

**A PEOPLE'S
REVIEW OF
KĀINGA ORA
IN DEFENCE OF
PUBLIC HOUSING**

CHILD
POVERTY
ACTION
GROUP

**PUBLIC
HOUSING
FUTURES**

This report was a collaboration between Public Housing Futures and Child Poverty Action Group with support from ActionStation, researchers, advocates, artists and tenants. The report was written by housing advocate and researcher Vanessa Cole, and the appendix to this report, the Review of Kainga Ora's Financial Position, was written by policy analyst Alan Johnson.

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Thank you to all those on the waitlist, living in public housing, renters and homeowners who took time to fill in the People's Review of Public Housing survey to provide their stories and experiences of public housing, and dreams for its future.

March 2024

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Foreword

"E kore au e ngaro, he kākano i ruia mai i Rangiātea."

"I shall never be lost, I am a seed sown from Rangiātea."

In Ngāti Raukawa territory, you can see mentions of the above whakataukī everywhere. Whether it's the stunning Rangiātea Church or the tagline of Te Wānanga o Raukawa where countless students have deepened their knowledge of their cultural origins since 1981. It is an important reminder that no matter how colonisation has uniquely affected us as Māori, we still stand strong in our connection to the ancestral homeland of Hawaiki.

But seeds need the right environment. And right now, too many of us, both Māori and non-Māori are struggling to even have a safe, warm, dry home to grow in.

In its essence, public housing is about making sure everyone has what they need to thrive – creating it from our shared resources. We all contribute (via our taxes) so that we have protected housing stock that we know will look after those in need.

Yet, public housing is constantly subject to political attack. Successive governments have chosen to reduce, underfund, sell off or chip away at such an important tenet of our society to favour private market 'solutions'. We have a collective amnesia about what public housing has looked like in the past, and therefore a lack of imagination about what it could be in the future.

This matters because people desperately need public housing solutions. The private market has not provided for us, and we need alternatives that are genuinely affordable, accessible and promote climate justice.

This report offers three crucial interventions at a time when public housing attacks are back on the government agenda. Firstly, it reminds us of the history of public housing in Aotearoa New Zealand, so that we can re-examine the concept in a modern light. Secondly, it offers clear solutions to our housing crisis that are informed by international case studies. And most importantly, it centres the people whose lives have been transformed by public housing - a missing voice in the public debate.

This report also shows that it is no accident we have arrived at this point. The often unspoken truth about public housing is that there is money to be made from its absence. Landlords and property investors benefit from governments absolving responsibility which keeps us in a perpetual state of crisis.

But there is a better way. We can choose to nourish whānau and communities by ensuring that as many of them as possible have the best conditions to thrive in. We can water our seeds with common sense public housing projects that look after all of us.

For a fairer and flourishing future where we all have what we need to grow,

Kassie Hartendorp (Ngāti Raukawa, Ngāti Tūwharetoa), Director of ActionStation Aotearoa

Executive summary



A People's Review of Kāinga Ora: In Defence of Public Housing is a collaboration between researchers, housing advocates and people who have been working on the frontlines of the housing crisis, to tell another story about public housing and its essential role in providing decent, stable and truly affordable housing to people in our communities. It is filled with quotes and stories from people on the waitlist, living in public housing, private renters and homeowners who speak to their experiences of and hopes for public housing.

From its inception, public housing* has been a key solution to the housing crisis, however, successive governments have under-resourced it, and consistently made decisions that prioritise private market profits over making sure that everyone has a home. This report calls on the Government to properly resource Kāinga Ora so that we can build more and better public housing for the collective good of everyone in Aotearoa.



Photo: Hikoi for Homes, 21 November, 2015

*Please note: For the purposes of this paper, public housing is being used interchangeably with state housing to mean government-provided housing by Kāinga Ora (previously Housing New Zealand), but in a broader sense the term includes council housing.

Key findings

- The private housing market has failed to provide everyone with a decent, stable and affordable home. The state should have a stronger role in the ownership and provision of rental housing.
- The ‘true waitlist’ for public housing extends far beyond the current register, and demonstrates a need for public housing to be available to households accessing Accommodation Supplement because they cannot afford private rents, an ageing population – many who will go into retirement as renters, and those living in temporary, unhealthy and unsuitable accommodation.
- Building good quality public housing at scale and pace (and providing a more generous eligibility criteria so more people can get access to it) can save government spending in the long term through reduced need for landlord subsidies (emergency housing grants and accommodation supplement), and through savings in health budgets.
- Kāinga Ora’s difficult financial situation is the result of under-resourcing and lack of care by successive governments.
- The Government, through Kāinga Ora, has begun to ramp up house building again, and address a legacy of underfunding and poor maintenance. It is important to maintain this momentum in order to achieve a greater presence of public rental housing in the housing landscape.
- The Government should not go down the path of further opening up public housing to private market investors. The private equity model for building and leasing “social housing” results in higher costs of construction, and risks future privatisation where profits are made while accessing direct and indirect government subsidies.
- Large scale regeneration projects that have involved the Crown selling land in state housing neighbourhoods to private developers to build private market housing, has not led to much of an increase in revenue, but has led to gentrification and a loss of land that could be used to build more public housing.
- People we surveyed want Kāinga Ora to build more homes at pace to house more people, but they also challenged Kāinga ora to build **better** homes:
 - Warm, dry and safe
 - Sufficient Universal Design for disabled people and whānau, and an ageing population
 - Close to transport, amenities, schools, shops, jobs; and more green spaces for play and connection
 - Reflective of the communities they are built in – including multi-generational options for larger families and culturally appropriate

Recommendations

More resourcing

- 1** Long-term direct capital funding to Kāinga Ora to build and retrofit more public housing at scale.
- 2** End Crown land sales in regeneration projects to private developers, unless in the case of land being returned to local hapū and iwi.

More housing

- 3** Explore options for how the Government can engage in large-scale green public housing and infrastructure programmes which do not rely heavily on contracting out to private investors and developers (such as establishing a Ministry of Green Works).
- 4** Embed a long-term goal of public housing being 7-20% of all housing in Aotearoa in line with other OECD countries. Progressively expand who is eligible for public housing, so that the percentage of private renters spending more than 40% of their income on housing is reduced.

Better housing

- 5** Design public housing to better reflect the diverse communities that live in them, including exploring multi-generational and culturally appropriate housing.
- 6** Ensure all new public housing builds have 100% Universal Design to future proof the housing, support an ageing population, and provide suitable housing for disabled people and whānau.

Better understanding

- 7** Independent research is needed into the social and economic benefits of a government-led build programme to significantly boost public housing, and the expansion of eligibility to more people.

Introduction



Everyone has the right to a decent home. A decent home which is safe, warm, dry, affordable, accessible and culturally adequate.[1] A place to come back to, for quiet and rest, a place to experience joy with friends and family, a place to feel grounded in community. When people have stable, healthy and truly affordable homes they are able to build strong roots in a community, which creates flourishing and connected communities, towns and cities.

The failure of the private market to house people is felt in every corner of Aotearoa. From the Work and Income offices where people and families are forced to return to renew emergency housing grants so they won't be forced into cars, to the shivers felt from cold and mouldy rental properties which renters spend half of their incomes on, to the stress of hyper-short tenancies and fears of being priced out of a community you have lived in for years. This all has a major impact on people's wellbeing and working lives.

Aotearoa now has the worst rental affordability in the OECD[2] and have had the largest rise in house prices (in real terms) in the OECD from 2000 to 2022. [3]

But it doesn't have to be like this. When the government provides enough public housing to people there are better outcomes for everyone.

Yet, successive governments have starved public housing of its true potential by treating it like a political football and not consistently injecting enough direct capital into the programme of maintaining existing houses and building more.

In a bid to support their programme against a lack of consistent central government backing, Kāinga Ora (previously Housing New Zealand) has borrowed from the private market and sold land to private developers to pay for the programme.

This compounding under-resourcing, short-term decision-making and significant maintenance required has meant that Kāinga Ora has not been able to build at the scale needed to house everyone on the waitlist, and ultimately, to have an ambitious public housing programme able to end the crisis and house everyone.

Government under-resourcing of public housing impacts everyone. When people are poorly housed, it has ripple effects on all of our lives – health services are strained as more people are admitted for housing-related illnesses, educational outcomes worsen as people are forced to move in search of housing, and our housing support systems are stretched.

The government spends billions subsidising the profits of private landlords and moteliers who can charge exorbitant prices and raise them at will. Public spending going to private profits is not good value for money, nor for the better housing outcomes people and families deserve. Instead, the government can choose to ensure everyone has a home by prioritising proper investment in public housing.

Decision-makers claim that the housing crisis is too complex with no simple solution. **But public housing is a proven solution.** Overseas and in the past, governments - including councils - have delivered high quality, beautiful public housing that works for people and the planet. If the government takes action to prioritise public housing, it would make homes more affordable for everyone.

The more public housing available, the less power landlords have to charge expensive rents for often bad quality housing. The more generous the eligibility for public housing is, the better chances there are for all people in our communities to thrive. If this happened alongside a Te Tiriti o Waitangi based housing system, where Māori have tino rangatiratanga over their kāinga (homes) and whenua (lands), everyone in Aotearoa will have a home.

Kāinga Ora's entry into building public housing has had teething issues, but it has begun to ramp up the building of public housing and to innovate in the design of public housing.

If Kāinga Ora were properly resourced, and if the government had a strong long-term vision for the public housing programme, they could build and retrofit more and better homes for people that are beautiful, fully accessible (100% Universal Design), sustainable and climate resilient, multigenerational and culturally appropriate.

While public housing is essential to addressing the housing crisis, its stigmatisation over the years has contributed to a lack of public support and political will to invest properly in the programme. This stigmatisation has been driven by policy decisions to residualise the tenure to those in the most need, under-funding and under-maintaining existing public homes, and an economic climate which has driven social inequities and made our communities poorer.

We now have a situation where people in our communities are blocking Kāinga Ora developments. These unhelpful narratives have also laid the ground for governments to engage in further attacks on public housing with less push back from people in our communities.

The National-led government is continuing to push unhelpful and inaccurate narratives about public housing, and through their review of Kāinga Ora, there are concerns that they are making preparations to begin the shrinking of Kāinga Ora's role and capacity in providing housing.

The conversation about debt and whether public housing is giving a good return on investment, is economically selective and short-sighted, and ignores the voices and experiences of people who live in public housing – whose lives have been transformed through having a stable home. It ignores those who are waiting for public housing who desperately need the Government to properly resource Kāinga Ora to build more and better public housing, and it disregards those in our community who have been calling for real solutions to the housing crisis.

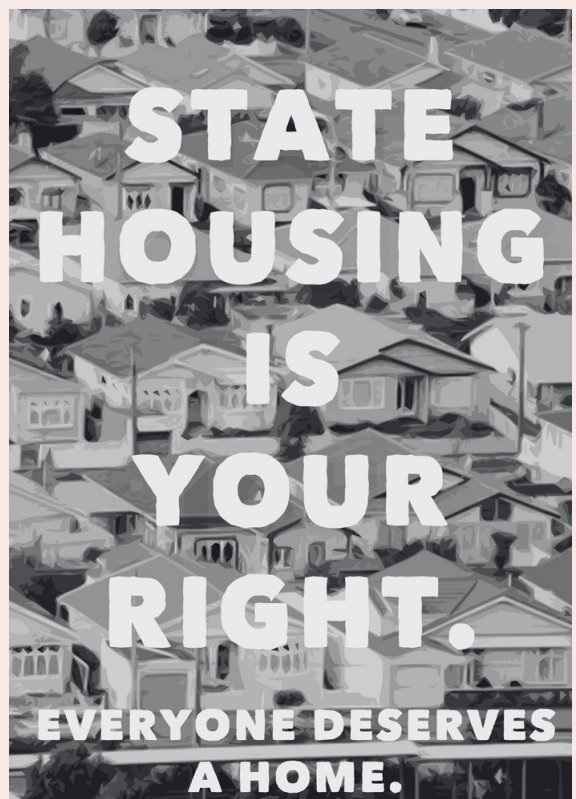
This People’s Review tells a different story of public housing – one that is evidence-based, held by the experiences of those most impacted by its future, and focussed on what will actually house people. This review makes a case for the Government to properly resource Kāinga Ora to build more and better homes. The sections of the report are as follows:

- The whakapapa of state housing - grounding the current housing crisis in our ongoing history of colonial capitalism.
- International and local research and campaigns that call on more public housing as an answer to the crisis.
- Why properly resourcing public housing will support people, communities and economies to thrive.
- Reasons why the Government must take responsibility for housing, and avoid any further private investors involvement in public housing.
- Why we can afford to build more and better homes.
- And finally, an analysis of Kāinga Ora’s financial position by policy expert Alan Johnson in the Appendix of the report.

