of longer term, lower cost finance for registered community housing providers. Prior attempts to develop similar partnerships for shared equity programmes did not receive the same government support. Achieving scale for alternative tenure models in New Zealand will depend on new models emerging for alternative tenures.

7.5.7 Scale of providers

Enabling alternative tenure providers to achieve scale is both a key requirement and outcome of the actions recommended in this report. The biggest enablers to scale are the governmental level system settings of a National Housing Act, an enabling legislative framework and an enabling investment framework. With these in place, the external and internal resources can be leveraged to scale up operations. Institutional and industry level enablers discussed above will directly support increasing scale. Standardised documentation will facilitate increasing institutional awareness and make alternative tenures more attractive to lenders, realtors and other advisors. This will address the current resource barriers experienced by smaller providers and new entrants.

Enabling partnerships and brokering relationships between providers and local/central government, private capital and more experienced providers as described above will enable smaller providers to deliver programmes more easily. For example, organisations with strong local connections and knowledge of community members and needs can focus on the household stewardship components of a development whilst a more experienced partner can manage the construction process. This will promote specialisation of skills and reduce the investments required to develop the capacity to deliver all functions of a programme.

7.5.8 Industry representation at the national level

The ability to support national level industry bodies will result from stability in funding and policy settings. The resources to develop standardised models, promote awareness of the models and champion the benefits of affordable alternative tenure models will require support from government. The existing peak bodies Te Matapihi and Community Housing Aotearoa already support providers in the shared equity, rent to buy and land lease models. Cooperative Business New Zealand may be better placed to steward cooperative housing. Internationally, these industry bodies become financially self-sufficient as the scale of the providers they support increases.



7.6 Household level barriers and enablers

This section looks at how the enablers described above all come together to increase the ability of households to participate in affordable alternative tenure models. Improving the deteriorating housing outcomes discussed in Section 3 and providing ownership like tenure options is the goal of the recommendations made.

7.6.1 Household awareness and understanding of alternative tenure models

Alternative tenure providers will need to increase their marketing activities and engagement with households to increase the take up of the models. Governmental, industry and provider level actions provide the platform for households to proceed with confidence. It is clear from the literature and interview sections that direct engagement is required to answer questions and address concerns of potential participants. Providers and peak bodies can work together on education and outreach activities to develop good practice materials to support this work.

7.6.2 Availability and ease of accessing information and advice

Engagement activities to increase institutional awareness of affordable alternative tenure models will be the biggest contributor to enable households to find information and advice. With standardised documentation for the models and education of key stakeholders described in Section 7.5.1 households should receive more consistent information and advice.

Legislative reforms are required to increase access to finance and simplify the complex process of developing whenua Māori are the starting point. Guides could then be developed that can be broadly disseminated and used rather than having to 'reinvent the wheel' for each proposed development.

7.6.3 Availability of models for different household needs

The industry and provider recommendations should increase the availability of different alternative tenures. An increase of models within areas and also a geographic expansion is necessary to meet households' needs. Currently, only the First Home Partner shared equity programme offered by Kāinga Ora is available nationally. Only through nationwide availability can the needs across regions documented in Section 3 be met and scale achieved. Standardised documentation will make it easier for providers to expand their tenure offerings without facing the time and expense of developing their own materials.

Enabling multiple models is necessary to serve households with different circumstances, income levels and aspirations. Successful approaches result when families have options available and are not rejected when they don't fit into a narrow set of offerings. This is evident in the literature and New Zealand experience. The case studies in Appendices 4 and 5 demonstrate the importance of offering multiple models and the pathways created when they are present. Lower income households with little savings may need a rent to buy model, whilst those with higher incomes and some savings can access a shared equity model. Others looking for affordability and more social connection and support could be served better by cooperative housing.



7.6.4 Financial support and access to mortgage finance

The governmental, industry and provider recommendations above are required to increase the amount and availability of financial support for households. With certainty of policy and funding settings, and standardised documents, access to mortgage finance will be more reliable. It is likely more lenders will offer mortgages as their risk concerns are addressed and greater numbers of households look for mortgages in alternative tenures.

7.6.5 Household stewardship and participation

Strong and on-going household stewardship is necessary to enable the overall success of affordable alternative tenure models. This needs to be enabled through the finance settings and be a focus of providers. Failure to provide necessary support to households can lead to negative outcomes for households and the reputation of alternative tenures. Government should continue to support financial literacy programmes. These are a documented enabler of households to succeed in home ownership programmes. Provider engagement with households in planning and construction can also lead to them having a stronger connection to the home and surrounding community.



7.7 Summary

In summary, we have identified actions which can enable the growth of affordable alternative housing tenure models in New Zealand. Our analysis identified a range of cross-cutting system enablers at the societal, governmental, industry and provider, and household level. Fundamentally, subsidy is required to deliver affordable alternative tenure models. The level and nature will vary across regions and models. The international and local experience confirms these housing models can deliver wellbeing outcomes for low to moderate income households and support thriving communities. Partners from the philanthropic, lending and investment sectors are all available to contribute once the system settings are enabled.

Leadership and action at the governmental level are key to unlocking the potential of alternative tenures to provide ownership like outcomes. The housing system interventions of adopting a National Housing Act, enabling legislation and the investment framework set the foundation for enablers at the other levels of the system. The international research and views expressed in interviews by New Zealand stakeholders both support these actions.

Flowing from the governmental level changes, additional enablers at the industry and provider level to build on the government's foundation are clearer. These include raising awareness of alternative tenure models, accessing finance and capital, removing racial barriers, generating support from local government, delivery partnerships, increasing scale and establishing a national platform.

Finally, we identified how these actions all enable households to participate in alternative tenures. Additional work to support households includes increasing awareness, better information and advice, ensuring a range of models are available, access to finance, and household stewardship.

As a whole, the recommendations offer actions at all levels of the alternative housing tenure system that will enable the growth of these tenures. Substantial work is required to implement the recommendations, and the international evidence and local experience provide key insights to build upon.



Appendix One

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Appendix Two

Questionnaire



Draft Questionnaire – Community Housing Providers

1: Tell us about the history and how your organisation evolved into the operation as it stands today?

Prompts

- Profile
- Organisational goal / strategy
- Number of dwellings
- Capital structure
- Sources of capital

2: What are the key factors that have enabled you to grow into the organisation we see today?

3: What has limited your ability to grow?

4: What part(s) of the housing continuum does your organisation target and what are their demographic characteristics?

5: How / why did your organisation choose these groups as your target market?



6: What tenure models have you developed to assist these households? (

Prompts – number of units in each sector. Areas which are growing or contracting and why?

- Social rent
- Affordable rent
- Rent to buy
- Market rentals,
- Community land trusts
- Cooperatives (affordable rental and limited equity)
- Co-housing
- Shared equity – loans or capital
- Hybrid combinations of the above
- Other

7: How did you find out about the tenure models you offer?

8: What other tenure models did you consider and why did you decide not to offer them?

9: What information sources did you use to develop the legal structures used in your different tenure models?



10: Other services do you provide your occupiers (for example training, social support, financial literacy skills), how long are these services provided – entry or ongoing)?

11: How ready accepted are your products in the market (by customers / legal advisors / financiers / agents)?

12: What has help you promote your tenure products?

13: What key challenges did you need to overcome or still exist to grow your operation?

14: What additional products (tenure models) would you like to offer but current don't?

15: Why has your organisation not developed these products and offered them?

16: What needs would these service (i.e. what need is currently not being serviced)?



17: Have you met your growth targets set 5 years ago?

18: What has enabled your growth so far?

19: What factors have limited your growth?

20: Where do you see your organisation in 5 years 10 years from now?

21: Is your target market or mix of tenure products going to change?

22: How are you going to get there?

23: What needs to change to enable your projected growth?



Appendix Three

Alternative Tenure Economic Feasibilities



Appendix 3: Feasibility of alternative tenure models in a New Zealand context

Introduction

The objective of this appendix is to present an updated development feasibility results for alternative tenure models originally presented by Livingston and Associates Ltd (2018)³⁰. This appendix should be read in conjunction with the Livingston and Associates (2018) report as it provides the background behind each development feasibility. The development feasibilities are based on low rise walk up multi unit dwelling complexes designed for low income key worker families located in:

- Auckland;
- Tauranga and Western Bay of Plenty; and
- Christchurch.

In addition, the opportunity for a low income, over 65 year old person focused development was also considered.

Feasibility models

The objective of this section of the report is to present the results of the alternative tenure case study analysis. The case studies were developed in conjunction with a developer/community housing provider/council in each market. The development profile reflects the potential market for an affordable multi unit development. The analysis provided below is a summary of the detailed analysis of the development costs and the opportunity for a rental cooperative, shared equity or a community land trust style tenured development.

