
SUBMISSION ON THE SOCIAL HOUSING REFORM (HOUSING RESTRUCTURING AND TENANCY MATTERS AMENDMENT) BILL

1. Purpose of report

This report seeks your agreement to provide the attached submission on the Social Services Select Committee on the Social Housing Reform (Housing Restructuring and Tenancy Matters Amendment) Bill to the Social Services Select Committee. A copy of the draft submission is attached as an appendix to this report.

Submissions are due at Parliament by 27 June 2013.

Note that this submission only deals with the legislative changes in this Bill. Officers are continuing to work on the broader housing policy and strategy. The changes in this Bill impact on this wider strategy but as the Select Committee is focused on the legislative change, the submission is directed primarily towards this.

2. Executive summary

The Government introduced the Social Housing Reform (Housing Restructuring and Tenancy Matters Amendment) Bill (the Bill) into the House on 16 May 2013, and plans to take this through the legislative process to enable the Bill to be passed into law by the end of 2013.

The Bill, if enacted as currently drafted, changes the framework for the delivery of social housing.

The Regulatory Impact Statement (RIS), which accompanies the Bill, states that its objectives are to:

- increase the equity, efficiency and fairness in the usage of state housing by improving the targeting of assistance
- support the development of a multiple provider market framework by:
 - ensuring a “provider neutral” legislative framework
 - extending equivalent financial support to approved community housing providers
- give non-government social housing providers confidence about the independence of needs assessment and tenant allocation functions to promote their participation in the market.

Officer's advice on the Bill, which is addressed in the attached draft submission, is outlined in section 5 of this report.

Officers support the intent to provide a neutral provider legislative framework however, it is not clear whether the extent of compliance required by the provider framework is necessary.

Compliance requirements include:

- registering as a community housing provider
- meeting performance and quality standards set by the government
- annual reporting and other reporting as required
- the government has the power to appoint members to the governance board of each registered community housing provider
- Community housing providers that comply will be able to access a shared waiting list managed by a Social Housing Agency and receive income related rent subsidy for those tenants they house from the waiting list.

A number of issues arise from these changes.

It is not clear whether the Government would accept the Council as a community housing provider as the RIS states that a community housing provider is a non-government business. If this is the case then the Council's housing is excluded from the "provider neutral legislative framework" and access to income related rent which would support the ongoing viability of City Housing. This has been raised in the submission.

If the Council maintains the current rental policy of less than market rent, it risks under-investing in the rental stock and at some point, additional financial support from the ratepayer or the government will be required.

Regardless of any changes to legislation the Council can investigate setting its rental policy at full market rentals to address ongoing financial viability issues. Tenants would need to access full rental support from the Accommodation Supplement. Ensuring rental affordability for tenants would need to be considered in any review.

The financial advantages to the Council would be almost equivalent to receiving income related rent without the requirement for Council to comply with the Government's new social housing framework.

Officers recommend that a more constructive approach could be taken that would require regional housing plans to be developed by social and community housing providers which would leverage their respective roles and resources.

3. Recommendations

Officers recommend that the Strategy and Policy Committee:

- 1. Receive the information.*
- 2. Agree to the attached submission to the Social Services Select Committee attached as Appendix 1.*
- 3. Agree to delegate to the Chief Executive and the Social Portfolio Leader, the authority to amend the proposed submission from Wellington City Council to the Select Committee to include any amendments agreed by the Committee and any associated minor consequential edits.*

4. Background

In May, the Strategy and Policy Committee agreed a strategic approach and work programme for housing. The work programme focused on development of a draft housing strategy, some projects, partnership with Crown agencies and others and an urban regeneration work programme, commencing with a workshop. Councillors have also recently submitted on the proposed legislation around special housing areas.

The government has now introduced this Bill to focus on Housing New Zealand Corporation's role and government's ability to grow community housing providers.

The Regulatory Impact Statement (RIS) provided by the Ministry of Business, Innovation and Employment (MBIE) provides much of the context and explains the intent of the proposed legislative changes.

Four key changes are proposed:

- Establishment of a new agency to assess housing eligibility and income related rent entitlements for both state housing and community housing tenancies. The agency will perform the new functions associated with a multiple provider environment, including managing a waiting list across providers and the allocation and referral of tenants across providers
- Housing New Zealand Corporation (HNZC) powers will be restricted to managing the landlord/tenant relationship for state housing. HNZC will also have some financial products and enforcement powers in relation to these products
- Creation of a register of community housing providers. Registered community housing providers will then be able to receive income related rent for tenants allocated to them by the agency
- Creation of a Regulatory Authority which will register and monitor community housing providers. The Authority will be able to recommend the promulgation of regulations to set the criteria and performance standards for registration. The Authority will also have the power to appoint members to the board of any community provider, irrespective of the constitution of the entity.