Each of these sections help to understand why private market solutions have failed, and why public housing is a proven intervention that, if properly resourced alongside Māori housing, will support everyone to have a home.

As part of our review we invited the public to share their experiences of Kāinga Ora and so throughout this report are quotes from people living in emergency housing, living in public housing, and private renters and homeowners speaking to their experiences and dreams for the public housing programme.

This report is focused specifically on a case for properly resourcing Kāinga Ora - public/state housing - but we recognise the need to transform our whole housing system, and most importantly uphold Te Tiriti o Waitangi and support the tino rangatiratanga of whānau, hapū and iwi over their homes.



Source: AAAP Archives
State housing poster, credit: McPherson-Newton

Whakapapa of state housing



State housing has a long and complicated history in Aotearoa. Here, we give a brief whakapapa of state housing, to lay the foundations for thinking through some of the challenges we face.

The history of government-provided housing in Aotearoa has been a history of collective care which has sheltered people from a private market that has failed time and time again to provide stable, secure and affordable homes.

But this history is also one of displacement, exclusion and ongoing colonisation that cannot be forgotten as we start to imagine and work towards a different future for public housing.[4]

Before the settler-colonial capitalist system attempted to decimate kāinga: the social and economic base of hapū, everyone had a home. Confiscation of land, displacement of Māori from their lands and the forced movement to cities devastated that social and economic base.

The late Moana Jackson spoke to the distinction between home and housed when he said:

“with the move of our people into the cities, many shifted into what were then called state houses — the sense of homelessness was not alleviated because the whenua upon which the house stood was most probably no longer theirs. So they were housed, but they were not homed — and that, I think, is the difficulty that we still face today, except there are even fewer of our people actually housed. They’re now not just houseless, but their homelessness is exacerbated.”[5]

The housing crisis that we are experiencing today, is a result of this history of displacement of Māori from their lands, and the transformation of that land into a speculative commodity that can be profited from. This has been at the expense of everyone having a home.

As Jacqueline Paul and Annie Te One put it:

“to have so many Māori homeless on their own land is among the most cruel outcomes of colonisation.”[6]

The birth of state housing (1938-1948)

Government-provided housing first emerged in Aotearoa under the Richard Seddon's Liberal government, who passed the Workers Dwellings Act in 1905, to address the slum conditions that workers were living in due to low wages and expensive housing. The state housing programme as we know it today, however, was initiated by the First Labour Government in 1938. It was a response to the economic crisis at the time – to house working class families and to stimulate the economy through local industry and providing jobs for those who were made unemployed during the Depression. Houses were built as a part of wider suburban planning. They were built with the idea that government-provided rental housing should be on par with homeownership.[7]

John A. Lee, the First Labour Government's housing minister, stated:

“If the State considers it necessary to carry a health service to all the people, it is as important that we should carry that health service to the people through a decent home”.[8]

While the programme was ambitious and intended to address the housing crisis, Māori and sole parents were initially excluded, with a focus on housing Pākehā nuclear working class families in three bedroom stand alone homes. Some of the lands on which state housing was built and materials used to build them were a result of ongoing confiscations of Māori lands, and state housing rents were also too expensive for some people.

The government managed to build 30,000 state homes over 10 years from 1938-1949, but the programme was still not able to address the ongoing housing crisis and waitlists were long.[9]

One thing the programme did manage to do was to stimulate construction and in the 1930s, 40% of all new building work was government-funded state housing. Through the 1940s, however, this became 28% and by the 1950s, after returned soldiers were housed, the state involvement in housing construction reduced to below 10% by the 1960s.[10]

Home owning democracy (1950-1970)

The fixation on individual home ownership as the aspiration still remained, and in the 1950s the National Government introduced legislation to allow state tenants to buy their homes. While it was appealing for many tenants to be able to own a home, every home that was purchased meant one less state house for future generations. This was coupled with residualisation where state housing started to become only available to those in the most need.[11] These policy shifts meant state housing became seen as a temporary measure instead of a public good - like hospitals and schools - that we all have a stake in, and we all should have access to.

The market will provide (1991-2007)

In the 1990s, as neoliberalism embedded itself in Aotearoa, there was a shift away from state housing being seen as a protector from market forces. In 1991, the Fourth National government introduced market rents, direct sell-offs, as well as indirect privatisation through the 1996 Home Buy scheme.[12] They also introduced the accommodation supplement – with a move from government building public housing to subsidising private rental housing.[13] When the Labour-led Government returned to power in 1999 they reintroduced Incomes Related Rents for state housing, but kept the Accommodation Supplement for low-income people in the private rental market. The Labour Government built some homes but not enough to get back to 1991 levels.



Source: SHAC archives via Save Our Homes
State housing tenants protest in 90s

Social housing reform programme (2008-2017)

The Fifth National Government, elected in 2008, brought in another wave of changes, including the Social Housing Reform Programme, based on their assessment that the state had poorly maintained the stock and were not responsive to the needs of tenants. This programme aligned with neoliberal approaches to housing which sought to shrink the state's role, and to privatise and marketise housing. Some of key changes were:

1. Supporting a “social housing market” of third party and charity providers, including the wholesale transfer of state housing stock.
2. Reviewable tenancies leading to eviction of those seen as being able to afford private rentals.
3. Large-scale regeneration (or state-led gentrification) projects involving the sale of Crown land to private developers for a mixture of public and private market housing, and the displacement of state housing tenants from their communities.
4. MSD started managing the waitlist, and priority C and D categories were removed making less people eligible to apply for public housing.



Source: author

Tāmaki Housing Group protest Social Housing Reforms

There was also a ramping up of the use of 90 day evictions for state housing tenants – whether it was for redevelopment[14], unfair claims around methamphetamine[15], or people earning too much[16]. Attacks to state housing over the years led to the housing crisis deepening because there were less homes available to shelter people from increased rents in the private market. It was at this point that we started to see more and more people living in their cars, and in need of emergency housing.

In 2016 the National Government introduced an amendment to the Residential Tenancy Act requiring all rentals, including the public housing stock, to have both ceiling and underfloor insulation installed wherever practicably possible. With thousands of public houses requiring retrofitting, this was an expensive but necessary project that consumed significant resources.



Source: author
Poster about Social Housing Reforms

Kindness, without ambition (2017-2023)

The Sixth Labour government introduced the Healthy Homes Standards for rental properties in their first 100 days. These Standards set a deadline for all rental properties to have a higher minimum level of insulation, heating in the primary living space, ventilation, moisture management (ground barrier & drainage) and draught stopping. This again required a massive overdue investment in the maintenance of existing public housing.

The Labour Government also ended the wholesale transfer of state housing, however they continued the model of urban regeneration, selling Crown land to developers in return for only marginal increases in public housing.[17]

In 2019, Kāinga Ora - Homes and Community was formed, merging together Housing New Zealand, Housing Land and Community (formally Hobsonville Land Company) and Kiwibuild into one entity. This meant more responsibilities beyond public housing but with no extra budget[19], and it simultaneously needed to upgrade the existing housing stock to the Healthy Homes Standards.

The Labour Government added 4,000 Kāinga Ora net new builds to the stock between July 2017 and March 2023 (7,900 built, 3,300 demolished and 300-odd sold).[18]

Kāinga Ora has had its growing pains, but has started to ramp up the build programme, but the lack of ambition and commitment by the Labour government to the programme, meant they did not build at the scale needed to make a difference to the lived realities of people.

What the whakapapa of state housing tells us is that the continual under-resourcing of the public housing programme, coupled with a lack of political will and a focus on private market profits has led to an insufficient new build programme with worse outcomes for people, families and communities.

“THE LAST TEN YEARS HAS SEEN A MARKED SHIFT IN THE ATTITUDE OF THE DEPARTMENT WHICH IS MUCH TO THE BETTER BUT ODD THINGS STILL HAPPEN AS THEIR APPROACH SEEMS VERY UNEVEN.”

CENTRAL AUCKLAND, KĀINGA ORA TENANT

International Public Housing Trends



A revival of the public housing solution

Around the world – researchers, policy makers and campaigners – have been making renewed calls for more public housing to address our social, economic and environmental crises. After years of market solutions failing, people are looking back, to look forward, at government-provided housing as the solution.

There are countries and cities who have for a long time properly resourced public housing.

Vienna is the obvious example which has continued to provide public housing at a city level to a wide range of people. A quarter of the population live in public housing (half if you include the municipally subsidised co-operative housing). Public housing is available to not just those on low-incomes but those on moderate incomes too. This impacts the overall affordability of housing across the spectrum making it the most liveable city.[20]

Singapore is another example, though it is based on public housing leases rather than rentals. Around 80% of the population live in Housing Development Board homes, built by the government and sold on 99 year leases.[21]

In recent years, other countries and cities have been expanding public housing in response to the dual housing and economic crises.[22] Spain and Portugal, who have low levels of public housing, made the decision to significantly increase their public housing stocks as a post-COVID economic response.[23]

Paris set targets to increase public housing to 30% of all homes by 2035 to keep low-income people and their businesses flourishing in the French capital, and now a quarter of people live in publicly-owned housing.[24]

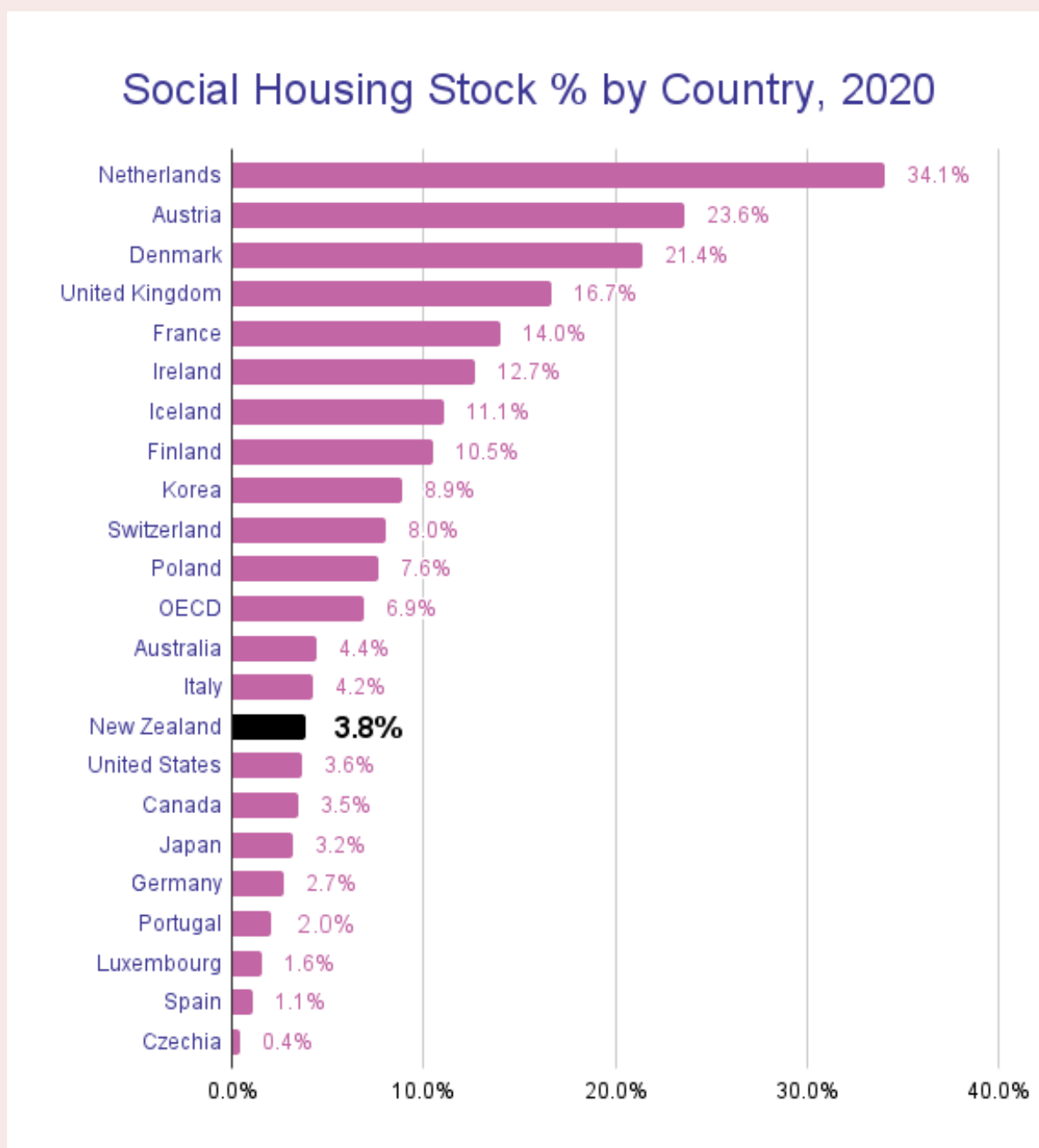


Source: author
Karl Marx-Hof in Vienna

International comparisons of the contribution Public Housing makes to the housing stock

In countries and cities where there is a generous criteria for public housing and widespread availability there are better housing outcomes and overall better housing affordability. With decades of under-investment, Aotearoa New Zealand sits below average at just 3.8% of public housing and needs an ambitious increase to reduce housing poverty.