Case study assumptions include:

- The affordability threshold assumes occupiers spend 30% of gross household income on housing costs;
- Under the cooperative model, an annual fee of \$1,000 per household is included in the cooperative's operating expenses to provide for the cost of household stewardship and patient capital owners' representation on the cooperative's board;
- Under the community land trust approach, it is assumed a community land trust contributes the land at no cost and the ownership of the land is retained by the trust;
- The estimated annual cost of operating the cooperative is calculated for each case study;
- Building maintenance sinking fund set at 0.6% of the construction costs;
- Local and regional council rates including any water levies;
- Cleaning and utility costs associated with building common areas;
- Fire protection and building warrant of fitness;
- Building insurance;
- Annual maintenance expenses; and
- Cooperative fee; and GST.

³⁰ Livingston and Associates Ltd (2018) "Alternative Tenure Models and their Potential Applicability in a New Zealand Context." A report for BRANZ funded by the Building Research Levy.



A brief profile of the developments:

- Auckland case study focuses on a 30 unit low rise apartment building located in eastern Auckland targeting low income key worker families;
- Tauranga low to moderate income working household development. This case study is focused on a 40 unit low rise apartment building in Tauranga targeting low income key worker families;
- Tauranga aged person low rise apartment complex. This case study focuses on a 30 unit one bedroom apartment complex in Tauranga targeting households aged 65 years and older; and
- Christchurch – low rise inner city apartment. This case study focuses on a 45 unit low rise apartment building located in central Christchurch targeting low income key worker families.

Table 1 presents the results of the feasibility analysis and compares the return on patient capital modelled in 2018 with the updated returns in 2022.

Table 1: Returns on patient capital 2018 to 2022

	2018	2022	Difference
Auckland feasibility model			
Total development cost	\$20.4m	\$25.6m	+26%
<i>Return on patient capital</i>			
Rental cooperative	1.5%-3.0%	1.1% to 2.7%	-0.3 to 0.-4 % pts
Community land trust/rental cooperative hybrid	1.6%-3.1%	1.3% to 2.8%	-0.3% pts
Tauranga feasibility model			
Total development cost	\$25.9 m	\$33.9m	+31%
<i>Return on patient capital</i>			
Rental cooperative	1.0%-2.1%	0.9% to 1.6%	-0.1 to -0.5 % pts
Community land trust/rental cooperative hybrid	1.2%-2.3%	1.0% to 1.7%	-0.2 to -0.6% pts
Aged person rental cooperative	-0.1%-1.1%	-3.7% to -2.5%	-3.6 % pts
Christchurch feasibility model			
Total development cost	\$22.4m	\$29.6m	3+2%
<i>Return on patient capital</i>			
Rental cooperative	0.8%-2.8%	0.4% to 1.8%	-0.4 to -1.0 % pts
Community land trust/rental cooperative hybrid	0.9%-3.2%	0.5% to 2.0%	-0.4 to -1.2% pts

The returns on these affordable alternative housing tenure developments declined between 2018 and 2022. This reflects land values and building costs increasing at a faster rate than household incomes between 2018 and 2022.



Appendix 4

Case Study 1: Queenstown Lakes Community Housing Trust



Case Study 1 - Queenstown Lakes Community Housing Trust (QLCHT)

Introduction

Tāhuna / Queenstown is a resort town in Otago in the south-west of New Zealand's South Island. In June 2021 it had an urban population of 15,450 and an estimated resident population of 48,300³¹. Built around an inlet called Queenstown Bay on Lake Wakatipu, the town is known for its commerce-oriented tourism, especially adventure and ski tourism. Queenstown-Lakes District has a land area of 8,704.97 square kilometres. Neighbouring towns include Arrowtown, Glenorchy and Wānaka.

Housing affordability in Queenstown

While housing affordability receives national prominence, it is most apparent in Queenstown where median house sale prices were \$1,200,000³² in September 2022 compared to \$811,000² in the rest of New Zealand or \$715,000 for the rest of New Zealand excluding Auckland. Median household income which includes incomes from all household members from multiple sources of earnings such as employment, earnings from self-employment, allowances, benefits and superannuation, was \$103,000 in Queenstown compared to \$86,300 for the rest of New Zealand³³.

In terms of housing affordability, a median multiple is used to express median house sale prices to median household incomes. In September 2022, the median multiple for Queenstown was 11.7 compared to 9.4 for the rest of New Zealand. Consequently, housing costs pose an economic and social challenge for Queenstown. While historically people have been willing to move into the district, an unusually high percentage of these people leave the district after 12 to 18 months. The reasons cited are usually due to the high living costs, with the largest of those being the cost of housing.

Queenstown Lakes Community Housing Trust

In 2007, Queenstown Lakes District Council recognised an issue in the lack of affordable housing and acted upon it by establishing the Queenstown Lakes Community Housing Trust (QLCHT). The QLCHT is an independent, not for profit, community-owned organisation overseen by a board of six trustees with a wide range of expertise and skills. It is well represented by relevant professions including legal, financial and property professionals as well as people who know and understand the community.

³¹ Statistics New Zealand. *Subnational population estimates (urban rural) by age and sex, at 30 June 1996-2021 (2021 boundaries)*. Retrieved 4 October 2022. <https://nzdotstat.stats.govt.nz/wbos/Index.aspx?DataSetCode=TABLECODE7979>

³² Real Estate Institute of New Zealand. 2022. *Monthly property report – September 2022*. Released 12 October 2022. <https://www.reinz.co.nz/Media/Default/Monthly%20Press%20Release%20Assets/Residential/09%20-%20September/REINZ%20Monthly%20Property%20Report%20-%20September%202022.pdf>

³³ Statistics New Zealand. *Household Economic Survey: Income*, Year ended June 2018. <https://www.stats.govt.nz/information-releases/household-income-and-housing-cost-statistics-year-ended-june-2018>



Housing poverty in Queenstown

Whilst the recent respite in rental cost has been welcomed by many, a growing number of residents throughout the district have experienced either complete loss of income, or a partial reduction through reduced hours due to COVID-19. Before the COVID-19 pandemic, QLCHT had a waiting list of 600 qualifying households. In July 2021, this increased to 740 households, despite rents having reduced by up to 30% throughout the district. About 50% of the waiting list is made up of families with children, while couples and singles comprise 30% and 20% of the waiting list respectively. Approximately 80% of people on the waiting list are Queenstown-based, while the remaining 20% are Wanaka-based.

In June 2020 the QLCHT surveyed more than 500 renters as part of its regular market research into the residential rental situation across the district. Respondents were predominantly female (74%), New Zealand citizens or permanent residents (80%), of NZ European ethnicity (40%), aged 30 to 39 years (40%) and living in Queenstown (82%). This research enabled QLCHT to also better understand what housing hurdles renters are facing and where the greatest need lies in terms of future programmes and the allocation of resources.

Key findings were:

- 89% of respondents consider, or possibly consider, housing affordability a barrier to their long-term commitment to the district;
- 78% of respondents who have rented in other parts of New Zealand consider affordability in the district worse than the rest of the country; and
- 25% of respondents are unsatisfied with the warmth and dryness of their current housing, with the cost of heating and poor insulation noted as key barriers to adequate heating.

In terms of wellbeing and the personal impact of COVID-19, the survey found that:

- 79% of respondents experienced some degree of lost income, either through redundancy or reduced hours of work;
- 73% of respondents had a household income under \$100,000 per annum; and
- 78% of respondents aspired to buy a home in the district.



QLCHT housing programmes

QLCHT delivers a range of housing programmes, each designed to assist eligible low to moderate income households with affordable housing options based on their individual dwelling goals and aspirations. Although QLCHT initially implemented a shared-equity, co-ownership model that provided households with a 70% equity stake in their homes, this approach became financially unsustainable towards 2016 when average house prices increased from approximately \$500,000 to \$750,000. While some households benefitted from the increase in value upon selling their homes, the council and developers became increasingly concerned about the long-term affordability and sustainability of the shared-equity, co-ownership model.

Concern was raised regarding the ability of new households to afford every increasing equity stakes. As such, from around 2018 onwards, the District Council required QLCHT to retain ownership of the land over the long-term. Various options were explored with a leasehold model ultimately being identified as the most preferred option. The current leasehold model underpins the QLCHT's Secure Home programme, and is in part based on a model implemented in Whistler, British Columbia, Canada.

1: Secure Home Programme

The first of its kind in New Zealand, QLCHT's *Secure Home* programme was launched in 2019 and enables households to purchase properties through a 100-year land lease arrangement, with the Trust retaining ownership of the land in perpetuity. It provides households with affordable long-term housing security in the same way that home ownership does.

The programme is based on a leasehold agreement between the Trust and the household. While QLCHT retains full ownership of the property, the household purchases a ground lessee interest in the property at the cost of house construction (excluding land). The household pays an annual ground rent to QLCHT for use of the land, which is set below market value and is adjusted annually in line with inflation. This ensures the initial purchase price and ongoing ground rent remain affordable for the household in perpetuity.

The lease cannot be transferred or on-sold on the open market, but should a household decide to move on, QLCHT will purchase the house back at the original purchase price, plus an annual inflation adjustment provided the house has been well maintained. If the household has made any improvements to the property which QLCHT has approved, then these too will be factored into the resale price.