5. Discussion

Officers support the intention of the Government to create a more level playing field for social housing and to encourage innovation with providers.

Eligibility of Local Government and Wellington City Housing

The Bill does not specify what constitutes a community housing provider although the Regulatory Impact Statement signals the definition as “non-government providers”. It is therefore assumed that the Social Housing Unit’s definition of a community housing provider will apply:

“a sustainable non-government business (not including local authorities or Council Controlled Organisations) whose core activity is to provide and/or own social or affordable rental housing, or a combination of rental with some assisted home ownership, targeted at specific client groups and areas of housing need.

This excludes the Council from accessing the benefits provided in the new legislation; despite the recognition by Government that the financial viability of providing social housing is an issue; local government is the second largest provider of social housing and; the stated purposes of these changes are to:

- improve the diversity and effectiveness of social housing support
- create more flexible and innovative solutions to social housing needs, in line with international best practice
- ensure that healthy affordable housing is available for those who are most in need, for the duration of their need.

The changes only apply to new tenancies

The Government has also stated that these changes only apply to new tenants placed, presumably through the new needs assessment process.

Prior to the Housing Upgrade Wellington City Housing’s tenant turnover was around 25% and average tenure was 5 – 6 years¹. Over the 12 months to 1 March 2013, the turnover on standard tenancies² was 14.75% and the average tenure is 5 years and 5 months. If the average turnover and length tenure is similar for community housing providers then it will take approximately 10 years for the benefit of the new legislation to be realised. This reduces the real benefit for providers and may discourage them from being part of this process.

These changes also increase the complexity for providers as they will have to operate different tenancy systems for those who are on Income Related Rent (IRR) and those who remain on existing agreements.

The Government Approach

¹ Averaged across all property types

² Council currently provides 1,656 standard tenancies.

The Government's regulatory approach is quite intrusive compared to the level of assistance being provided. It has stated that the regulatory environment is required to ensure:

- all social housing tenants receive appropriate services measured against agreed standards
- protection of taxpayer investment in social housing.

As a consequence it states that community housing providers must be registered by a government regulatory agency to access IRR subsidies. This requires meeting registration criteria and annual financial and non financial reporting on performance standards set by the regulatory agency.

The agency will have the power to appoint members to any governance board (section 176) and may issue binding instructions to any registered provider (section 177) including instructions to:

- enter into arrangements with other registered providers that the authority considers appropriate
- appoint an administrator
- any other matter the authority thinks fit.

This level of intervention appears to be out of proportion to the investment by the taxpayer, particularly as the changes will only apply to new tenancies. The Budget presentation documents state that the Government invests \$637 million on the IRR subsidy annually and this will increase by approximately 1% (\$26.6 million on IRR over four years) as a result of this new legislation. Comparatively, the Government invested \$1.191 billion in 2013/14 on the Accommodation Supplement which provides support to households in the private sector without landlord regulation.

The tenants who would be assisted by the new legislation are likely to already be receiving support towards their accommodation costs but they may receive marginally more assistance under IRR. The real benefit to the housing provider is that the IRR subsidy is paid to the housing provider rather than the tenant, underwriting the provider's revenue.

Officers expect that the real focus of this level of regulation is on smaller providers who have struggled to retain capability and to achieve scale. The new legislation will provide additional powers for the Government to intervene where the Crown is providing assistance. Whether this is acceptable to these providers, who are generally smaller community based organisations driven by local people, will depend on the degree to which they value the assistance provided by the Government. For the Council, that has capability and scale, this level of regulation is not required.

Financial Viability

If the Council was eligible to participate in these changes it could assist in addressing some financial viability issues that Wellington City Housing faces.

The viability of the Council's housing portfolio is limited by the following factors.

- The existing rent policy where rents are set at 70%³ of market rent and reviewed annually.
- As a safety net to ensure rents remain affordable, the Council also has an affordable rent limit. The Council will consider a rent reduction for any tenant whose rent exceeds 35% of net household income after tax (not including the disability allowance) and after Accommodation Supplement⁴ entitlement has been received. Only 54 tenants currently receive this discount on their rent. This represents an additional cost to City Housing of \$3,051.00 per week or \$158,652 annually. It is likely that there are other tenants who could be eligible to receive this discount.