This is compared to the OECD average of 7% – the UK is at 17%; and the Netherlands is at 34.1%.[25] We are falling behind internationally in regards to the percentage of stock. Just to restore public housing in Aotearoa to the already insufficient 1991 levels it would mean an additional 43,000 homes.[26]



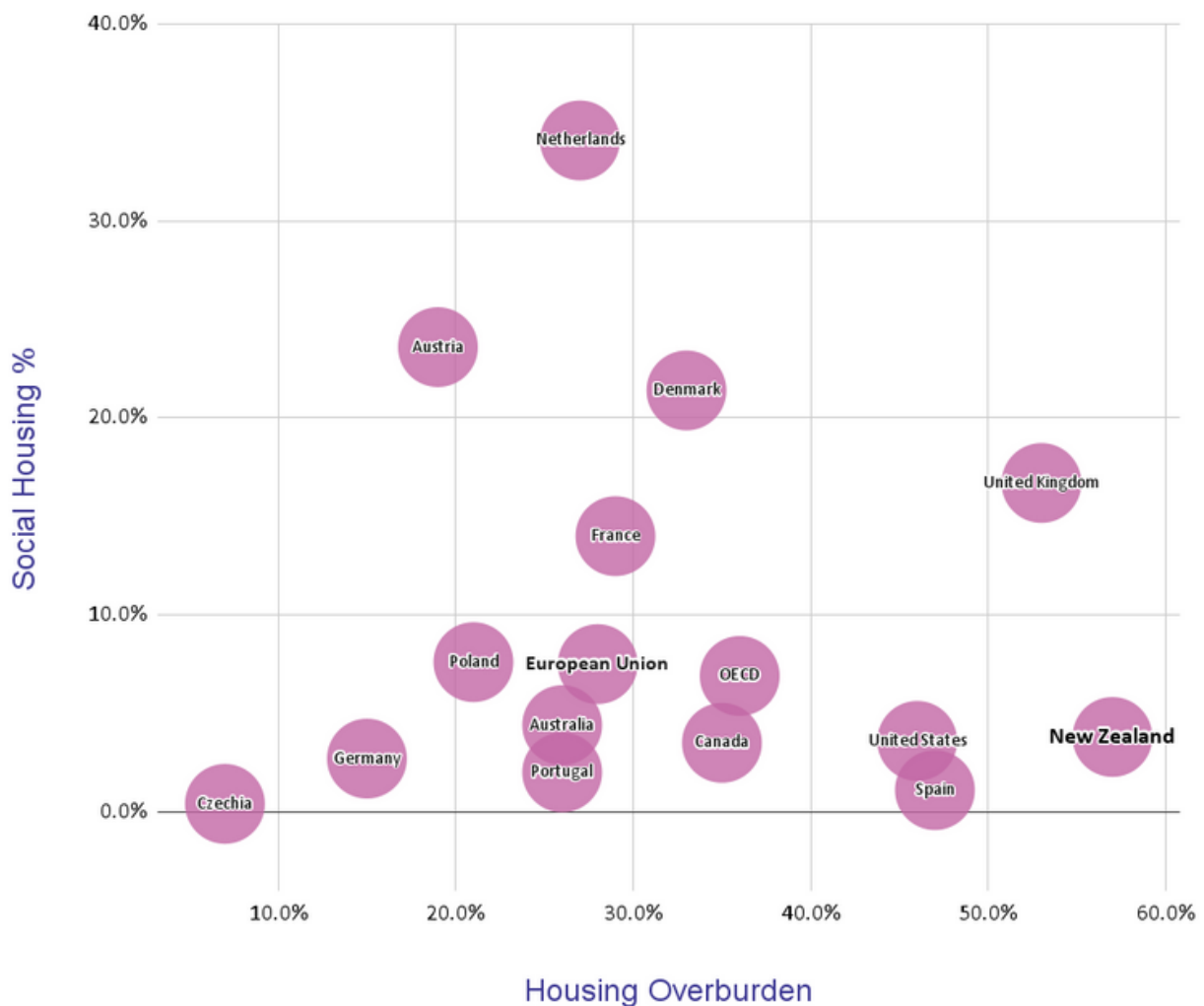
Source: OECD Affordable Housing Database

Housing Cost Overburden

The OECD database compares countries regarding the affordability of housing using the 'Housing Cost Overburden' measure which is the share of the population in the bottom quintile (20%) of the income distribution who spend more than 40% of their disposable income to pay for housing. In this regard, Aotearoa New Zealand has the highest percentage of households paying more than 40% of their income on housing.

Combined with the earlier data on the Public/Social Housing %, the chart below shows that not only do we have the highest level of Housing Cost Overburden for Low-Income Tenants but we pair that with a below average level of public housing ratio. It is when housing is least affordable that more public housing is needed.

OECD Housing Cost Overburden vs Housing Stock % by Country for Low Income (Q1) Tenants, 2020



Source: OECD Affordable Housing Database

International and local research on the value of increasing public housing

An OECD report in 2020 highlighted that construction and renovation of social housing can lead to a more sustainable, inclusive economic recovery; and more affordable housing systems.[27]

A report by Capital Economics in 2019, argued that the UK Government should fund the building of 3.1 million socially rented homes in England over 20 years. They argued that, over time, government debt and welfare spending would reduce as a result.[28]

Another report from University College London in 2023, argued that building public housing at scale as well as retrofitting existing stock would reduce government spending on health and welfare, stimulate the construction sector and help mitigate impacts of climate change.[29]

A 2024 report, also from the UK, by Shelter and the National Housing Federation, found that building 90,000 social rented homes a year was needed in England to address the housing crisis, and that it would actually add £51.2 billion to the economy. They also cited increased economic activity from the construction and management of the homes, savings from the accommodation benefit, reduction of the need for homelessness services, less health costs and increased employment and productivity.[30]

Oxford Economics Australia's 2023 report showed there was a gap of 190,900 social houses in Australia. They argue that closing this gap would improve productivity and health outcomes. They also argue that homes should not just be available to those in the most need but others struggling with housing costs. To fund the build programme, they argue for an economy-wide super profits tax.[31]

In Aotearoa, PWC released a report in 2023 about the lack of and need for public housing in Aotearoa. It calls for doubling the proportion of public housing stock to 7% of all housing (currently at 3.4%) and investing in an affordable rental option (instead of increasing Accommodation Supplement). They argue that there is a clear investment case for increasing public, social and affordable rentals; and great societal costs for health, education, justice and the environment if we do not.[32]

The Child Poverty Action Group (contributors to this report) released a report in 2023 calling for us to move past the idea of a minimal role for the state in housing and to lift the portion of state-owned units.[33]

Campaigns and organising

Even though public housing can respond to many of the problems with the housing system that people identify, there are a limited number of community organisations and groups dedicated to advocating for the public housing program.

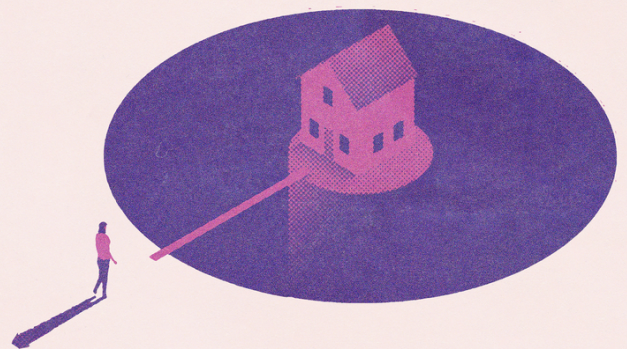
Homes for Us in the UK are campaigning for three million desirable and affordable social rental homes by 2040, making social housing the preferred way of delivering affordable homes, ending 'right to buy' to preserve council housing stocks, and giving councils power to compulsorily purchase poor-quality private rental housing.[34]

Everybody's Home in Australia has made a call for 640,000 more social homes to meet the needs of those on the waitlist, as well as those on low and moderate incomes paying more than 30% of their income on rent in the private market. They are calling on the Government to fund 25,000 social and affordable homes each year.[35]

In Aotearoa, there have been local groups who have organised around public housing including the Tāmaki Housing Group, Housing Action Porirua and others who were involved in a resistance movement against the sell-off of state housing and the state-led gentrification processes in their communities. Recently, Te Ohu Whakawhanaunga successfully organised communities to get all political parties to agree to continue to build 1000 public/state houses in Tāmaki Makaurau each year. [36]

Public Housing Futures (contributors to this report) are campaigning on the Government to build and buy enough public homes to house the 'true' waitlist and then embed a long-term commitment of increasing public housing to 20% of all homes by 2033 to house everyone.[37]

From campaigners and researchers, to governments themselves, there has been a growth of interest in public housing as a solution, after years of solutions aimed at managing or subsidising the private market failing to address the housing crisis.



**HOMES FOR
PEOPLE, NOT
FOR PROFIT.**

Source: Public Housing Futures poster
Credit: Tom Do

Our Analysis:



Why properly resourced public housing will create the conditions for thriving people and communities

In this section, we start to paint the picture of the impact that properly resourced public housing might have on people, communities, the planet and economies.

“I HAD A NEIGHBOUR WHO WAS A DOMESTIC ABUSE VICTIM. STATE HOUSING SAVED HER LIFE AND HER CHILDREN’S LIVES. IT IS A LIFELINE THAT SHOULD REMAIN.”

MĀNGERE, HOMEOWNER

“KĀINGA ORA ARE AN AMAZING RESOURCE. I HAVE LIVED IN THE WORST AND BEST TYPES OF KO HOUSING, AND ALWAYS BEEN GRATEFUL [WE NEED] MORE SOCIAL HOUSING AVAILABILITY FOR THOSE THAT NEED IT.”

CHRISTCHURCH, KĀINGA ORA TENANT

“SECURITY, STABILITY OF TENURE, AFFORDABLE, SAFE.”

KILBIRNIE, KĀINGA ORA TENANT

“PUBLIC HOUSING FOR THE WIN, BUT I’M JUST HAPPY TO HAVE A HOME AFTER BEING IN A MOTEL FOR OVER A YEAR.”

FAIRFIELD HAMILTON, KĀINGA ORA TENANT

“[MY KĀINGA ORA HOME] IS CLOSE TO SHOPS AND IS CHEAP. IT HAS BEEN A GOOD DEAL, AND I AM PLEASED WITH IT... IT ALSO PROVIDES COMPETITION TO THE EXPLOITATIVE AND MONOPOLISTIC PRIVATE RENTAL INDUSTRY (WHICH IS LOW QUALITY, TAXPAYER FUNDED GIFTING OF PROPERTY TO LANDLORDS WHO HOLD TOO MUCH POWER OVER TENANTS).”