Qualifying households need to raise a minimum 5% deposit if they qualify for a First Home Loan, or 20% if they do not. This can include KiwiSaver and the HomeStart grant. They must also be able to obtain a home loan with a bank for the remaining amount (based on the house cost only, not the land). The household then pays an annual ground rent to QLCHT. An example of the cost involved is provided below:



<i>Upfront Payment</i>	<i>\$420,000 (Total dwelling price)</i>
<i>Minimum 20% deposit required</i>	<i>\$84,000 (\$21,000 if you qualify for the First Home Loan)</i>
<i>Home loan required</i>	<i>\$336,000 (\$475 a week, based on 5.5% p.a. over 25 years)</i>
<i>Ground Rent (1.5% of land value p.a.)</i>	<i>\$6,000 (\$115 per week, based on a land value of \$400k)</i>
<i>Rates, maintenance & insurance</i>	<i>\$100 per week (approximately)</i>

In the above scenario, it would cost a household \$590 per week (excluding maintenance) to be in their own home, compared to an average weekly rent of \$750 for a typical three-bedroom home in Queenstown. In addition to the *Secure Home* programme, QLCHT also provides a range of other housing rental assistance programmes.

2: QLCHT housing developments

Since its establishment, QLCHT has assisted 243 households to access affordable, secure housing tenure throughout the district. Of these, 124 have been assisted through QLCHT's Shared Ownership programme, 60 with Affordable Rentals and 13 through its Rent Saver programme. QLCHT's *Secure Home* programme has also assisted 46 households on the journey towards home ownership.

Over a 15-year period, the Trust has delivered homes throughout the entire district from Glenorchy through to Hāwea. This included working with third parties, such as the 2021 purchase of 50 Toru apartments in Frankton, as well as many of the Trust's own developments such as Nerin Square and Alps View at Lake Hayes Estate (40 homes), Suffolk St, Arrowtown (10 homes), Shotover Country (50 homes) and Wanaka (19 homes).



Shotover Subdivision

In September 2015 the QLCHT commenced civil works at its 44 lot site in the Shotover Subdivision, 10km from Queenstown. The roads and services were completed by Christmas –costing approximately \$2m, supported by a loan from Community Trust of Southland. Construction was broken into blocks with three separate construction firms completing houses for the three blocks. The majority of the 44 properties were completed December 2016.

As a design-build process, the three firms brought different styles to the development that provided variety across the 44 properties. However, the fencing and landscaping was being designed as a single masterplan to ultimately tie all properties together and to deliver an aesthetically pleasing comprehensive development.

QLCHT focused on smaller homes targeting a lower price range. Property prices ranged from \$445,000 for 2 bedrooms up to \$565,000 for 4 bedrooms.

There were over 300 eligible households on QLCHT’s waiting list. All of these were on low-moderate incomes with limited deposits.

The land was transferred from the developers at nil cost as part of their Community Housing contribution - an outcome of negotiations during the plan change process.

It was a great example of a developer recognising the gain that resulted from a change in zoning and being willing to give something back to the community.

The project was mixed tenure development with some properties going into the Shared Ownership programme and others into one of QLCHT’s rental schemes. Around three quarters of the properties were sold into the Shared Ownership programme with the remainder retained for QLCHT’s rental portfolio, under either the Rent Saver or Affordable Rental programmes.

3: Critical success factors

3.1: Supportive housing policy, enabling legislation and government/public finance

In November 2013 the Government announced plans to introduce legislation to give community housing providers certainty that assisting low-income families into home ownership would be exempt from income tax. Under the new tax provisions, a point of entry test and new eligibility criteria were introduced. Household entry and eligibility criteria were put in place similar to those applicable to KiwiSaver HomeStart programme criteria. The new legislation applied retrospectively from 14th April 2014. The income threshold was set at \$80,000 for individuals and \$120,000 for couples, with no asset test for first-home buyers. The income threshold levels were increased in May 2022 to \$95,000 for individuals and \$150,000 for couples or individuals with at least one dependent.



In September 2019, the Government announced a reset of its KiwiBuild affordable housing policy. The KiwiBuild reset comprised major changes, including a \$400 million progressive home ownership scheme for up to 4,000 families.

QLCHT's *Secure Home* programme is an example of a progressive home ownership model that the Government is supporting as part of its commitment to deliver progressive home ownership within the community housing sector. The additional financial assistance has the potential to upscale the current support provided by QLCHT and to speed up the process. As part of the reset, the *Welcome Home Loan* and *HomeStart* grant were also reformed, allowing buyers to get government-guaranteed loans and \$10,000 grants for deposits. Both policies now allow first home buyers to buy houses with a deposit of just 5% instead of the previous 10% requirement.

KiwiSaver withdrawals, *HomeStart* grants, and the *Welcome Home Loan* have all been approved for use under QLCHT's *Secure Home* programme. Prior to this, the 10% to 20% deposit requirement was challenging for many households taking into account that rents in the district are some of the highest in the country relative to income – reducing households' disposable income and ability to save for a deposit.

In July 2020 the Government announced that it would commit \$6.35 million to supporting QLCHT's assisted home ownership programme, *Secure Home*. The loan, part of the Government's \$400 million progressive home ownership scheme, provided funding for 25 *Secure Home* properties within the Toru development at Remarkables Park, Frankton.

3.2: Land Developers Play Their Part in Contributing to Community Housing

Given the limited availability and associated cost of land in the housing development process, access to affordable land is one of the biggest challenges in providing affordable housing to households on low to sub-median incomes. Access to affordable land for residential development has been a critical factor underpinning the Trust's ability to provide affordable housing in the Queenstown Lakes District.

Developers are required to make provision for community housing when they undertake a plan change under the District Plan. This 'planning gain' results in a huge uplift in land value when rezoned from rural to residential and flows back to the community in the form of housing for low to moderate income workers.

As such, the Council is party to more than a dozen stakeholder deeds with various developers throughout the district dating back to 2003. On top of these, are more recent agreements being signed between Special Housing Area applicants and QLCHT. The deeds and agreements provide for a direct contribution to QLCHT. Contributions generally come by way of land but can also come in the form of cash or land/house packages. QLCHT offers a retention mechanism which enables the funds received to be recycled in perpetuity on behalf of the community.



An example of a successful stakeholders deed transaction is the Kirimoko Park development in Wanaka. The developers were party to a deed agreeing to a 5% contribution to QLCHT whereby the developers delivered a complete land/house package to QLCHT during Stage 1 of the development. QLCHT then leveraged against this property to purchase another two properties within the development for local families. During the next stages of the development, the developers provided cash as opposed to land/house package contributions that enabled QLCHT to fund its own developments across the district.

Where possible, QLCHT generally builds on land gifted to it. Examples of this are the 44 lot subdivision at Shotover Country and the 11 lot development Albert Town.

3.3: Provision of a range of programmes that spectrum of the pathway to home ownership

QLCHT offers a range of rental and home ownership programmes designed to accommodate households at various stages of their journey towards home ownership. Households who aspire to home ownership but are in the early stages of the journey towards home ownership may initially be required to continue renting while reducing existing debt and saving for a deposit.

The Affordable Rental programme is designed to provide affordable, secure tenure in quality homes to low-income households. This provides households the opportunity to get on their feet financially through clearing debt and/or setting savings goals.

Likewise, Rent Saver is a programme designed to help people save for a deposit, through providing secure tenure for five years combined with a savings incentive programme. Once households have enough savings to meet minimum deposit requirements, the Secure Home programme enables them to purchase properties. By way of example, a household might spend five years in a rental programme before buying into the same property under secure home programme and then another five years later buying QLCHT's share out completely.

3.4: Access to finance

In 2011, QLCHT launched a new housing bond to lower the entry level cost for first home buyers. The bond was used to provide a new "starter loan" for eligible homebuyers in the district. It provided buyers with a five-year fixed interest mortgage at a locked-in rate and no penalty for early exit. At the time, the Central Lakes Trust agreed to invest \$6 million in the new housing bonds for the initial pilot. The bond offered investors a guaranteed monthly return above the government bond yield. Proceeds were used to offer 20 new starter loans to buyers in the QLCHT's Nerin Square development.



The absence of any affordable, long dated fixed mortgages in New Zealand forces home buyers to borrow short and invest long exposing them to the risk of interest rate movements that are often dictated by global events. As a result, home buyers sign a purchase contract not knowing how much the house might eventually cost them over the long-term. This is not the case in most northern hemisphere countries where longer term fixed mortgages are readily available. Affordable, longer dated fixed rate mortgage products would not only restore confidence in the long-term affordability of homeownership but could also arrest the long-term decline in homeownership patterns in New Zealand.

3.5: Greater acceptance of medium-density housing

When QLCHT was created in 2007, the concept of 300 square metre sections in low-density subdivisions was virtually unheard of in the district. First-home buyers balked at the idea and developers resisted creating such small-sized sections within their subdivisions. Since then, however, there has been a growing acceptance that a first home does not necessarily have to be a 'forever' home.