This places a cap on rental income while the Council incurs full property and tenancy costs. HNZA is paid 100% of market rent; tenants pay IRR which is limited to 25% of their income and the rent balance is paid by the Government as an IRR subsidy. This will be extended to community housing providers through the new legislation.

It is estimated that the Council forgoes income of approximately \$7-8 million⁵ each year by setting the rent at 70% of market rent. If income related rent was available to the Council, this shortfall would be paid by the Government (as it is with HNZA and as proposed for community housing providers under the new Act). The impact of these changes under different policy settings are summarised in the following table.

Policy Setting	Cost to occupants (98% of 2252 units)	Foregone Council Revenue	Accommodation Supplement (cost to Crown)	Income Related Rent (cost to Crown)	Full market rent 2013 rates
Current (rent set at 70% of market and with a 35% of income cap)	\$13.8m	\$8.5m	\$7.7m	\$0	\$30m
Rent set at market	\$16.1m	\$0	\$13.9m	\$0	\$30m
Rent set at 25% of household income – Council access to IRR	\$9.2m	\$0	\$0	\$20.8m	\$30m

³ The market rent is based on rental valuations of Council properties against comparable properties in the market.

⁴ Tenants who are not in state houses receive Accommodation Supplement support. The landlord charges market rent, and the tenant receives support from the Government depending on their income, circumstances and where they live.

⁵ Note this is lower than shown in the table below as occupancy rates are lower during the Housing Upgrade Programme.

The Council can review its rental policy to address this issue irrespective of these legislative changes.

The Council could consider a move to full market rent. This would be paid by tenants who would also receive greater Accommodation Supplement support from the government. In this case the Council could

- maintain its eligibility criteria for tenants so that its housing is targeted at those in need of housing support.
- provide additional support to tenants to ensure that they received full Accommodation Supplement entitlements.

The aim of any review should be to maximise housing income without tenants bearing costs unduly. Currently the Council forgoes income support which is available from the Crown which is received either directly or indirectly by all other landlords.

A More Coordinated Approach

While officers support the intent of the changes, the implementation of the strategy to grow social housing provision within the community and to expand the scope and range of the housing products offered by these providers requires more work.

In the submission, officers propose that a more useful approach would for the providers in Wellington to work together to create a regional action plan which sets out:

- what each player is seeking to achieve including the overall aims to grow social housing, affordable rental and home ownership products,
- what capability and resources each player brings to the table
- how groups can work together to grow social housing.

The current approach, which is primarily based on limited financial assistance from the Crown, does not support collaboration where skills, capability and resources are leveraged across providers to develop better services for tenants and home owners.

In Wellington:

- the Council has scale, robust tenancy and asset management systems, and access to land and property. It also has regulatory powers which can assist in facilitating affordable housing solutions
- Housing New Zealand has a similar sized and complementary social housing portfolio
- a range of smaller housing providers meet niche housing demands including night shelters, affordable rental and supported housing for high needs tenants
- Iwi groups who have a strong interest in housing
- two universities have an interest in student accommodation
- an active property market and private rental market seeks to respond to housing need across the board.

Not all of these groups would necessarily be party to such an approach but we consider that a similar approach based on the current social housing providers could more quickly deliver the results the Government is seeking.

6. Conclusion

The Bill introduces a range of provisions which will change how social housing operates in New Zealand.

The extent of the change will depend on the take-up by community based housing providers. There is quite a degree of compliance required for what might be considered by some to be little benefit, i.e. gaining access to income related rent over time and tenant allocation from a social housing agency.

The Council is not considered to be a community housing provider by the Government and would not be able to access IRR under the new legislation. This continues to raise issues of financial viability and how this might be achieved for Wellington City Housing.

The attached draft submission sets out these issues for submission to the Social Services Select Committee.

Contact Officer: *Andrew Stitt; Manager Policy*

SUPPORTING INFORMATION

1) Strategic fit / Strategic outcome

NA – This submission aligns with the Council's overall aim of Building Wellington as a People Centred City.

2) LTP/Annual Plan reference and long term financial impact

NA

3) Treaty of Waitangi considerations

There are no Treaty of Waitangi considerations.

4) Decision-making

This is not a significant decision.

5) Consultation

a) General consultation

NA

b) Consultation with Maori

NA

6) Legal implications

NA

7) Consistency with existing policy

This submission is consistent with the broader approach of working with central government to address key policy issues. This includes housing affordability.