OAMARU, KĀINGA ORA TENANT

More affordable homes for all, in more places

Properly resourcing the public housing programme and building at scale would allow the Government to extend public housing to the many people who are struggling to afford housing but are currently not eligible to apply for public housing. This includes essential workers in our cities and towns, like teachers and nurses, who are struggling to afford to live close to schools and hospitals.

It is clear that the private market is failing to house people in decent, stable, healthy and truly affordable homes that are appropriate for their needs. We have a combined waitlist and transfer list of almost 30,000, but because of the difficult application process deterring people,[38] a highly restrictive and changing eligibility criteria,[39] and a lengthy waiting time that pushes people back into unsuitable private rentals, **the true demand for public housing extends far beyond the waitlist.**

Some research has started to identify the true demand for public housing.

There were 105,747 people considered in severe housing deprivation at the time of the 2018 census.[40] On top of that, we know that there are about 330,000 ‘missing people’ from this severe housing deprivation analysis – largely people in the ‘sharing accommodation’ category who are likely staying with friends and family, sometimes in overcrowded situations, because they cannot access housing of their own.

1 in 4 renting households spend more than 40 percent of their disposable income on housing costs. We have nearly 350,000 people accessing Accommodation Supplement (AS) because they cannot afford housing costs without assistance.[42]

Therefore, the true demand for public housing might be closer to 400,000 instead of the formal waiting list of 25,389. While there will be some overlap in these statistics, with some people counted more than once, it is clear these numbers support anecdotes from a range of housing and community service workers; that the housing crisis is much larger and more severe than the waitlist already somberly reflects.

“I BELIEVE THAT WE SHOULD EXPAND SOCIAL HOUSING BY AT LEAST A NET 10,000 A YEAR UNTIL WE CAN HOUSE EVERYONE WHO WANTS IT. I WOULD LIKE TO SEE SOCIAL HOUSING EFFECTIVELY DISPLACE PRIVATE RENTALS BECAUSE SOCIAL HOUSING, UNLIKE PRIVATE RENTALS, PROVIDES LONG-TERM STABILITY AT AFFORDABLE RENTS.”

BUDGET ADVISOR, SOUTH AUCKLAND

Public housing is the catalyst of the housing system. If the New Zealand government built up the public housing stock to be 7%-20% of all housing, housing the waitlist and then opening up eligibility to more people, it would make a noticeable difference to overall housing affordability – landlords will be less able to change exorbitant rents for substandard housing because there will be a genuine alternative. It would also support people to access employment opportunities and increased incomes without having their eligibility to stay in their public housing revoked.

“GREAT, CHEAP, DECENT HOUSING BUT INCREASE THE HOUSING STOCK”

PAPAKURA, KĀINGA ORA TENANT

“WE NEED A PUBLIC HOUSING SYSTEM THAT PROVIDES HOUSING FOR ALL (HOUSING REGISTER AND NOT). THIS WOULD DRAMATICALLY SHIFT THE HOUSING PRESSURES IN THE COUNTRY IN TERMS OF REASONABLE RENTAL PRICING AND SECURITY OF TENURE AND THOSE WHO ARE NOT IN NEED OF A SOCIAL HOUSE PER SE WOULD BE PUTTING MONEY THAT WOULD GO TO PRIVATE LANDLORDS OTHERWISE BACK INTO THE HOUSING SYSTEM.”

HOMEOWNER, CENTRAL AUCKLAND

Improved health and education outcomes

Housing is a key determinant in health. [43] Research carried out in Kirikiriroa-Hamilton shows that moving from homelessness into secure housing results in improved mental and physical health, improved incomes, and reductions in offending.[44] Public housing can make a huge difference in the lives of people and families, through enabling affordable rents, providing superior quality housing to low-income private rental housing, and through providing secure tenancies. This creates the conditions for people and families to put down roots in a community, and to participate in ways that are meaningful to them.

Housing quality

There is a well-established connection between housing quality and health.[45] For example, in New Zealand in the period 2010-2017, illnesses attributable to household crowding accounted for 806 nights in hospital annually, and dampness and mould for 36,649 hospital nights.[46] He Kāinga Ora - Housing and Health Research Programme, estimates that unsafe and substandard housing costs the public sector around \$127-\$160 million annually.[47] While Kāinga Ora, and Housing New Zealand before it, have not always maintained its stock to a healthy standard, they have been working to get all public housing to meet healthy homes standards, and through new builds increasing the standard of warm, dry homes above that of the building code.

Drawing on survey and administrative data, the Social Wellbeing Agency tentatively concluded that people experience superior housing conditions after being placed in social housing, as measured by the general housing condition, the level of mould, the level of crowding, and overall satisfaction with housing.[48]

Housing stability

New Zealand research demonstrates the negative health impacts from having to move around a lot.[49] The average tenancy for Kāinga Ora is 6.6 years[50], while the average private rental tenancy is 2.25 years[51]. The greater stability of public housing allows people and families to stay put in a community and build social connections, as well as connections to education, health and social service providers. Research in Aotearoa shows that people who live in public housing have better wellbeing outcomes than people who live in private rentals, and similar outcomes to owner occupiers (as well as to private renters who have been in their home for a long time).[52]

“MY DAD HAS LIVED IN STATE HOUSING FOR MOST OF MY LIFE AND I’VE SEEN HOW IT PROVIDES STABILITY TO HIS LIFE. WITHOUT ACCESS TO STATE HOUSING, I THINK HE WOULD FIND IT VERY DIFFICULT TO MANAGE AND QUITE LIKELY BE HOMELESS.”

MT EDEN, PRIVATE RENTER

Education

A recent CPAG report demonstrated that young people are working long hours and missing school because they were helping their families pay for rent, bills and other essential costs.[53] Research by the Social Wellbeing Agency showed that children and teenagers in social housing stay in education longer compared to a similar comparison group. [54] Improving the housing conditions of children hospitalised for housing-related illness results in a reduction of days off school for medical reasons[55]; as previously noted, moving in to public housing appears to result in superior housing conditions for tenants.[56]

Looking forward

We have an ageing population, with more and more people going into retirement as renters. New Zealand Superannuation was designed assuming people would be in mortgage free homes or living in pensioner housing.[57] This is not the reality. By 2048, 40% of retirees will rent, equating to 600,000 people.[58] The lack of pensioner housing in our cities and towns is going to be felt more deeply in years to come, as the Superannuation will not keep up with increasing rents. Kāinga Ora has the opportunity here to think forward into the future and to build more housing for life that is accessible and adaptable as people age.

“LIVED IN A COLD DAMP UNHEALTHY HOME FOR 14 YEARS BEFORE BEING TRANSFERRED THIS WEEK AS MY HOUSE IS BEING DEMOLISHED ; I THINK THEY CAN DO BETTER WITH REGULAR MAINTENANCE TO MAINTAIN THE HOMES THEY HAVE.”

ASHBURTON, KĀINGA ORA TENANT

The importance of public housing for disabled people

Disabled people and whānau don't just need more housing, they also need housing that is fully accessible, and so have been calling on Kāinga Ora to make 100% of their new housing meet Universal Design standards.[59] 6% (1,446) of people on the waitlist at 31 July 2023 required a modified home. 5.5% (1,371) are priority A, defined as "at risk" with a severe persistent need for specific housing.[60] This data, however, does not account for the need to build homes suitable for not just physical disabilities, but also those with a wider range of disabilities – intellectual, chronic health, mental health and sensory, and for an ageing population.

For disabled people, the private rental market is often unsuitable, as private landlords do not allow major modifications to homes, and are expensive given lower incomes.

As stated in the Disability Connect 2021 report 'Where Will We Live in the Future':

'People living with a disability, either personally or through kinship, are because of this disability, more likely to have low incomes. In an increasingly expensive and restrictive housing market and unless the person has access to social housing, this low income is likely to translate into poor housing outcomes.'[61]

Only 5% of rental housing in Aotearoa is accessible. At the same time, Kāinga Ora has only committed to 15% of their housing being accessible, and have not been meeting these targets.[62]

Financially, building accessible homes is more expensive due to a range of factors, but doing so now saves on having to make upgrades in the future. The lack of central government support and funding to build more accessible homes means that Kāinga Ora has to balance the risk of not meeting their 15% target or have a low financial performance. This is a strong example of the inadequacies of reviewing Kāinga Ora's performance against only financial outcomes.

Overseas examples present a strong case for strengthening accessibility standards. Australia's Building Code was revised in 2022 with new standards for both accessibility and energy efficiency that recognises an ageing population.[63] In the London Plan 2021 there were provisions made for accessible and adaptable housing.[64]

"I'VE BEEN ON THE WAITLIST SINCE MY WHĀNAU WAS HOMELESS IN 2020 ... I AM AUTISTIC, HAVE PHYSICAL ISSUES AND CHRONIC PAIN, TWO KIDS WHO ARE ALSO NEURODIVERSE WITH THEIR OWN SETS OF CHALLENGES, AND THEY HAVE TO STILL SHARE A ROOM, WHEN IT'S NOT SAFE TO DO SO, I STILL SLEEP IN THE LOUNGE, WE HAVE NO YARD, SO IT'S QUITE CHALLENGING AND THEIR BEHAVIOURS GET VERY HARD TO DEAL WITH OFTEN."

INVERCARGILL, PRIVATE RENTER

With a growing number of people renting as they reach retirement, and disabled people and whānau experiencing worse housing outcomes, there is a need for more public housing to ensure people are not falling into poverty, and at the same time a challenge to Kāinga Ora to improve their accessibility policy.

Properly resourcing Kāinga Ora would mean that they could not only build homes at scale, but could make these homes fully accessible (100% Universal Design), healthy, and support people in our communities to thrive.

“ONLY A SMALL NUMBER OF THE NEWER STATE HOUSES ARE ACCESSIBLE, AND THOSE THAT ARE HAVE NOT BEEN DESIGNED AND BUILT USING SUFFICIENT UNIVERSAL DESIGN STANDARDS TO BE SUITABLE FOR PEOPLE WITH ACCESS NEEDS... [THEY SHOULD BE] 100% FULLY ACCESSIBLE AS IN LONDON, IRELAND AND NORWAY. REALISTICALLY- UNIVERSAL DESIGN TO A MODERATE STANDARD FOR THE GROUND FLOOR OF ALL STAND ALONE HOUSING AND FULLY ACCESSIBLE FOR WHEELCHAIR USERS IN MULTI STORY APARTMENTS AS IN MOST AUSTRALIAN STATES. THIS ALLOWS FOR VARIATIONS IN SIZE AND TERRAIN OF A SITE AND NATURE OF BUILDINGS.”

FLAT BUSH, RESPONDENT

Thriving Communities

Public housing, when well designed and built as part of a broader community, means people can live close to jobs, parks, public transport, schools, health services and entertainment. Public housing enables people to stay in a community longer-term without the risk of being priced out by rising rents, making our cities more equitable. This means people can be more connected to the people and places they live in, and contribute to thriving communities, towns, and cities.

When the Government is involved in building housing it is often a part of broader central and local government priorities to support better urban planning outcomes. In contrast, private developers' profit-minded decisions are less inclined to consider these broader outcomes for diverse communities, now and into the future. Kāinga Ora have the mandate to lead and be innovative in the ways they design buildings to include community spaces and playgrounds.

"THE LOCATION OF MY KĀINGA ORA HOME PROVIDES EXCELLENT READY PUBLIC TRANSPORT ACCESS TO MY GROWING MEDICAL AND REFERRAL HEALTH SERVICES' NEEDS."

AUCKLAND CBD, KĀINGA ORA TENANT

"[PUBLIC HOUSING] SHOULD BE [A] TASTEFUL DESIGN, PASSIVE ARCHITECTURE APARTMENT BLOCK. AFTER BEING BUILT IT WOULD BE MAINTAINED VERY WELL. IT WOULD HAVE APARTMENTS FOR ALL KINDS OF FAMILY SIZES INCLUDING SINGLES. IT WOULD HAVE COMMUNAL GARDENS OR A FOOD FOREST. IT WOULD HAVE COMMUNAL SPACES LIKE REPAIR SHOPS, COOKERY CLASSES, NIGHT CLASSES, SHARED PANTRY, TOOLS LIBRARY."