QLCHT's initial project at Lake Hayes Estate was the first example of smaller sections (315 square metre land size) and homes to provide affordable housing. When created in 2009, demand for the 27-lot development was low and QLCHT faced resistance from several factions of the community for this type of housing. QLCHT's next project was a 10-lot affordable rental development at Suffolk St, Arrowtown, with section sizes ranging from 225 square metre m to 450 square metres.

At the start of 2016, QLCHT moved on to its largest project to date – a 44-lot mixed tenure development at Shotover Country. While section sizes started from 225 square metre, QLCHT had no lack of demand for these properties.

3.6: Global recognition

In conclusion, it is worth noting that in July 2022 QLCHT's Secure Home Programme won the Leading Innovation Award at the Australasian Housing Institute's annual Brighter Future Awards, entered by community housing providers from around New Zealand and Australia. The award recognises new thinking in the housing sector for initiatives or projects that have led to significant change in an organisation, with lessons that can then be applied more broadly to other housing organisations.



Case Study Sources in addition to in depth interviews with the provider:

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<https://www.scoop.co.nz/stories/AK1106/S00727/high-court-upholds-deregistration-housing-trust.htm>
<https://www.scoop.co.nz/stories/BU1110/S00399/trust-launches-new-housing-bond.htm>
<https://www.scoop.co.nz/stories/AK1304/S00009/queenstown-housing-affordability-worst-in-new-zealand.htm>
<https://www.scoop.co.nz/stories/PO1311/S00244/trust-welcomes-new-framework-for-tax-status.htm>
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<https://www.scoop.co.nz/stories/AK1509/S00032/trust-puts-in-infrastructure-for-houses-at-shotover-country.htm>
<https://www.scoop.co.nz/stories/AK1604/S00116/housing-trust-construction-underway-at-shotover-country.htm>
<https://www.scoop.co.nz/stories/AK1604/S00551/major-survey-of-local-renters-complete.htm>
<https://www.scoop.co.nz/stories/AK1608/S00381/land-developers-play-their-part-in-community-housing.htm>
<https://www.scoop.co.nz/stories/BU1611/S00227/medium-density-housing-the-new-norm-for-first-home-buyers.htm>
<https://www.scoop.co.nz/stories/AK1612/S00023/trust-celebrates-helping-100th-household.htm>
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<https://www.scoop.co.nz/stories/AK1707/S00249/new-chairman-for-queenstown-lakes-community-housing-trust.htm>
<https://www.scoop.co.nz/stories/AK1801/S00170/housing-trust-pledges-1000-affordable-homes-for-queenstown.htm>
<https://www.scoop.co.nz/stories/AK1802/S00302/housing-trust-completes-riverside-park-development.htm>
<https://www.scoop.co.nz/stories/AK1804/S00011/housing-trust-to-purchase-50-apartments-in-frankton.htm>
<https://www.scoop.co.nz/stories/AK1807/S00417/queenstowns-secure-home-scheme-reaches-new-milestone.htm>
<https://www.scoop.co.nz/stories/AK1902/S00662/queenstowns-pioneering-secure-home-programme-launched.htm>
<https://www.scoop.co.nz/stories/AK1904/S00512/major-affordable-housing-project-in-pipeline-for-arrowtown.htm>
<https://www.scoop.co.nz/stories/PO1909/S00084/commitment-to-alternative-home-ownership-models-welcomed.htm>
<https://www.scoop.co.nz/stories/AK1910/S00462/trust-announces-architects-for-tewa-banks-project.htm>
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Appendix Five

Case Study 2: Te Tihi o Rauhine Whānau Ora Alliance, Papaioea



Case Study 2 – Te Tihi o Rauhine Whānau Ora Alliance, Papaioea

1: Introduction

This case study is based in part on an evaluation of a set of trials under Te Ara Mauwhare – Pathways to Home Ownership³⁴. Te Ara Mauwhare tested innovative progressive home ownership (PHO) models to support low- and median-income families in moving toward home ownership. Interviews with selected iwi and Māori organisations also informed this case study.

2.0: Māori home ownership

At the time of the 2018 Census, New Zealand's home ownership rates were at their lowest since the 1950s. Home ownership peaked in the 1990s, at 73.8% of households, but by 2018 this had fallen to 64.5% of households. Compared with other population groups, only 28% of Māori adults owned a house in 2013 - a representing a decrease of 20% between 1986 and 2013. Consequently, the percentage of Māori renting properties increased from 41% to 77% between 1986 and 2013. As at 31 December 2020, Māori comprised 50% (11,171) of the Kāinga Ora national housing register waiting list (total 22,521 people).

2.1: About Te Ara Mauwhare

Te Ara Mauwhare (TAM) is an initiative approved under Budget 2017 to address the low rate of home ownership by whānau Māori. The initiative co-invests with iwi and Māori organisations to trial innovative progressive home ownership models to support very low to median income whānau into home ownership.

2.2: Alternative tenure models trailed as part of Te Ara Mauwhare

Under the PHO trials, families progressively work towards having sufficient equity in their homes to buy out the equity share retained by respective Māori organisations over periods from seven to 24 years. Te Puni Kōkiri did not require repayment of the Crown's initial \$9 million equity contribution from participating iwi and Māori organisations but instead required them to recycle the equity to provide additional housing to similar families using the PHO model. The PHO trials were co-designed and agreed with iwi and Māori organisations.

2.3: Selection of appropriate alternative tenure models

“Affordability of the housing for whānau determines the progressive home ownership model utilised.”

Te Ara Mauwhare – Pathways to Home Ownership. (R & K Consultants 2021 page 7)

According to the Te Ara Mauwhare – Pathways to Home Ownership Evaluation Report¹, the most appropriate type of progressive home ownership model to pursue is not always known until the cohort of potential homeowners is selected. A better understanding of family budgets, finances, progress against agreed savings milestones, the ability of families to meet weekly payments and overall affordability of housing are all determinants of selecting the most appropriate progressive home ownership model.

³⁴ Te Puni Kōkiri, 2021. *Te Ara Mauwhare – Pathways to Home Ownership*. New Zealand Government. Wellington.



The rent-to-own model was generally used by families on very low to low-incomes while the shared equity/ownership model was more suitable to median-income families. However, rent-to-own models still provided families with the opportunity to purchase their home once they were able to pay a deposit and service a mortgage (R & K Consultants 2021, page 7).

Rent-to-own models required families to commit to a savings scheme and allowed those families to buy their homes within their own timeframe. According to the Te Ara Mauwhare – Pathways to Home Ownership Evaluation Report, the trial housing projects would not have gone ahead, or even started in the absence of government capital funding from Te Puni Kōkiri and Te Tūāpapa Kura Kāinga. Additional financial support through the First Home Loans, Working for Families and the Accommodation Supplement enabled families to purchase their homes.

2.4: Implementation strategies of different iwi and Māori organisations

According to the Te Ara Mauwhare – Pathways to Home Ownership Evaluation Report, iwi and Māori organisations implement different strategies when it comes to the delivery of PHO initiatives. Some iwi and Māori organisations adopt a more hands-on approach, while others outsource roles and responsibilities. To some degree, the different strategies depend on the in-house skills and expertise in housing development and the risk appetite of the organisation (R & K Consultants, 2021, page 7). The choice of the most appropriate implementation strategy also depends on organisations' existing business skills and operations at the time of implementation. The evidence suggests that there is not a single preferred strategy and that strategies to achieve home ownership have been relatively even across iwi and Māori organisations.

2.5: Cost Benefit Analysis

Of importance to the current research on alternative tenure models is the findings of the Te Ara Mauwhare – Pathways to Home Ownership Evaluation on the cost and benefits and effectiveness of the trials. The overall cost to government, iwi and Māori organisations of delivering 68 homes across all six initiatives was \$32.694 million, compared to a societal return on investment of \$41.848 million – *resulting in a net positive societal return on investment of approximately \$9.154 million, or 28 percent.*

2.6: Acquisition of land for development

According to the Te Ara Mauwhare – Pathways to Home Ownership Evaluation Report each of the six iwi/Māori organisations acquired the land differently. The majority of organisations had already purchased the land prior to the start of the trials while the land was gifted to one organisation for the trial. Te Tihi o Ruahine Whānau Ora Alliance spent additional time acquiring land through negotiations with Kāinga Ora regarding price, and then sourcing funding to purchase land (R & K Consultants, 2021, page 7). Those that already had land were able to develop it sooner and start building homes. However, securing land for development proved to be challenging.



2.7: Rent-to-own PHO model

Te Tihi o Ruahine Whānau Ora Alliance initially considered the use of a shared ownership model but eventually decided to use a rent-to-own PHO model (R & K Consultants, 2021, page 14). The specific rent-to-own model enables households to acquire a home by paying a regular amount (i.e. weekly or monthly). The payment includes two components – a rental component and an additional savings component. The savings component is generally kept in a Kiwisaver account for the family who can take this with them should they leave the Te Ara Mauwhare initiative early.