APPENDIX 1

25 June 2013

Committee Secretariat
Social Services
Parliament Buildings
Wellington

The Wellington City Council Submission on the Social Housing Reform (Housing Restructuring and Tenancy Matters Amendment) Bill.

Thank you for the opportunity to make a submission on the Social Housing Reform (Housing Restructuring and Tenancy Matters Amendment) Bill. Attached is our submission for the Select Committee to consider.

We support the intent of the Government in endeavouring to grow social housing provision and to stimulate innovation in this sector.

Local government is a key player in the housing sector although it would appear that we have been excluded from consideration in the Act. In particular, the policy settings of the Social Housing Unit exclude local government owned housing and the Regulatory Impact Statement states that a community housing provider is a non-government housing provider. The intention to provide a level playing field for both tenants and social housing providers must recognise the role of local government.

The powers that the Government is seeking within the Act are extensive. Whether they are necessary is debatable. We would recommend that access to income related rent is subject to quality measures and the approval of local action plans which encourage providers to collaborate to leverage their different skills and resources to improve social housing outcomes.

We would appreciate the opportunity to present an oral submission to the Select Committee.

Celia Wade-Brown
MAYOR
Wellington City Council

APPENDIX 1



Submission to: Social Services Select Committee

Bill: Social Housing Reform (Housing Restructuring and Tenancy Matters Amendment) Bill

From: Wellington City Council

Date: June 2013

APPENDIX 1

Wellington City Council is the third largest provider of social housing in New Zealand. Local government provides 14,000 social housing across New Zealand. In May 2013, the Council had 2,240 units.

Wellington City Council has been a social housing provider for more than 50 years beginning with a modest pensioner housing programme in the 1950's.

This accelerated in the 1960's and 70's with the availability of low cost funding for urban renewal and older peoples housing.

The Housing Upgrade Project is being jointly funded by the Council and the Crown. It will invest more than \$400 million in stock upgrades and replacement over the next 20 years.

Central Government will contribute \$220 million. In exchange, the Council will stay in social housing until 2037 and maintain housing numbers and bed spaces at levels equivalent to 2007 levels.

1. Introduction

Wellington City Council (WCC) welcomes the opportunity to comment on the Social Housing Reform (Housing Restructuring and Tenancy Matters Amendment) Bill (the Bill).

As a Council we recognise the need to increase the size and range of social and affordable housing provision across New Zealand and we support the Governments intent in this area.

The Council, along with Christchurch City Council, plays a key role in this area.

Wellington City Housing also maintains a high standard for its housing services. This has been recognised by tenants, peers in the social housing community and by the good working relationship and partnership with Government.

Target	2010/11 Result	2011/12 Result	2011/12 Target
WCC housing tenants are satisfied with services and facilities	92%	91%	85%
Tenants rating the overall condition of their house/apartment as good or very good.	86%	89%	85%
Tenants rating the services and facilities as good value for money	83%	83%	90%
Tenants feeling of safety in their complex at night	75%	77%	75%

The Council is concerned that this Bill appears to be attempting to solve issues by regulation when collaboration and partnership to achieve better public services is the outcome that all parties are seeking in the social housing sector. The compliance costs may offset any benefit derived from the Bill.

We understand that this Bill is only one part of the process. There must also be discrete strategies to address increasing capacity in the community housing sector for this Bill to deliver real benefit and to see a step change in social housing provision.

2. Overall Comments

The role of Local Government

Wellington City Council has 3 key roles which impact on the wider issues surrounding this legislative change. The Council is:

- a provider of social housing with a sound track history and operating at scale.
- a regulator of land use and building construction. We can facilitate construction of social and affordable housing.
- a facilitator and leader of city and regional housing issues

APPENDIX 1

The Council is also a partner with the government on a significant social housing upgrade programme.

While in this submission we are focussing on our role as provider of social housing as this is the direction of this legislation, we are very supportive of the more general issues around affordable housing and the government initiatives around this.

We believe that the Council can make a real contribution to this issue in the region and want to pursue these issues with the Government. This will require leadership and engagement with those who have the ability to make this happen.

The role of Local Government in social housing

Local government is a key component of any social housing strategy in New Zealand. Christchurch and Wellington City Councils together represent the second largest social housing providers in New Zealand. Christchurch and Wellington City Council's social housing portfolios are significantly larger than most of the community based providers and have been committed to this sector for more than 50 years. In our own regions, the Councils are dominant providers of social housing.

The Council supports the intentions of the new legislation to create a more integrated social and affordable housing service across providers, encourage growth in community based providers, and to create a more level playing field between the Crown and other providers.