MĀNGERE, HOMEOWNER

"I'D LIKE TO LIVE CLOSER TO TOWN. MORE CLOSER TO JOB OPPORTUNITIES AND FOR OUR DAUGHTER. KO NEED TO PROVIDE MORE HOUSING"

WEST AUCKLAND, LIVING IN EMERGENCY HOUSING.

"GOOD LOCATION, QUALITY HOME, SECURITY OF TENURE."

CENTRAL AUCKLAND, KĀINGA ORA TENANT

Kāinga Ora, however, have not always done community-building right. In urban regeneration projects being led by Kāinga Ora in state housing areas, Crown land has been sold to developers to build private market housing. While most of these projects involve an increase in public housing numbers, the majority of the housing built is private market. This has created the conditions for gentrification (displacement of tenants, changing amenities and shops to suit middle class homeowners, and the pushing up of land values and rents as landlords capitalise on the regeneration). [65]

There are also concerns from communities about regeneration not reflecting communities that have lived there for generations – particularly Māori and Pasifika communities.[66] This has been the case in large-scale regeneration areas like Māngere, Mt Roskill, Tāmaki, Northcote and Porirua.

“I HAVE LIVED HERE FOR 32 YEARS AND MY CHILDREN ATTENDED THE SCHOOLS IN THE AREA AND I NOW WORK AT THE LOCAL SCHOOL. IT'S A GREAT COMMUNITY BUT HAS CHANGED IN THE LAST 13 YEARS WITH BIG REDEVELOPMENT IN THE AREA CAUSING THE COMMUNITY TO BE MOVED/TRANSITION AND NEW PEOPLE MOVING IN.”

TĀMAKI REGENERATION TENANT

One of the key drivers of gentrification in these areas is the selling of land to private developers to build market housing to cover the costs of rebuilding the public housing. If Kāinga Ora was properly resourced they wouldn't have to sell land and could build more and better public housing in these areas. They could also build homes that reflect the diverse communities that live in them – exploring multi-generational options, looking at how to design culturally appropriate homes; making sure that the housing is fully accessible to disabled people and families; and avoiding the private market capture of public investment into communities.

“MULTI GENERATIONAL AND MULTI CULTURAL, PLUS SOME GARDEN SPACE AND TREES MAINTAINED BY THE BUILDING OWNER I.E. THE STATE.”

PT CHEVALIER, HOMEOWNER

“I WOULD MAKE SURE THE FAMILY'S WHO NEED BIGGER HOUSES GET THEM.”

AUCKLAND, KĀINGA ORA TENANT

Another barrier to thriving communities is the growing resistance in more affluent neighbourhoods across Aotearoa to the building of public housing.[67] People have filled up halls, harassed Kāinga Ora staff, and intimidated public housing tenants in their opposition to the building of public housing in their neighbourhoods. The reasons given have ranged from the protection of the ‘character’ of the neighbourhood, to worries about crime and ‘anti-social’ behaviour, to fears more dense development will drive house values down.

While there are genuine concerns around a lack of infrastructure, transport and amenities, there are also a lot of unfair stereotyping of public housing.

As former Chief Human Rights Commissioner Paul Hunt said in an opinion piece:

“Communities have responsibilities for state housing ... to embrace suitable state houses and the people who will make them their home.”[68]

Public housing is community infrastructure, if there was an abundance of homes built as part of the community – alongside parks, public transport, schools and services – it would contribute to thriving neighbourhoods and cities.

“THE WAY GOVERNMENT LEADERS SPEAK ABOUT [KĀINGA ORA] IN PUBLIC (AS WELL AS A LOT OF MEDIA) IS SO DETRIMENTAL TO THE MANA OF THE THOUSANDS OF PEOPLE LIVING IN SOCIAL HOUSING. THERE ARE MANY ISSUES, FOR SURE, BUT NZ LIKES TO TALK A BIG GAME ABOUT EGALITARIANISM ETC BUT THE CURRENT ATTITUDE TO SOCIAL HOUSING IN THE PUBLIC ARENA IS TERRIBLE AND WE NEED POLITICIANS OF ALL STRIPES TO NOT JUST VOCALLY SUPPORT BUILDING OF THESE HOMES BUT ALSO TO CALL OUT COMMUNITY OBJECTIONS IN MANY CASES.”

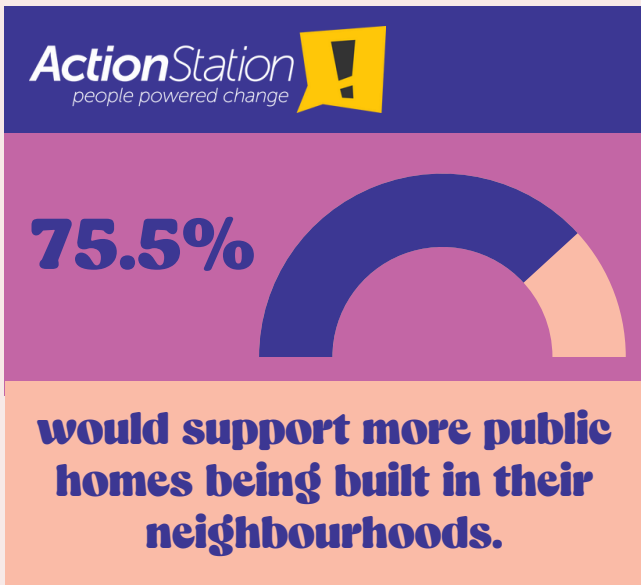
CENTRAL AUCKLAND, HOMEOWNER

“HOUSING [SHOULD] BE RECOGNIZED AS A HUMAN RIGHT, AND WE WOULD LISTEN TO THE VOICES OF LIVED EXPERIENCE TO DESIGN THE RIGHT FUTURE – SO PROBABLY NOT ME, TO BE FAIR. BUT I AM BETTER OFF LIVING IN A COMMUNITY WHERE PEOPLE ARE SAFELY HOUSED AND FREE TO TURN THEIR TALENTS AND ENERGIES TO BETTER THINGS THAN JUST SURVIVAL.”

KIRIKIROA, HOMEOWNER

While there is a perception that people don't want public housing, many people spoken to during this review process actually support more public housing in their communities.

In a recent ActionStation survey of 3410 members, 75.5% of respondents said that they would support more public homes being built in their neighbourhoods.



Source: Public Housing Futures poster
Credit: Tom Do

“MORE PUBLIC HOUSING, DISTRIBUTED WITHIN ESTABLISHED COMMUNITIES, CLOSE TO AMENITIES AND TRANSPORT, A VARIETY OF SIZES INCLUDING FOR SINGLES & OLDER PEOPLE, ACCESSIBLE, MED-HIGH DENSITY WITH GREEN SPACES NEARBY.”

TAURANGA, HOMEOWNER

Equitable transitions and climate resilience

The built environment accounts for 20% of emissions in Aotearoa and new buildings account for half of this.[69]

As well as housing having a major impact on the environment, the increased frequency of extreme weather events (including the Auckland Anniversary floods and Cyclone Gabrielle) has a major impact on housing, with people losing their homes and being displaced. This dual crisis is particularly felt hardest by low-income people and communities who are renters.

A housing system under the control of the private market means that climate solutions will mirror the current inequities in our system – the wealthy will retreat and build fortresses, private developers will continue to build unsustainably, and low-income people will be displaced with no options.

We need a stronger public sector response if we are to ensure climate solutions are accessible and democratic to low-income people and communities. [70] A public housing build programme could support a just transition more effectively than the private market. The Government has the coordination and resources to build climate resilient homes and communities, alongside green infrastructure.[67]

Kāinga Ora have already been responding to this[68] as well as leading the way with experiments in carbon-neutral housing, solar panels, and connecting to ngahere (forests). Building more public housing in our cities, as we build up to avoid urban sprawl, also ensures that the benefits of density (walkability, close to transport and amenities) are not just available to those who can afford it, but widely available to people of all incomes.

Public housing would be good for everyone.

Public housing is infrastructure for care, connection, social cohesion and contribution. Building more public housing, in more places, and making it more available to more people (increasing the stock as a percentage of overall housing and expanding eligibility) will have a greater impact on addressing the housing crisis than the current private market policy proposals. Alongside supporting a Te Tiriti-based housing system where Māori have tino rangatiratanga of their homes, the Government could actively address the housing crisis.

“ALL RENTS SHOULD BE INCOME-RELATED RATES (NO MORE THAN 25% OF TENANT INCOME). MANY MORE STATE HOUSES. BETTER SERVICE FROM PROPERTY MANAGERS. MORE COMMUNAL LIVING. MORE HOUSES FOR SINGLE PEOPLE AND MORE FOR LARGE FAMILIES.”

INVERCARGILL, PRIVATE RENTER

Story from the advocacy frontline

I have not lived in state housing. But as a financial mentor in South Auckland I see people most working days who are either in state housing or in emergency or transitional housing and trying to get into stable social housing. **So my experience is: There is simply not enough state housing!**

Even whānau with kids in motels who are rated A20, the highest possible priority, often sit in motels for months and sometimes years before a Kāinga Ora house becomes available, and anyone rated less than about A18 or A19 has virtually no chance of getting a house. Motels are clearly not suitable places for whānau to live, and even transitional housing is unsuitable because whānau are reluctant to get jobs or place their kids in local schools because they could end up being shifted miles away from the area at any moment. The budgets we do for people show that the vast majority of people in emergency or transitional housing can't afford to rent in the private market, so we desperately need far more social housing. **Kāinga Ora is the only social housing provider in this country that is big enough to build the huge increase in social housing that we require.**

Kāinga Ora has become a far more supportive landlord than it used to be. Under the former National Government (2008-17) it was under pressure to push tenants out as soon as they got jobs and started paying market rents, or if they damaged properties or disturbed neighbours. Under Labour (2017-23) this changed completely. Kāinga Ora has employed far more tenancy managers and changed their title to "housing support managers" with an explicit brief to support their tenants with their social and financial problems. Housing support managers now do whatever is required to support their tenants, including taking them to appointments with financial mentors like us and with Work & Income and other agencies. In my experience, **Kāinga Ora housing support managers now do more social work for their tenants than their counterparts at some private sector community housing providers.**

Kāinga Ora takes many tenants who will not be housed by anyone else, such as refugees, ex-prisoners, gang members and people battling alcohol, drug and gambling addictions or other mental health issues, and now provides the social support that they need to maintain stable housing - a vital pre-requisite enabling them to care for their families and contribute positively to the community. Kāinga Ora is open to anyone without discrimination. Some whānau from non-Christian religions or no religion may feel uncomfortable living in social housing run by Christian charities; and some feel stigmatised if they are placed into housing run by charities for the mentally ill or intellectually disabled. Kāinga Ora is much more "mainstream" in our society and, although it has its own stigma issues, the whānau that we see are almost universally keen to live in Kāinga Ora housing because it is affordable and offers long-term stability that enables whānau to put down roots in a local community.

I believe that we should expand social housing by at least a net 10,000 a year until we can house everyone who wants it. I would like to see social housing effectively displace private rentals because social housing, unlike private rentals, provides long-term stability at affordable rents. I believe social housing rents should be fixed at 25% of the jobseeker benefit plus family tax credits for each whānau regardless of their income so that everyone has the best possible incentive to earn more if they can.

Story from public housing

This is my story of the day I had my first meeting with Kāinga Ora/Housing New Zealand after being homeless for 7 years.

On that day, in 2015, my day began as normal. I woke up in my sleeping spot, tidied up, put away my gear and went for a shower at a friend's place. By chance, he was having an inspection by his KO/HNZ tenant manager so I had to be quick and be gone before his inspection started, but to no avail. She turned up while I was there and my friend introduced me to her, and then she began her inspection of his home.

At this moment, I plucked up the nerve to approach her with my dilemma of being homeless and on their waitlist for years. She proceeded to ask me a lot of questions and then asked if I had a number I could be contacted on, and that she would have my situation sorted by the end of the day.