The rental component is used by the sponsoring organisation to cover the mortgage, rates and insurance. Although Te Tihi originally intended to use a mixed PHO model, part shared ownership and part rent-to-own.

“It (the homes) definitely came down to a cost factor....and it’s definitely limited by affordability” (R & K Consultants, 2021, page 21).

However, after a thorough assessment of the costs of the homes and the financial positions of whānau in the last 12 months, Te Tihi found that the majority of whānau could not afford a deposit. Te Tihi resolved to have a rent-to-own TAM model for whānau.

“We’re resolved to go with a rent-to-own model based on the make-up of the majority of the whānau (financial positions).”

Te Tihi is being flexible in their approach to home ownership. Despite the shift from the original intent (mixed model) to rent-to-own, Te Tihi is still leaving the option open for any whānau wishing to purchase the homes. Te Tihi thinks that two of the (first) five whānau will be able to purchase the property soon after settlement, based on their ability to save a deposit at a faster rate.

“Whānau have been working hard to save for a deposit and get rid of their bills...so many sacrifices. As soon as they can get a deposit and finance, great.”



3.0: About Te Tihi o Rauhine Whānau Ora Alliance, Papaioea

3.1: Overview

On 16 May 2019, Te Puni Kōkiri entered into an agreement with Te Tihi o Ruahine Whānau Ora Alliance Charitable Trust (Te Tihi) for \$1.595 million³⁵ to support very low income³⁶ whānau on their pathway to home ownership. The funds were to:

- Deliver the Sorted Kāinga Ora (SKO) programme to whānau – see discussion below;
- Co-design a home ownership model using co-ownership with a ‘rent-to-own’ methodology; and
- Provide a capital grant of \$1.5 million to contribute to the construction of 10 homes (\$150,000 per home) for very low income whānau.

3.2: Sorted Kāinga Ora (SKO) programme

In acknowledging the potential risk to families participating in a new Government initiative such as Te Ara Mauwhare (TAM), Te Puni Kōkiri developed and implemented, in partnership with the Commission for Financial Capability, the Sorted Kāinga Ora (SKO) programme. The SKO programme was designed to build the financial capability of families who were interested in home ownership and was mandatory for families who participated in TAM. The SKO programme was funded by Te Puni Kōkiri and allowed for the participation of up to 180 families. While only 70 homes were potentially available under TAM, not all participating families were expected to eventually become part of TAM. It was anticipated that some families would be able to independently pursue home ownership based on their income and savings profiles.

3.3: Background

In December 2018, 307 people were on the housing register waiting for homes in Palmerston North. This number doubled (685) in December 2021³⁷. On average, 30 to 50 more applicants joined the waiting list in Palmerston North every three months over the past two years. When the TAM initiative emerged in 2018, Te Tihi saw it as an opportunity to support a proportion of the 93 households who were engaged in an earlier initiative the Kāinga Whānau Ora project - to work with families towards home ownership.

Te Ara Mauwhare Te Tihi started their TAM model using their learnings from Kāinga Whānau Ora. This included the portion of the families engaged in Kāinga Whānau Ora that had identified home ownership aspirations. In December 2018, Te Tihi invited 30 to 40 of these families to the first TAM hui to discuss progressive home ownership. The hui provided families with information about the TAM trial. Families were then invited to register their interest with Te Tihi to undertake SKO training. Thirty families subsequently completed the SKO training of whom 12 continued to work with Te Tihi towards home ownership.

³⁵ \$320,000 for co-design, project management, legal and evaluation costs; \$1.18m for 10 house and land packages, and the remainder for SKO (\$95,000).

³⁶ Income of no more than \$30,000 per annum

³⁷ Palmerston North figures by territorial authority <https://www.msd.govt.nz/about-msd-and-our-work/publications-resources/statistics/housing/index.html>



Using the Whānau Ora approach, Te Tihi worked alongside these families with the assistance of kaiwhakaaraara (navigators) to prepare them for home ownership. In September 2019, Te Tihi established Te Ranga Maro Charitable Trust to oversee the TAM trial and any future housing projects. This provided charitable status for the homes and kept the TAM business activities separate from Te Tihi existing business operations. Te Tihi engaged a project manager to help get the TAM trial off the ground. The chief executive and a project manager were responsible for managing the PHO trial.

Te Puni Kōkiri provided a resource to help with the financial modelling for the homes. It is important to note that the support provided by Te Puni Kōkiri, Te Tūāpapa Kura Kāinga and Kāinga Ora was invaluable for progressing TAM. Te Tihi purchased vacant public land owned by Kāinga Ora in central Palmerston North. The chief executives of Kāinga Ora and Te Tihi held direct discussions in 2019 that allowed Te Tihi to purchase two blocks of the land at the 2017 book value.

Latitude Homes subsequently built ten homes on the two blocks of land enabling the first five households to move in in May 2021. These included a five-bedroom, a four-bedroom and three three-bedroom homes. The remaining five homes began construction in early 2022. The average size of the sections is 400 square metres. Whānau were able to name the development as well as their individual homes. Families selected from a set of four designs and were given a choice of aesthetics, colour schemes, fittings, and budget to design the internal and external features, for example tapware. Te Tihi changed some of the specifications, such as the cladding, fitout, and chattels, to make the homes more affordable. There was also scope for families to save in other areas such as by making their own curtains.

Of the five families occupying the homes, four were previously in public housing. Te Tihi provides families up to ten years to exercise their option to purchase their home³⁸. Home prices are fixed for the first eight years. If families wish to purchase their homes within this period, they can do so at the 2020 price when construction began³⁹. Any capital gain will accrue to the family.

As required by the Residential Tenancies Act 1986, an intermediary manages rental agreements between Te Tihi and families. The three-bedroom homes are rented at \$350 per week, and the four-bedroom home is \$400 per week and is fixed for five years. Rents were purposefully set below market value to support families to save for a deposit. Homes are allocated based on family size, number, and the ages of children.

³⁸ Ten years provides time for Te Tihi to work with families to get them to the point to buy the home, hence the reason that the price of the home is fixed at the 2020 price. Te Tihi is continuously reviewing the position of families and working with them to be homeowners.

³⁹ Three-bedroom \$450,000; four-bedroom \$475,000; five-bedroom \$495,000.



3.4: Whānau Ora approach to progressive home ownership

Whānau Ora navigators work alongside families prior to participating in SKO training. Through their engagement with the navigators, the aspirations and goals of families towards home ownership are identified. This allows the navigators to co-ordinate other services and support to families on their journey to home ownership. It also encourages the involvement of families in the overall design of the house development process.

Once home allocations were confirmed, Te Tihi established a regular get-together for families to meet and discuss their homes. As part of this, each family developed and agreed their governing documentation with Te Tihi. This agreement covered how they would operate as a 'community' within their housing development. The families also set up a Facebook page and share meals together at this monthly meeting. The monthly hui provides an important opportunity for whānau to ask questions related to the financials, council consent process, house design, house placement on the land and the naming of the house.

3.5: Other critical success factors

According to management, the TAM journey has been interesting. Many lessons were learned because of them not being involved in housing developments previously. Although Te Tihi had been working in the housing space for over five years, they did so through Whānau Ora rather than through purchasing land and housing construction.

According to management, there were several critical success factors in rolling out their TAM trial:

- Te Tihi management and staff are very grateful for the solid and honest relationship that they have built with Te Puni Kōkiri, Kāinga Ora and Te Tūāpapa Kura Kāinga over the course of the TAM trial;
- Te Puni Kōkiri was a crucial enabler of the overall housing development, for Te Tihi and for whānau;
- Te Puni Kōkiri, alongside Kāinga Ora and Te Tūāpapa Kura Kāinga, provided financial resources and technical expertise that Te Tihi would not have otherwise been able to quickly access. This was one of the key enablers that made the trial successful. Te Puni Kōkiri and Te Tūāpapa Kura Kāinga co-funding enabled Te Tihi to get an approved bank mortgage quickly to purchase the homes and land;
- Through the co-funding agreement, Te Puni Kōkiri contributed \$1.5 million and Te Tūāpapa Kura Kāinga contributed an amount equivalent to the income related rent subsidy that would have been spent by government if these whānau had stayed in Kāinga Ora homes⁴⁰. This meant Te Tihi could approach the bank to secure the remaining funds for the build;
- Te Tihi approached three banks, and all three banks agreed to provide the remaining funds for the land and house packages;
- Westpac was selected as the preferred bank because it wiped all the bank fees, resulting in savings between \$46,000 to \$100,000 across the whole development; and
- The price of the land was important. The development was acquired through the purchase of a block of vacant public land owned by Kāinga Ora. This purchase price was key to commencing the build process.

⁴⁰ Te Tūāpapa Kura Kāinga grant of \$1.2m from the Homelessness Contingency Fund



3.6: Delivery

Te Tihi o Ruahine Whānau Ora Alliance delivered 10 rent-to-own homes to low income whānau in two urban papakāinga in Papaioea. Five of these were occupied in May 2021, and the remaining five in 2022.