It appears that despite our role as a significant social housing provider and the goal for tenants not having to differentiate between landlords, Councils, as sizable social housing providers have been excluded from benefiting from the changes that will be brought about by this legislation.

Without the inclusion of local government housing providers, we believe little real traction will be made to grow social housing at scale or to introduce innovation within social housing.

We recommend that the Committee ensures that local government is not excluded from this framework and that a definition of community housing provider is added to the Bill that clarifies that this includes all social housing providers.

The level of government intervention

The extent of provider regulation set out in the legislation is high when it is compared to benefits that would be gained by providers. We support a register of providers, especially where this is based on standards to increase the quality of social housing in New Zealand.

We are unsure of whether the extent of the regulation (such as powers to appoint government members to community housing governance boards and to direct these boards) is necessary when the provider can be deregistered by the Government. The powers

The work undertaken by the social and community housing teams at Wellington City Council was celebrated at the Australasian Housing Institute's Awards ceremony for 2011-2012.

The Council's Housing Upgrade Project also won the award for Leading Housing Solution.

The award for Leading Innovation was awarded to Wellington City Council's Community Action Programme, and the Wellington Association of City Housing Artists won the award for Tenant-Led Initiative.

APPENDIX 1

proposed for the Crown seem to go beyond the benefits that the provider will receive in exchange.

We understand that much of this focus is likely to be directed at smaller providers who struggle to develop the capability to deliver a housing service at scale and this allows the government greater powers to provide direction where it is delivering financial assistance. However these providers may also struggle with the increased compliance costs required to benefit from this legislation.

Financial Viability

Wellington City Council's new Regent Park housing development in Newtown – designed by local architects Designgroup Stapleton Elliott – was one of only six completed projects out of 846 entries from 51 countries to make the shortlist for the recent World Architecture News Awards in the residential category.

The Government has recognised that maintaining financial viability is an issue for all social housing providers.

The Council has adopted a conservative rental policy to ensure that its social housing rental levels are affordable. The Government benefits from this through having lower Accommodation Supplement costs. If the Council charges full market rent levels and requires the Government to pay full Accommodation Supplement entitlements to Council tenants, the costs to the Crown will increase.

The Council is committed to social housing and has an agreement with the Crown to maintain similar levels till 2037. However, this requires the services and service levels to remain financially viable. The Council estimates that it forgoes approximately \$7-8 million in income each year under its current rental policy. This cost is transferred from the taxpayer who meets the cost in the case of all other landlords, private landlords through the Accommodation Supplement and Income Related Rent available to Housing New Zealand and under this legislation other community providers.

The extension of income related rent to other community housing providers provides a significant advantage to their tenants and to the providers themselves.

We would like to work with the Government to ensure that the affordable rental policies are fair and equitable across the sector and not just available to select groups. The correct form of income support, either Income Related Rent or Accommodation Supplement needs to be provided to Council tenants. In most cases, they would fit the criteria for state housing and be eligible for income related rent and should not be penalised by being in a house owned by Wellington City Council.

Facilitating greater collaboration and planning between providers

We consider that more needs to be done on local implementation plans and that these changes in legislation will not by themselves achieve the aims set out by the Government to expand the scope and range of the housing products offered by providers.

APPENDIX 1

We propose that a more useful approach would be to require providers to work together to create an action plan which sets out:

- what each housing provider is seeking to achieve including the overall aims to grow social housing, affordable rental and home ownership products
- what capability and resources each player brings to the table
- how groups can work together to increase the supply of social and affordable (rental and ownership) housing.

The current approach, primarily based on limited financial assistance from the Crown, does not support a collaborative approach where skills, capability and resources are leveraged across providers to develop better services for tenants and home owners.

In Wellington:

- the Council has scale, robust tenancy and asset management systems, and access to land and property. It also has regulatory powers which can assist in facilitating affordable housing solutions
- Housing New Zealand has a similar sized and complementary social housing portfolio
- There are a range of smaller housing providers meeting niche housing demands whether these are night shelters, affordable rental or supported housing for high needs tenants
- Iwi groups who have a strong interest in housing
- Two universities with an interest in student accommodation
- An active property market and private rental market which responds to housing need.

We consider that such an approach based on the current social housing providers could more quickly deliver the results the Government is seeking. The organisations involved are seeking common outcomes and we should be working together to achieve these outcomes.

This is in line with the Better Public Services programme which seeks to achieve government agencies working more closely together and organising themselves around results that make a difference to New Zealand, greater responsiveness to the needs and expectations of New Zealanders, and a commitment to continuous improvement.