I didn't think much of it, so I got on with my day. Lo and behold she got back to me that day and had good news for me. She had a home for me and if I wanted we could look at it the next day.

I jumped at it and we made an appointment to meet up, and the rest is history. **9 years on, I am still in that home and thriving because of that chance meeting and now every interaction I have with KO is so positive, I can't thank them enough.**

For the future and beyond I would like to see the end of greedy governments, greedy landowners, greedy landlords etc. I would like to see governments' mindsets change towards the public housing sector, and to implement a model based on what I've seen in the Netherlands, Denmark etc public housing sectors where more people live in public housing.

I grew up in the 70s and 80s where we lived in public housing and we were right smack in the middle of wealthy areas, and we all got along living side by side and there were no judgments.

Kia ora

Why the Government has a responsibility to build public housing (no to cuts and privatisation!)

The dangers of private investors and landlords in the social housing market

The under-resourcing of public housing by successive governments has left a gaping hole which the private market is filling. Globally, and in Aotearoa, we are seeing the growth of private investors being involved in social and affordable rental housing – and the loss of long-term, stable public rental housing as a consequence.

While the focus of this paper is on expanding public housing, it does not exclude other decommodified and decolonial models of housing which should be supported to flourish. This includes whānau, hapū and iwi housing which the government must provide legislative and resourcing support for, local council housing, and community-led housing. The issues raised in this section of the report is around the increasing role that private market actors – through landlords, investors and developers – are playing in social housing, all the while accessing government subsidies. And to provide some warning against the risks of privatisation by stealth, under a Government who intends on widening the social housing market.

Housing Minister, Chris Bishop, has been making renewed calls to break up the monopoly of Kāinga Ora and support a “social housing” market able to compete. [73]

The previous National Government’s Social Housing Reform Programme, opened up the Income Related Rent Subsidy (IRRS) to registered community providers, and supported large-scale transfers of the state housing stock. Many community providers at the time resisted this, as they did not have the resources to take on existing state housing or build new houses.[74] Two large-scale transfers ended up taking place – one to the Tāmaki Regeneration Company (TRC) jointly owned by Auckland Council and the New Zealand Government, and the other in Tauranga to Accessible Properties.

While the “sell off” of state housing to third party providers did not continue under the previous Labour government, the community housing sector has grown over the past 10 years. Larger NGOs and charity Community Housing Providers (CHPs) have been in the best position to benefit from these new policy settings as they are able to leverage different financial arrangements. There are currently no rules preventing for-profit private investors from registering as a community housing provider, but private investors often team up with a community provider to construct new social housing.

An example of these sometimes complex private-public partnership relationships is the Ted Manson Foundation, headed by developer and philanthropist Ted Manson (who owns one of the largest private development companies in the country), who invested in building a mixed-tenure development in Glen Eden, Tāmaki Makaurau. The foundation retains ownership of the 90 social housing units but signed a 25 year lease with the Ministry of Urban Development. The social homes are managed by Homes in Place (previously Compass Housing), which is the local arm of one of Australia’s largest social housing providers, who access Income Related Rent Subsidy.[75] While this arrangement has added to the housing stock, and housed people on the waitlist, there is no guarantee that after the lease is up that these homes will remain socially rented.

There is a growing number of property investors aware of the benefits that might arise from investing in social and affordable rental housing – and a political climate which will be favourable to this. This risks the government shrinking their responsibility to house people in favour of subsidies to a growing social and affordable rental housing financial complex with multiple players and little guarantee for long-term, stable housing for those who need it.

Ngāti Awa Social and Health Services chief executive Enid Ratahi-Pryor recently highlighted these concerns:

“I’m hesitant about anything that incorporates private investment in the social sector, the only people that should be investing in the social sector is Government, Kāinga Ora, who should be building more homes and should be building faster”.[76]

Private investment in social housing risks future privatisation when it is no longer seen as profitable. There is a global trend towards venture capitalists and mega landlords investing in social and build-to-rent housing, often accessing subsidies from the government to do so, at the cost of people’s wellbeing. While we need to build more affordable rental housing, there is growing evidence from overseas that highlights the risk of these private market actors.[77] In the US this has led to an increase in rents and a worsening of conditions for renters as landlords seek to profit from the affordable rental crisis. [78] In Australia, where there is growing interest for private and superannuation fund investment in social housing, policy experts have warned that this might lead to massive government subsidies to the private market at the risk of not building the public housing needed.[79]

The proposed shifts by the current National Government to allow overseas investment in the build-to-rent housing sector, alongside their desire to reduce Kāinga Ora’s role to one of many in a social housing market, signals a shift towards these global trends.[80]

Kāinga Ora, as the public housing provider, must not be reduced to just another provider at the expense of people and families being housed. The use of private market players in providing and building public and affordable rental housing means public money going into the hands of investors and landlords who do not have the same obligation as the state to provide long-term, stable housing.

Private landlords are not the answer

Alongside encouraging private investment in social housing, there are also calls being made to increase the role of private landlords in housing people currently accessing emergency housing. Private landlords already have the ability to lease to Kāinga Ora or to a registered CHP, but the National Government has signalled using social bonds, alongside their no-cause evictions, to encourage property investors to house people living in emergency housing. This means more public money going to landlords in the absence of sufficient public housing, and a situation which advocates have highlighted risk increasing homelessness.

Many people in emergency housing are there because they cannot afford private rentals. The Productivity Commission warned the Government in 2012 that:

“Excessive reliance on the private rental market to accommodate former HNZC tenants may undermine the improvement in wellbeing that has been achieved for those tenants through state housing.”[81]

As has been mentioned, there is already a heavy reliance on private landlords to house people who should really be in public housing (but may not be eligible) through the Accommodation Supplement (AS) subsidy. In December 2023, AS was paid to 366,426 people, with an additional 92,047 receiving temporary additional support for “essential living costs”.

The failure of the private market to provide affordable rental housing, in a context where we have some of the most expensive rents in the OECD, makes a strong case for why the Government needs to be building more public housing rather than simply subsidising landlords. [82]

“MAINTAIN IT FOR THE FUTURE, FOR FUTURE FAMILIES”

CHRISTCHURCH, KĀINGA ORA TENANT

The Government have coordination and scale

The construction industry is in a constant cycle of boom and bust. During times of construction lulls, Aotearoa is losing its workforce to Te Whenua Moemoeā Australia. Public housing, however, can act as a counter-cyclical stabiliser. The building of public housing at scale in Aotearoa has been identified by economists as a way to smooth the boom-bust cycle that the construction industry is known for.

This helps to maintain the construction workforce and to avoid the development of materials bottlenecks as the industry moves from a bust period into a boom.

Gareth Kiernan from Infometrics argued in response to COVID-19 and the economic downturn that:

“With twin aims of providing housing for those who cannot afford it and keeping more people in employment, the opportunity to boost state housing volumes is a clear area of investigation for the government.”[83]

There is currently a downward trend in consents. In January 2024, the number of consents were down 26 percent from the year ended January 2023.[84] The Government ensuring a long-term, large-scale public housing build and retrofit programme could sustain workers while also addressing the housing crisis – and the many adverse impacts it has on the economy. This will require, however, a need to address the real resource constraints in the short-term, including the availability of labour and materials.

Kāinga Ora have the scale and coordination to explore and embed new innovative production methods, and to provide certainty to the construction sector that they can rely on the government to maintain a certain level of demand. Kāinga Ora’s Housing Delivery System, which involves getting people around a table and on the same page early, is reducing build times and is being received positively in the private sector. Jennian Homes Christchurch operations manager Paul Jenkins when asked about Kāinga Ora said

“They’re making the industry in Christchurch better, in my opinion, they’re doing best practice, they’re making us accountable for what we do ... personally I think it’s industry leading.”[85]

While Kāinga Ora can support the construction industry and job creation in times of bust, the Government should also be building capacity to do more in-house.

In a report calling for a Ministry of Green Works, with accompanying resources for Māori to give effect to Te Tiriti o Waitangi, the argument is made for the government building housing and green infrastructure directly by employing core staff to carry out the projects which minimises the costs associated with contracting out to the private market.[86]

Kāinga Ora is being presented by the current government as becoming too big, with too many backroom staff. While they have significantly expanded their staff, this has been in response to ramping up the public housing build programme at a scale not seen since the 1930s, and taking on more responsibilities. This required an expansion of staff to be able to oversee the urban development and infrastructure side of their projects. Public housing here, and internationally, have histories of being places where architects do their best work, and Kāinga Ora have been slowly building their design teams in-house. Rather than any cuts to staff, there should be an expansion of public sector jobs – able to design and deliver world-leading public housing.

The Crown, as Te Tiriti o Waitangi partners, have a responsibility to support Māori housing outcomes

Māori homelessness is directly connected to ongoing colonisation and the dispossession of Māori from their kāinga (homes) and whenua (lands). In calling on the Government to properly resource Kāinga Ora and build more public housing, this must happen alongside support for whānau, hapū and iwi-led housing.

In a paper, *Transformative Housing Policy for Aotearoa New Zealand*, a briefing note by Dr Helen Potter is referenced which talks about giving expression to tino rangatiratanga (Article Two) and equity (Article Three) in Te Tiriti o Waitangi – and this meaning whānau, hapū, marae and iwi must determine the types of housing that meets their needs; and that the Crown, as Treaty partner, is responsible for facilitating these housing options.[87]

Around a third of Kāinga Ora tenants, and half of the waitlist are Māori, so decisions by the Crown regarding public housing impact on Māori. Preliminary findings of the Waitangi Tribunal have found that the Crown breached Te Tiriti o Waitangi when it comes to housing.

The Stage One report for Wai2750 - Kāinga Kore, states that:

“[T]he Crown breached the Treaty by its failure to adequately consult Māori over its definition of homelessness in 2009. Then, over the following seven years, the Crown did practically nothing to address Māori homelessness. It developed a Māori housing strategy that it did not implement, allowed the relative provision of social housing (on which Māori heavily rely) to decrease, and toughened access to the social housing register. All the while, problems of housing affordability were worsening.”[88]

The Crown has a responsibility, as Te Tiriti partners, to support the tino rangatiratanga of Māori when it comes to housing outcomes. Whether this is returning land, legislation and financial support for whānau, hapū, marae and iwi housing, or setting up a Māori Housing Authority.[89] Alongside this, the Crown has a responsibility to make sure its Crown entities and services are equitable for Māori, this could look like Kāinga Ora building more culturally appropriate public housing,[90] building enough public housing in our cities and towns so Māori can move freely between the place they live and their kāinga whenua, or partnering on different projects.

Under the Kāinga Ora–Homes and Communities Act 2019, Kāinga Ora have an obligation to engage with Māori. In 2020, Te Kurutao (Kāinga Ora’s Māori unit), developed an interim Māori strategy called Te Anga Whakamua, and in 2021 they released their Kāinga Ora Māori Strategy 2021–2026[91] and have been working on ways to support hapū and iwi Māori into secure homes, and provide avenues for partnering with Māori on housing developments working within the MAIHI Partnership Programme partners in HUD and Te Puni Kōkiri.

There are also Kāinga Whenua loans – a loan scheme between Kāinga Ora and Kiwibuild which is intended to support Māori with building housing on their lands. This programme, however, has some limitations as it does not provide the kind of legislative and financial support needed to support Māori political authority over housing.[92] Kāinga Ora in their Public Housing plan 2024-25 have said they will continue to engage in place-based and MAIHI approaches, for example, partnering with iwi and Māori on solutions and delivery. [93]

This ongoing work requires a commitment from the Crown, to do everything within their sphere of influence, to support the best housing outcomes for Māori. The decision by the current National-led Government to dis-establish the Māori Housing Minister and associate minister of housing (homelessness) role, and to repeal of the Spatial Planning and Natural and Built Environment Act which had specific Te Tiriti o Waitangi provisions, and their attacks on Te Tiriti and co-governance – is working against the small amounts of progress that have been made in this space.[94]

“KĀINGA ORA SHOULD HELP WHĀNAU RECONNECT WITH HAPŪ AND THEIR IWI ... GOVERNMENT MINISTRIES ARE ACTUALLY QUITE HOPELESS AT LOOKING FOR LONG TERM, SUSTAINABLE SOLUTIONS FOR MĀORI HOUSING SPECIFICALLY AND MĀORI GENERALLY.”