3.7: Concluding observations (R & K Consultants, 2021, pages 40-42)

3.7.1: Land for the homes

Each Māori organisation acquired the land differently, noting some already had land (Port Nicholson and Ka Uruora through Treaty settlement, CIHPT through gift), while others had to purchase the land (He Korowai, Te Tihi and Te Taiwhenua). He Korowai and Te Taiwhenua had already purchased the land before TAM started. Te Tihi spent additional time acquiring the land, through negotiations with Kāinga Ora regarding price, and Te Tihi sourcing funding to purchase the land. There were no issues with either approach, however those that already had land could quickly get on to developing the land and building the homes without the hassle of negotiating the price. Additionally, securing land for the development of homes amidst a housing crisis proved difficult (R & K Consultants, 2021)

3.7.2: Factors determining the selection of a fit-for-purpose PHO model

Those iwi and Māori organisations that commenced with one model, then changed to another model did so because the type of PHO model is not always known until the organisation selects the cohort of potential whānau. In working with the potential cohort over a period, and having a deeper understanding of whānau budgets, finances and progress against milestones, the SKO facilitators and the PHO model project managers know whether particular whānau are on a path towards saving for a sufficient deposit under a shared ownership model, or are able to meet weekly rent-to-own payments. The agreements between Te Puni Kōkiri and the iwi/Māori organisations required the iwi/Māori organisations to decide upon and implement a process for selecting and approving whānau to participate in the TAM trial (R & K Consultants, 2021)

Despite this, there are still common factors (as outlined below) across the PHO models that determine the cohort of whānau who progress towards home ownership. The interviews strongly indicated that affordability of the homes for the whānau determines the PHO model utilised, the timeframes for project completion, and housing materials (R & K Consultants, 2021)

Iwi and Māori organisations concluded that, while you may want a shared ownership model so that whānau start with equity in the house from day one, the choice of PHO model comes down to whether your cohort of whānau can afford a deposit. Port Nicholson and Ka Uruora are the only ones currently using the shared ownership model, although Te Taiwhenua intends to use shared ownership too once the homes are complete and the selected whānau have approved lending and savings in place. Te Tihi intended to use a mixed PHO model of shared ownership and rent-to-own, however this approach changed once the assessment of savings and income of whānau was considered in preparation for settlement of the houses (R & K Consultants, 2021)



Any future TAM trials should assess the affordability levels for each whānau to have a deposit, service a loan or meet weekly rent-to-own payments during the early planning stages of selecting a PHO model. Whānau income level is another consideration when deciding on the type of PHO model. The rent-to-own PHO model is being used by whānau on very low to low incomes, while the shared ownership PHO model is being used by median income whānau except in the case of Te Taiwhenua. Once Te Taiwhenua confirms the whānau cohort who will be allocated a home, then it can be seen whether these whānau are on low or median incomes (R & K Consultants, 2021)

Location is another consideration for the PHO model, as is house construction. In the case of the Chatham Islands, the location limited the availability of suppliers, tradespeople, and materials to build the homes on site. The impact of the COVID-19 lockdown extended the building timeframes. The location of Chatham Islands is also vulnerable to the instability of market values. If the market falls, the value of the house could drop below the price of the mortgage leaving CIHPT vulnerable. Due to the risks, the CIHPT decided to build the homes offshore and ship them to the Chatham Islands. These risks also determined which model they would undertake, proceeding with a rent-to-own PHO model, rather than their preferred shared ownership PHO model (R & K Consultants, 2021)

“In the early years, because of Chatham housing market, would have done a shared equity model. Rent to own is probably less risk and early stage affordability. Hard to maintain under shared equity model. Circumstances have selected the model... but the (shared equity) model is for a rising market.”

3.7.3: Opportunity to purchase rent-to-own homes

Rent-to-own PHO models still offer whānau the opportunity to purchase the home when the whānau reach a point to be able to pay a deposit and service a mortgage for the home. The rent-to-own PHO model gives whānau responsibility to commit to a savings scheme and allows those whānau who can buy the home to do so within their own timeframes. However, the timeframe in which the whānau can purchase the homes outright relies on several factors:

- the level of navigational or pastoral care towards progressive home ownership while whānau are in the rent- to-own homes;
- the income level of the whānau and their ability to save for a deposit; and
- the monitoring and achievement of financial goals throughout the time that whānau are in the rent-to-own homes.

(R & K Consultants, 2021, pages 40-42)



3.7.4: Initial capital for PHO Models

It has been strongly emphasised that without Government capital funding from Te Puni Kōkiri and Te Tūāpapa Kura Kāinga, the housing projects would not have gone ahead or even started. Additional financial support through the First Home Loans, Working for Families and Accommodation Supplement assisted with whānau deposits and, in some cases continue to subsidise mortgage repayments for eligible whānau (R & K Consultants, 2021)

“If you can bring the land, and the Government can bring the funds, it’s a winning formula.”

Te Puni Kōkiri agreements with the iwi and Māori organisations state that the equity contribution of between \$50,000 and \$100,000 per home is, if returned to the iwi/Māori organisation (through a sale or otherwise), used to assist other very low to median income whānau into home ownership. The *recycling of Te Puni Kōkiri equity contributions enables iwi/Māori organisations to borrow more once the house values increase* (or the debt is reduced), in effect *allowing more homes to be provided under the same or, if they want, a different PHO model.*

“We intend to use the equity to build more homes for whānau.”

The extent to which iwi and Māori organisations are able to recycle equity contributions will emerge over time and will be an important measure in future evaluations (R & K Consultants, 2021)

3.7.5: Empowering whānau

Te Tihī used a Whānau-Ora approach to empower whānau to make decisions along the way as the trial developed. This included *making decisions about the direction the house faced, or the internal colours and fittings used.* These issues were all decided by whānau. This was not seen in any of the other iwi and Māori organisations’ approaches. *Whānau felt included and had a real connection to the trial, to the point of naming their papakāinga development, and they will soon name each of their homes* (R & K Consultants, 2021)

3.7.6: Impact of Mortgage Interest Rates on PHO models

Each PHO model structured the mortgage over the homes differently. Some iwi and Māori organisations have more borrowing than others depending on their financial position and level of mortgage repayments. He Korowai bought the land and homes outright, so there is no mortgage. The weekly rent payments of \$275 not only covers the deposit contributions, additional services, and resources (e.g., kai, education, etc.), but also contributes towards the refurbishments, water rates and initial capital that He Korowai invested (R & K Consultants, 2021)

Under the Port Nicholson and Ka Uruora shared ownership PHO model, the portion that the whānau own is managed solely by the whānau, therefore whānau are entirely responsible for their mortgages if the interest rates increase. This is one of the reasons why Port Nicholson and NZ Housing Foundation meet with whānau homeowners each year to check on issues such as affordability. This will likely be the same for Te Taiwhenua once the whānau take on their mortgages (R & K Consultants, 2021)



Te Tihi and CIHPT *will not be affected should the mortgage rates increase*. Both organisations did not borrow heavily for the homes, so the mortgage, once drawn down, will not be negatively affected should mortgage rates increase

3.7.8: *Uncertainty*

Under the Port Nicholson and Te Tihi PHO models, whānau and the organisations faced a lot of uncertainty. The COVID-19 lockdown between March and July 2020 added to the uncertainty and stress of mortgage approvals for Port Nicholson whānau, who were in the middle of bank lending applications. Whānau in Te Tihi were told in 2020 that \$90 would go towards principal mortgage weekly payments, then later that year they were told that the \$90 will go towards the rent portion of their rent-to-own homes. This change was about affordability. The uncertainty during both PHO trials had an impact on whānau:

“It’s the uncertainty that kept occurring, then this is going to happen then this is happening. It comes with being a pilot.”

(R & K Consultants, 2021)



Appendix Six

Case Study 3: Peterborough Housing Cooperative



Case study 3 – Peterborough Housing Cooperative

Introduction

Peterborough is a housing rental cooperative in inner-city Christchurch, New Zealand. The cooperative consists of 14 townhouses set around a central courtyard and includes a common or neighbourhood house. Peterborough provides an economically sustainable housing model. Unlike conventional private home ownership, investment in Peterborough is not for profit.

History

In 1980, the Te Whānau Charitable Trust expanded its activities to include a land trust. The land trust was established and seed funded by community debentures. The trust bought four villas on Peterborough Street under the ownership of the Ōtākaro Land Trust, a tier 4 charitable trust that supports community development by encouraging co-operative housing. The Ōtākaro Land Trust was debt free prior the 2011 earthquakes.

Christchurch's 2011 earthquakes damaged the existing houses. The subsequent insurance pay out combined with some debt allowed the cooperative to redevelop its community into a contemporary purpose designed pocket neighbourhood. Two additional sites were purchased, one immediately adjacent to the existing property (to allow for the expansion of the development site) and one across the road from the site (now used for resident car parking).

The redevelopment property now consists of 14 terraced houses (two studios, two one-bedroom units, five two-bedroom units, four three-bedroom units, one four-bedroom unit) and a tiny house. Each unit graduates from private to public space, with the kitchen and front garden serving as a threshold between the two. There is a shared parking area located away from the houses and garden.

The garden area has a focus on native plants and includes food items (such as lettuce, silver beet, pumpkins, rocket, strawberries, tomatoes, and herbs). It uses limited concrete and non-tannin wood. Peterborough incorporates common facilities such as two shared laundries, parking, a bike shed and a common house. The common house consists of a dining room, kitchen, lounge, living room, guest room, an accessible bathroom and a playroom for children.

One of the goals of providing the common guestroom meant residents do not need their own spare room for guests. The common house is used for monthly shared meals and as a meeting space. Other facilities such as a workshop are planned. Other features include a centralised heating system which uses solar power. It also provides the townhouses with hot water and underfloor heating. The houses also have heat pumps. The dwellings have thicker walls than are standard and are well-insulated.



The construction of the current community configuration necessitated borrowing funding from a commercial bank. The Trust was able to secure additional mortgage finance based on the freehold value of land and the projected rental income of the development upon completion. In addition, the Trust purchased land immediately across Salisbury Street to provide the residents with car parking.

The Trust owns 11 of the 14 townhouses. Three of the 14 housing units are occupied by unit title holders (owner occupiers). They do not accrue capital gains. The unit titling of the development was agreed to enable the cooperative to meet the bank's lending criteria to overcome a funding shortfall. This was due, in part, to the discounted added value placed on the common building by the bank's valuer. The three privately owned units have an offer back provision to the Trust. The ultimate goal is to repurchase the three units that were sold to bring the cooperative's ownership back to 100% of all units.

The remaining 11 units are rented out on an affordable living rent basis. Renters pay an affordable rent set at less than the market rate. Rental costs increase based on unit size. Rent is set at approximately 75% of market rents. Consequently, the cooperative provides accommodation to people who may not otherwise have been able to afford to live in the inner city. Residents noted that the Peterborough Co-operative provides more security than traditional rental accommodation. As at 1 June 2022 the weekly rents were:

- Studio - \$221.55;
- One-bedroom - \$276.15;
- Two-bedroom - \$345; and
- Three-bedroom - \$405.30.

Residents agreed that it was hard to get into the Peterborough Housing Cooperative, and that connections to existing residents were useful, as collective agreement is required to move in. There is a waiting list.

The cooperative is managed by the residents and decisions are made by consensus. Living arrangements are governed by a set of guidelines and overseen by a board of trustees – two of whom are independent. All residents, owners and renters, become Trustees of the Trust. The development is grounded in strong communal principles. All residents provide four hours a month as 'community hours' and act as their own property managers. Some informal sharing of private vehicles occurs.

Some residents had been thinking of finding cooperative style housing for up to 30 years and some had looked at other options that had failed to materialise. There is interest to move into the Peterborough Housing Cooperative, especially from women in their 60s who live alone, but there is a deliberate focus to maintain a mix of ages within the community (so currently families are sought). The community was noted as offering lots of space and security, but also being a 'fishbowl' with a lack of privacy, which may be less appealing for younger people.



In terms of building new cooperatives, a number of barriers were discussed, including insurance, funding (obtaining bank loans), and council consents. Other key learnings from the redevelopment included:

- The naming of the communal building created a number of challenges. The “communal building” label resulted in the bank’s valuer discounting the added value of the structure which impacted on the cooperatives ability to borrow;
- The cooperative members had challenges to overcome the bank’s reluctance to lend as they had a view of “why anyone would want to live here in this style of communal living”. These issues were resolved in part by agreeing to sell three units to their occupiers as a way of increasing the Trust’s capital base;
- Council initially provided mixed messages as to the number of onsite carparks required;
- A new style of development resulted in increased time and cost of the various building code hurdles that had to be overcome; and
- Naming the common house a communal building (rather than calling it an accessory building) added fire regulations and accessible car parking requirements as it was treated as a public building. This delayed the project and added increased costs (tens of thousands).

The Peterborough Housing Cooperative Community Rules are reproduced on the following pages.



Peterborough Housing Cooperative Community Rules January 2020

Welcome

Welcome to Peterborough Housing Cooperative. The Cooperative is a project of the Ōtākaro Land Trust which aims to advance community development through cooperative housing. The rules apply to the members of the Cooperative, and members are responsible for their guests' compliance with the rules. Community meetings can change the rules. These rules may be amended by a consensus decision at the monthly community meeting, or in the absence of consensus, by a 75% vote at the following community meeting. Read rules with the other legal documents. This guide should be read in conjunction with the Peterborough Housing Cooperative Body Corporate Rules, Covenant instrument, Lease Agreement, Deed of Accession and Community Deed.

Key Objectives

Peterborough Housing Cooperative charter's objectives are to:

- Develop community to enhance social and economic participation;
- Promote a working example of cooperative housing;
- Support local ownership, keeping wealth within the local region;
- Be democratic, with residents controlling the cooperative;
- Be environmentally sustainable; and
- Be cooperative, with wealth created by mutual aid (sharing resources for mutual benefit).

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Section One. We will Develop a Friendly Community	



1. We will be friendly and cooperative neighbours

Principle

We aim to treat our neighbours well, and purposely try to positively resolve any differences with any neighbours. We follow a positive conflict resolution process.

Rules

Members must:

- 1.1 allow their neighbours the quiet enjoyment of their unit
- 1.2 follow a positive conflict resolution process.

Process – positive conflict resolution

In the first instance residents should meet to sort out the issue.

The basic process is:

both parties take turns speaking about the issue without interruption, and to summarise what the other person said before replying both parties state what the greater goal or needs are both parties suggest possible solutions to resolve the conflict. If this doesn't work, they can bring it to a monthly meeting or have a trustee or nominated neutral person facilitate a discussion.

2. We will allow other residents to enjoy their space in peace

Principle

An owner or occupier must not create noise likely to interfere with other resident's quiet enjoyment of their dwelling or Common House. Household parties may be better held in the Common House rather than out the front of your townhouse.

Rules

- 2.1 An owner or occupier must not interfere with the reasonable use or enjoyment of the common property by other owners or occupiers
- 2.2 Residents including owners, will ensure that the volume of revelry, musical instruments, radio or television receivers, stereo equipment or any other electronic device or medium shall not be operated in such a manner as to be audible in any other unit
- 2.3 Residents shall immediately cease to produce noise between the hours of 11 pm and 7am if requested to do so by any other resident
- 2.4 A resident must take all reasonable steps to ensure that guests do not behave in a manner likely to unreasonably interfere with the peaceful enjoyment of any other person entitled to use the common property
- 2.5 We will not cut through other household's yard facing the common courtyard, however young children can.

3. We will make it a great place for children

Principle

We wish for children to grow up in a supportive environment. We acknowledge differing parenting and discipline approaches.

Rules

- 3.1 Parents will intentionally work with other parents about resolving differing parenting and discipline issues
- 3.2 If agreement about disciplining each other's children cannot be reached, we will take it to a community meeting.

4. We will hold regular community dinners

Principle

The cooperative will hold community dinners each week, at a number agreed by the members. Community meals are not compulsory, but all members are encouraged to come. We encourage members to keep the meal vegetarian, and cater for other dietary requirements.



5. No smoking, vaping, drug use or impactful behaviour

Principle

As owners of the cooperative, we are legally responsible for any illegal drug activities. We shall treat each other with respect and compassion.

Rules

- 5.1 Smoking and vaping are not permitted within the units and common buildings
- 5.2 Smoking and vaping are only permitted in your private back yard or street facing balcony
- 5.3 No member may threaten, compromise or implicate another member
- 5.4 No member may bully, harm or verbally abuse others

6. Short-term rentals or sub-letting need prior approval

Principle

The community prefers that residents:

- be part of the cooperative
- are stable participating members
- not use the cooperative for private profit-making from housing
- not allow strangers to wander through our courtyard more than necessary.

Rules

- 6.1 Subletting – must be approved in advance by the community meeting
- 6.2 Townhouse owners may not live off-site and rent out their unit long-term
- 6.3 Individual Units may not use their space for short term rentals, such as AirBnB, except with prior approval of the community meeting
- 6.4 The Cooperative may rent the guest room in the Common House as it is in a common space and promotes the cooperative.

7. We will keep to the car-parking plan

Principle

Members must cooperate with the car-parking plan to allow others the unobstructed use of their allocated space. We shall investigate having a shared car.

Rules

- 7.1 Residents must park only in their designated parking space
- 7.2 The Common House parking space is for the guest room
- 7.3 An owner or occupier of a unit must not park on the common property unless the community meeting has designated it for car parking, or the meeting consents
- 7.4 Visitors must park on the street, unless by prior arrangement with a car park owner
- 7.5 Car-parking Plan.

1. Units with two bedrooms or above shall have one parking space allocated per house
2. Unit 8a is allocated one parking space as per purchase agreement
3. These parks are provided at no extra cost.