ROTORUA, LIVING IN TEMPORARY HOUSING

Why we can afford to build more and better public housing (and can't afford not to!)

The Government starved Kāinga Ora of capital

Successive governments have under-resourced public housing by not injecting enough direct capital into Kāinga Ora to build at scale. This has meant that Kāinga Ora has had to borrow and take on private debt to maintain existing stock and build new public housing.

The creation of Kāinga Ora - Homes and Communities in October 2019, came with new responsibilities beyond being a public housing landlord and an urban development agency. This new mandate did not, however, come with larger budgets. The new responsibilities included large scale urban development projects and renewing that stock which was expected to be paid for by income related rent subsidies, borrowing from private debt markets, and \$3 billion dollars from the sale of Crown land.[95]

The question around Kāinga Ora debt has come up in debates leading up to the Government's review of Kāinga Ora. While Kāinga Ora has more debt, they also have been scaling up their maintenance and build programme. Between 2019 to 2022 Kāinga Ora saw a rapid increase in overall debt – all of which was borrowed from the market. Over this period the organisation's borrowing grew by 177% or \$6.3 billion to \$9.8 billion. This borrowing correlated with an expansion of Kāinga Ora's housing stock by 8,000 homes. It also included increased spending on property maintenance, and preparation of urban land for redevelopment.[96]

In 2022 there was a decision to switch to using Crown debt rather than borrowing directly from private debt markets. In 2022, the Government started lending more to Kāinga Ora after more than a decade of a stable Crown debt ceiling of \$1.9 billion. In that year the Government increased its lending to Kāinga Ora to \$4.6 billion. In Budget 2023, the previous Labour Government only committed to building 3000 extra public houses, with no further funding beyond 2025.[97]

Kāinga Ora debt can be attributed to successive governments under-resourcing and under-maintaining public housing, meaning the previous Labour Government had to play catch up. This is combined with Kāinga Ora having been expected to borrow money from the private market for maintenance and for large-scale urban redevelopment projects.

The lack of long-term capital investment in public housing has been a political choice. Kāinga Ora should not have ever been made to borrow from private debt markets, and they should have never sold Crown land to pay for renewing the stock. A public housing programme able to make a dent in the housing crisis, and meet the needs of current and future tenants, requires significant long-term capital investment from the Government.

Public housing pays off

Investing direct capital into maintaining, building and acquiring public housing now will have ripple effects in the long-term future.

Paying up front for the construction of more public homes will save money in the future by reducing public spending. International reports mentioned earlier in this report have shown that an investment in a scaled up programme for public housing will in the long-term create savings in welfare, justice and health.

The Social Wellbeing Agency released the Social Housing Technical Report in 2017[98] and an updated report in 2018[99], looking at the economic and social impacts of social housing. These studies went some distance to quantify the value of social housing but there are limits to the data. Even without the full picture, we know that building public housing at scale so that it is a bigger portion of the housing stock, and opening up eligibility to more people, would help to reduce public spending in other areas – as the waitlist clears and more renters live in public housing.

The Government is forecasted to spend 2.5 billion on accommodation assistance in 2024.[100] An up-front and long-term capital investment in building lots of public housing would reduce the need for this spending in the future. There will also be significant health savings, if Kāinga Ora continues to be resourced to build healthy homes, and retrofit existing housing.

The more public housing stock we have, and the more people who have access to it, will increase the pool of renters able to contribute to the public housing budget. Instead of workers putting half their pay check to pay off someone else's mortgage, the rent will go towards maintaining and extending public housing for people in our communities.

Further research is needed to show the long-term savings, economic value and costs of a scaled up public housing programme with a generous eligibility, and what this will do to reduce the significant amounts of public money being poured into the private market which band-aids, rather than addresses, the housing crisis.

“HIGH PUBLIC INVESTMENT IN PUBLIC HOUSING, HOUSING THE MAJORITY OF THE POPULATION (WITH ANY REMAINING PRIVATE HOUSING BEING OWNED BY RESIDENTS RATHER THAN LANDLORDS), ELIMINATING HOMELESSNESS, FOSTERING COMMUNITY GROUPS AMONG RESIDENTS. USED TO PROVIDE OTHER PUBLIC SERVICES, DEMOCRATICALLY RUN, NEAR URBAN AREAS AND PUBLIC TRANSPORT, LOTS OF GREEN SPACE.”

MT COOK, PRIVATE RENTER

Conclusion



There is compounding evidence of private market failure when it comes to housing in Aotearoa. Public housing, as stable and affordable rental housing, has always been the antidote to this. Yet, we have seen successive governments neglect, under-maintain and not invest adequate resources into the building and maintaining of our public homes. There has been a lack of care, commitment, and consistency from governments when it comes to public housing, and at the same time a clear choice being made to pour resources into the private market.

This report has highlighted the important role public housing can play, if properly resourced and made available to more people, in transforming the lives of people, communities and our economy. It has explored the renewed calls internationally to build public housing at scale to address the social, environmental and economic crises we're facing, and how investing in public housing now will actually save the government money in the future.

Public housing is the catalyst. It can help to make sure everyone has a decent and affordable home, it can improve our health and wellbeing – and future proof our housing for disabled people and an ageing population. It can help to build thriving communities where people can put down roots and be more connected. It can support a just transition, and it can create more equitable outcomes for everyone.

This report also highlighted why the government is in the best position to be able to deliver housing at scale, and some of the dangers of relying on the private market to increase affordable rental housing. This report demonstrated that the reason for Kāinga Ora's financial situation is because of the years of neglect for the public housing programme, and the amount of catch up it has had to do.

We have highlighted that Kāinga Ora's re-entry into building public housing has had teething issues, but that with enough resources, they could scale up their build programme, and make sure that the homes are beautiful, accessible, sustainable, and reflect the many communities where they are built.

We urge the government to consider the vast benefits of the state having a stronger role in the ownership and provision of rental housing. And we call on them to have a long-term vision for public housing, with the commitment and consistency to build enough public homes to end the waitlist, and to then build enough homes for everyone.

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Appendix



A review of Kāinga Ora's financial position

Introduction

This paper considers the financial health and wellbeing of the New Zealand Government's public housing agency – Kāinga Ora – Homes and Communities. It has been written as a resource for the Peoples' Review of Public Housing which will run between April and September 2024.

As a background resource this paper has two aims.

- To provide an analysis of Kāinga Ora's financial position based on publicly available information.
- To document the genesis of this financial position from political decisions taken by previous governments between 2016 and 2023.

This paper has been developed from the premise that publicly owned and provided affordable rental housing is an essential part of a housing system which is fair and just and that such ownership and provision can be economically efficient. In accepting this premise, the paper attempts to assess Kāinga Ora's operational shortcomings and critically examine the way two governments have approached the challenge of directing and supporting Kāinga Ora and its predecessor Housing New Zealand.

Background

In June 2022, Kāinga Ora's Chief Executive Andrew McKenzie warned the Ministers of Housing and Finance of the organisation's operational challenges and its difficult financial position¹. The challenges identified in this advice included.

An aging public housing stock of which 45,000 houses will require major refurbishment or be replaced over the next 20 years.

Surging constructions costs in the post-COVID era making it difficult to maintain the volume of maintenance required for these renewals.

A capital funding problem which was compounded by high levels of debt, rising interest rates, high construction costs and inadequacy of future rents to fund these during the lifetime of the assets.

At that time, many of Mr McKenzie's concerns were easily apparent although these seemed to have been ignored by Government officials.

The Labour Government's response to this advice was somewhat muted and did not signal any substantial change of heart in the way it saw Kāinga Ora operating or the future of public housing. In the Budget 2022 the Government – through Treasury documents – announced changes to Kāinga Ora's debt ceiling and to how it could borrow,² and in the 2022/23 financial year the Crown provided a further \$219 million in equity. During that same year Kāinga Ora's borrowing grew a further \$2.6 billion in line with these new settings so it was very much business as usual despite the organisation's warnings.

The context of Mr McKenzie's warning is considered in some detail in the analysis offered in this paper. Essentially it comes from Kāinga Ora's inadequate capital base and the ambition of the previous

¹ Kāinga Ora (2022) *Update on Kāinga Ora Financial Sustainability* – a briefing to the Ministers of Housing and Finance – 17 June 2022.

² See Treasury (2022) *The Supplementary Estimates and Appropriations 2022/23* p.521

Labour-led Government to turn Housing New Zealand into an urban re-development agency. This ambition was never funded and instead Kāinga Ora was expected to fund expensive urban infrastructure upgrades, particularly in Auckland, off its balance sheet or through land sales. In other words, to fund extensive re-developments and stock replacements, it was expected to privatise public land or to borrow more money. The cost of this additional borrowing as well as the additional staff to undertake the redevelopments was to come from the subsidies the Crown paid Kāinga Ora to run social housing. In his advice in June 2022, Mr McKenzie argued that this was not feasible especially given rising constructions costs and interest rates.

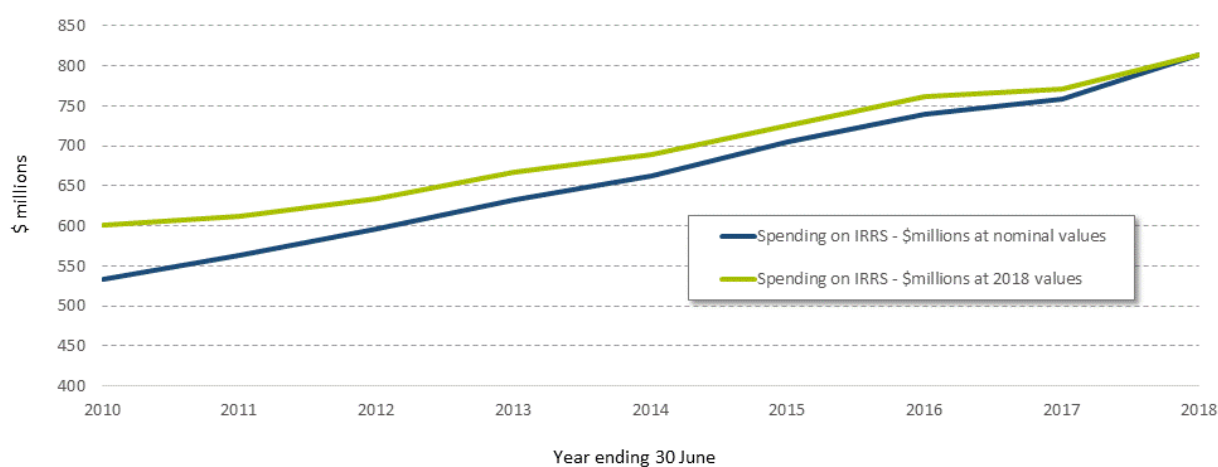
A brief history

Kāinga Ora – Homes and Communities was formed in October 2019 with the renaming and rebranding of Housing New Zealand. This change apparently ‘marked the beginning of a step change in housing and urban development in New Zealand’. The newly re-named organisation had a legislative mandate to ‘go beyond being a social landlord or urban development agency’ so as to have ‘a much larger impact on New Zealand and the quality of New Zealanders’ lives’³. As discussed below most of this wider mandate did not come with larger budgets.

Prior to the advent of Kāinga Ora, the organisation was known as Housing New Zealand and before October 2017 and for the preceding nine years it was under the stewardship of the Fifth National Government of John Key and Bill English. During this stewardship, Housing New Zealand was moderately well supported operationally but run down in terms of its asset base. This history is shown in the following graphs for period 2008 to 2018 which includes the period (July 2010 to June 2018) over which the National-led government determined Housing New Zealand’s budgets and performance expectations.