Section Two. We Manage the Cooperative Ourselves

8. You need to be an active participant

Principle

All residents must be actively engaged in the community.

Rules

- 8.1 Regularly attend the monthly meeting, dinners, and fulfil your responsibility
- 8.2 Respond to Cooperative communications appropriately
- 8.3 If life is getting too much and withdraw is needed, let the Community Meeting know.



9. We meet monthly to self-manage the Cooperative

Principle

Cooperatives are about the people being our own bosses and owners. At least one person from each household must attend the monthly cooperative meeting. The meeting discusses how the cooperative is going, and deals with any issues that arrive.

Rules

9.1 at least one member from each household will attend the monthly meeting

10. You are responsible for running something

Principle

Each resident will take on a responsibility for running the Cooperative. Responsibilities are shared on an equitable basis for time, skill and ability. Responsibilities include book-keeping, maintenance, cleaning the Common House, mowing the lawns, ground-keeping, governance, website management, organising the tours, running the tours, or meeting facilitation.

Rules

- 10.1 Each member shall be assigned a responsibility by the Community Meeting
- 10.2 Each member must fulfil their assigned responsibility
- 10.3 Responsibilities shall be equivalent to an hour per week
- 10.4 Children under 16 do not have to take on a responsibility.

11. You are responsible for the upkeep of your house

Principle

Members are responsible for managing their own house, ensuring it stays in a good condition, and the asset is not damaged.

Process

Act on required damage to the property, and report to the nominated person. Residents are usually responsible for organising the tradesperson to fix your house themselves.

Rules

- 11.1 Residents must act quickly on any water damage
- 11.2 Residents must not damage the house
- 11.3 The trust will conduct a three-monthly inspection of the property
- 11.4 The Body Corporate will keep a condition schedule of each rented unit
- 11.5 The Body Corporate will keep a record of house maintenance
- 11.6 Ōtākaro Trust will inspect the property before residents leave.

12. We practise democracy and open membership

Principle

Cooperatives are democratic, egalitarian and open organisations. Membership is open to all interested parties that meet the qualifying criteria. Decision-making processes and decisions should be transparent and recorded.

The Cooperative aims to uphold the democratic and human rights of its members.

Rules

- 12.1 Meetings are open to all to attend and listen in, although the participation by non-designated members of that meeting (such as Trust board, or Body Corporate meetings) is decided by the meeting on the day
- 12.2 Meetings are notified and decisions are recorded
- 12.3 Documents are accessible to members.

**13. We make decisions by consensus***Principle*

Meetings are run with the aim of reaching decisions that meets the group's goal and is inclusive of everyone's views. They follow a specific consensus decision-making process.

Process

The meeting is led by a facilitator who does not comment on the issue, but guides the decision-making process. Note that consensus does not require full agreement but aims for the best decision that represents the group's views, which the whole group can accept.

The facilitator:

- introduces the situation, stating the goal or decision required asks for everyone's view, ensuring everyone has their say who wants to summarise the discussion;
- asks the group to suggest possible solutions;
- summarises the group's solution, and asks if the group supports this solution
- if the group agrees, the minute taker records and reads out the summarised decision;
- including who will do what by when; and
- if the group does not agree, points or agreement and disagreement are summarised. The group is again asked for an improved solution, including those who have not spoken

Rules

13.1 Consensus decision-making is used at Community Meetings

13.2 A 75% majority vote may be held at the second meeting if a consensus cannot be reached

13.3 Community meetings are open to all residents and members.

14. We will keep acceptable interior painted walls*Principle*

Rental units are entitled to reasonable repainting subsidised by the Trust every four years. If people want to change within the four years it is at their own cost and in their own time.

Rules

14.1 Ōtākaro Trust pays for base paints for walls or the base (light) rate. If a resident wants a darker tone, then they pay the extra themselves

14.2 When changing colour, a resident must consult with the Trust so as to avoid vile colour combinations or bizarre murals.

15. Guests are welcome and you are responsible for them*Principle*

We welcome guests to the community space. They must treat the Community with the same respect as residents.

Rules

15.1 Residents are responsible for their guests upholding these Community rules.

Section Three. We will Promote the Cooperative**16. Our yards are appropriate for a model community***Principle*

We wish to model the co-housing soft transitional design from private to public space. We wish to keep the Cooperative presentable for our promotional tours. Back yards and houses are private spaces. The courtyard facing yards are semi-private and landscaped to provide a 'soft' barrier that clearly designates the changeover in use but with plantings or a tiny low physical barrier.

Rules

16.1 Gardens facing the courtyard must be kept in a tidy if not attractive condition

16.2 Yards facing the courtyard must be surrounded by plantings (not fences) not exceeding 1.2 metres, or a physical barrier not exceeding 0.6 of a metre high

16.3 Residents may construct plantings as barriers or trellises exceeding a metre high between each-others adjoining back yards



16.4 People may not enter the back yards without express permission

16.5 Children may run across the semi-private front yards.

17. Keep the common property tidy and presentable

Principle

As we are running monthly tours around the Cooperative, we will keep the common courtyard, house and property tidy and presentable. We wish that the Common House stays in a presentable condition.

Rules

17.1 An owner or occupier must not damage or deface the common property

17.2 An owner or occupier must not leave rubbish or recycling material on the common property

17.3 An owner or occupier of a unit must dispose of rubbish hygienically and tidily

17.4 Users of the Common House must leave it in a tidy condition

17.5 Parents are responsible for ensuring their children keep the Common House tidy.

18. Fences, sheds, structures & high plantings need approval

Principle

As we are running monthly tours around the Cooperative, we shall keep the common courtyard, house and property tidy and presentable. Trees are great in some places but cause problems in others.

Rules

18.1 The addition of a structure needs consent from the Community Meeting

18.2 Trees and shrubs likely to exceed a metre in height need pre-approval of the Community Meeting, to protect against the future blocking of sun.

19. Members will not alter their house without prior consent

Principle

An owner, occupier or tenant shall not alter the unit, including the exterior. Nor shall they erect any fence or temporary structure building or shed on any Unit or part thereof without the written consent of the Community meeting.

Rules

19.1 An Owner or occupier or tenant shall not alter the external paint colours of the unit, unless granted prior approval by the Community meeting

19.2 All units shall be maintained in a manner appropriate to a quality residential accommodation, and take all practical steps to prevent infestation by vermin and/or insects.

Section Four. We will Practise Sustainability

20. The cooperative aims for environmental sustainability

Principle

We wish to model environmental sustainability. We encourage each member to practise a lifestyle of voluntary simplicity to minimise their impact on our environment (avoiding consumerism). We encourage the refusing, reusing, and recycling of consumer items. We prefer the use of non-polluting materials and practices. We support self-sufficiency. We wish for our gardens to be environmentally sustainable and organic. We encourage households to use permaculture principles of planting plants that produce food they will eat close to their house, and are self-sustaining. We encourage the re-establishing our connection to native ecosystems, including trees that provide food for native birds.

Rules

20.1 We will adhere to organic practices. No pesticides or toxins to be used without the prior consent of the community meeting.



21. Pets need approval in advance

Principle

Cats are generally accepted to a maximum limit. Above that they get distressed and fight. Dogs are generally not accepted.

Rules

21.1 Pets must be approved in advance

21.2 Cats need to be neutered.

22. The cooperative aims for economic sustainability

Principle

Wealth is created by the mutual aid of individuals. Cooperative pooling of social, financial and material resources can create greater wealth than just from the individual parts. The Cooperative aims to achieve this by:

- reducing inequality by removing the capital gain on housing beyond the inflation rate, and charging a living rent or equivalent providing cheaper electricity, heating and internet by collective ownership and management;
- supporting locally owned enterprise so as to keep wealth within our region;
- supporting the economic, social and political autonomy of the local region;
- the sharing of resources, bartering and practise whanaungatanga.

Rules

22.1 We will give preference to buying locally

22.2 Rental residents will only be charged a 'living rent'

22.3 Rent will be adjusted every year consistent with the rise in the living wage

22.4 Unit title holders may only sell their house for the purchase price plus the accumulative rise in the Consumer Price Index. They must offer the house back to Ōtākaro Trust first.

Living Rent Process

Rent is formulated at a 'living rent', or equivalent to ensure economic sustainability. This is the calculation of the living wage rate times full-time hours. The rent is 35% of this total, and applied to the smallest unit, increasing for the larger units based on square metres. An equivalent is taking a percentage of the market rent, such as 75%, on the median rent for the local area.

23. Pay your rent, fees and shared services on time

Principle

Rent and Body Corporate Fees are kept up to date. Payments are made on time.

Services such as under-floor heating, electricity, phone, internet, and dryers are supplied by the Cooperative on a pay per use basis. Members must honour their financial commitments.

Rules

23.1 Rent is paid by automatic payment, weekly or fortnightly

23.2 Bond is paid to Tenancy Services, equal to two weeks rent

23.3 Rent is paid two weeks in advance

23.4 Members will ensure accounts are paid on time.