Figure 1 reports spending on income related rent subsidies (IRRS) through Housing New Zealand for the period between 2010 and 2018. This data is reported in nominal and real terms (at 2018 \$ values). In real terms the cost of IRRS payments rose 35% over this period from \$533 million to \$814 million

Figure 1: Spending in income related rent subsidies through Housing New Zealand – 2010 to 2018⁴

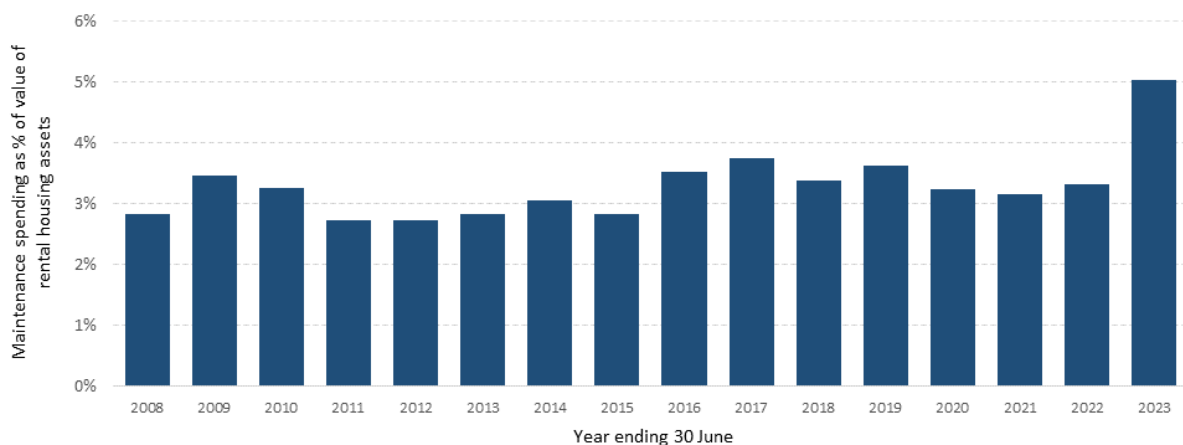


³ Kāinga Ora website at https://kaingaora.govt.nz/en_NZ/about-us/who-we-are/

⁴ Source Housing New Zealand and Kainga Ora Annual Reports

Figure 2 reports spending on repairs and maintenance on Housing New Zealand’s/Kāinga Ora’s rental housing stock as a proportion of the value of the book value of the buildings of this stock⁵. This graph covers the 16 years between 2008 and 2023 so includes spending for the five years of management by Labour led governments. This data shows that for the nine years between July 2009 and June 2018 maintenance spending as a proportion of building value averaged 3.1%. By comparison the average during the five years of Labour’s management was 3.7% although this was weighted up by the spike in spending during 2022/23. Overall spending on maintenance on the public rental housing stock was comparable between the two administrations.

Figure 2: Maintenance spending as a proportion of value of the rental housing stock – 2008-2023⁶



In June 2008 Housing New Zealand owned or leased 68,644 homes while in June 2023 Kāinga Ora owned or leased just over 72,000 homes including transitional housing units. An increase of 3,400 dwellings over 16 years. Over this period New Zealand’s housing stock grew by 360,000 dwellings⁷ and public housing’s share of this stock sunk from 4.1% to 3.5% which is close to the lowest stock share in 50 years. Figure 3 reports changes in the stock of public housing between 2008 and 2023.

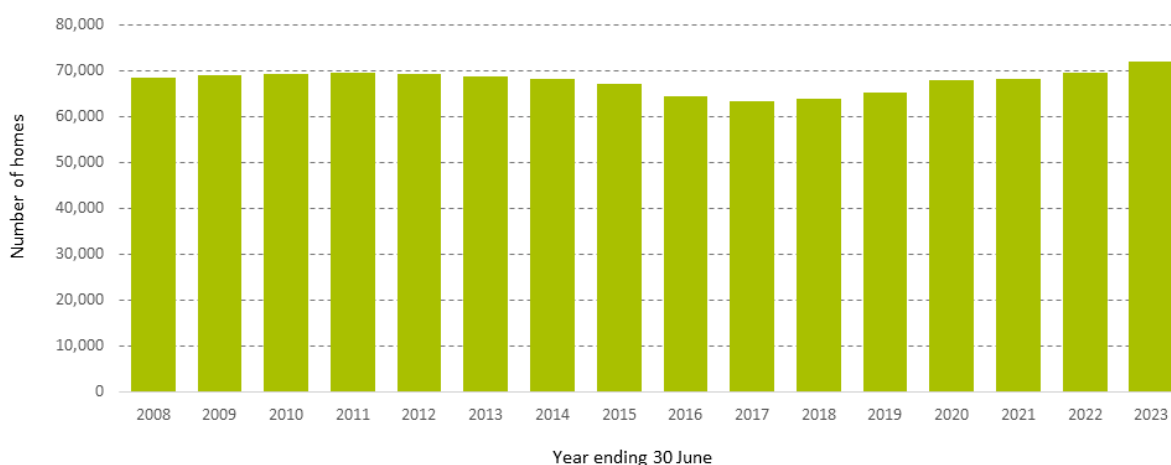
The public housing stock declined under the Fifth National Government from almost 69,500 units in June 2010 to just less than 64,000 units in June 2018. Half this decline was due to a stock transfer to the Tāmaki Generation Company. This organisation remains jointly owned by the Crown and Auckland Council. A further 1,138 dwellings in Tauranga were sold in 2016 to Accessible Properties – a privately controlled community housing provider. Since June 2018, and under the stewardship of the Sixth Labour Government, the stock of housing managed by Kāinga Ora grew by more than 8,000 dwellings. Almost 2,400 of these dwelling were transitional housing units.

⁵ The basis of this measure is that spending on repairs and maintenance is related to the value of the buildings being maintained. While there are no agreed ratios for such spending as a proportion of building value if this ratio is falling over time there are valid concerns that the asset is being run down.

⁶ Source Housing New Zealand and Kainga Ora Annual Reports

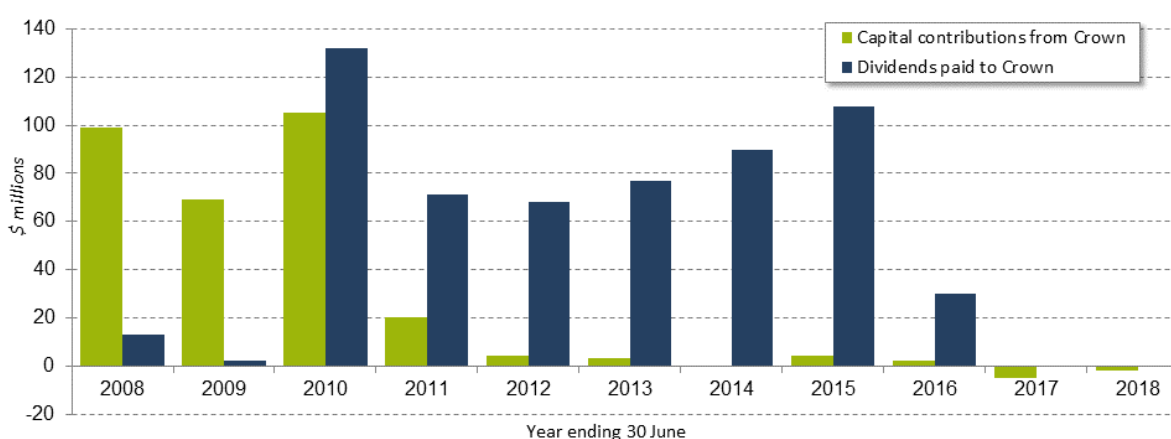
⁷ Statistics New Zealand’s Housing and Dwellings Estimates

Figure 3: Number of homes owned or managed by Housing New Zealand/Kāinga Ora – 2008-2023



During the time of its stewardship of Housing New Zealand, the Key-English Government drew \$576 million from Housing New Zealand in dividends and contributed \$131 million in additional capital. These flows are reported in Figure 4 for the period 2008 to 2018.

Figure 4: Capital contributions to and dividend payments from Housing New Zealand - 2008 to 2018



During 2015/16 and as part of the transfer of 2,700 rental units to the Tāmaki Regeneration Company the Crown withdrew \$1.632 billion in capital from Housing New Zealand. This had a net effect of lowering the Crown’s equity in the state-owned enterprise by \$232 million. During the period of the National Government’s political management of Housing New Zealand, the Crown’s equity stake moved from \$3.761 billion in June 2010 to \$3.555 billion in June 2018. This change largely reflects the value of the Tamaki transfers.

In summary the Fifth National Government’s stewardship of Housing New Zealand which ran from July 2010 to June 2018 can be characterised by the following four outcomes.

1. Operational support through income related rent subsidies grew 35% in inflation adjusted terms.
2. Spending on repairs and maintenance averaged 3.1% of the value of the rental housing stock.
3. The number of publicly owned rental housing units declined by around 2,700 units.
4. The Crown withdrew \$576 million in dividends from Housing New Zealand and provided \$131 million in extra equity.

Kāinga Ora's recent operating environment

Kāinga Ora – Homes and Communities was created in 2019 as a social housing landlord and an urban re-development agency. From available records, Government operational support for the urban re-development function appears to have been limited⁸. Rather, the Labour Government's urban re-development ambitions were expected to be paid for by subsidies for social housing provision, borrowing by Kāinga Ora and \$3 billion⁹ in sales of public land. None of this was explicit in the early Statements of Performance Expectations between the Government and Kāinga Ora Board. The current financial position of Kāinga Ora can largely be attributed to these policy settings.

A summary of Housing New Zealand's revenue and expenditure for the six financial years prior to 30 June 2023 is presented in the table below.

Table 1: Housing New Zealand | Kāinga Ora's revenue and expenditure (\$millions)- 2018 to 2023

Year ending 30 June	2018	2019	2020	2021	2022	2023
Revenue from non-exchange transactions						
Rental revenue - Crown IRRS	814	880	959	1,044	1,128	1,151
Rental revenue - tenants - income related rents	350	368	386	390	420	469
Other revenue from Crown appropriations	94	102	103	115	107	142
Revenue from exchange transactions						
Sale of developments	0	15	58	64	166	141
Rental revenue from tenants at market rent	48	49	51	41	47	57
Lease income	0	0	0	26	46	61
Interest revenue	12	14	21	25	21	42
Other	20	23	36	18	16	9
Total operating revenue	1,338	1,451	1,614	1,723	1,951	2,072
Expenses						
Repairs and maintenance	319	366	359	418	460	630
Depreciation and amortisation	259	287	301	337	407	433
Interest expense	84	106	135	162	203	344
People costs	127	152	176	201	296	340
Rates and water rates	150	160	171	183	199	231
Cost of land sold				61	161	146
Third-party rental leases	53	51	67	71	68	73
Grants	81	84	78	80	38	63
Other expenses	112	143	206	169	228	284
Total expenses	1,185	1,349	1,493	1,682	2,060	2,544
Other gains/losses						
Loss on asset write-offs	-33	-60	-84	-86	-69	-100
Impairment of property under development	0	0	-70	-62	-91	-15
Gain/loss on disposal of assets	5	-6	7	7	-5	-9
Total other losses	-28	-66	-147	-141	-165	-124
Operating surplus/deficit before tax	125	36	-26	-100	-274	-596

A number of elements within these results are discussed below in some detail. In summary, and over the five years of Labour's political management of Housing New Zealand/ Kāinga Ora the organisation accumulated pre-tax losses of almost \$1 billion (\$960 million), of which two thirds (\$643 million) were losses in value associated with the sell-off of Kāinga Ora property. It is difficult to know, from the available evidence, if these write downs/ loss of value was on account of over-valuation of Kāinga

⁸ In 2020 a four appropriation of \$271 million through the Infrastructures Investment to Progress Urban Development (M37)(A22) budget was provided 'enable urban development, regeneration and housing outcomes'. Little of this spend appears in Kāinga Ora's 'Other revenue from Crown Appropriation' receipts which mainly paid for KiwiBuild and first homeownership support related subsidies

⁹ Briefing to Incoming Minister 2023 p.41

Ora’s assets or poor deals in these asset sales which gave advantage to purchasers. The available evidence points to the former.

Most of the remaining accumulated losses – not associated with write-downs, came about from an operational loss of \$472 million in the 2022/23 financial year. Superficially this single year loss was due to expenses growing faster the revenue. In particular revenue from income related rent subsidies grew 2% while expenses increased 23%. These subsidies make up more than half (56%) of Kāinga Ora’s operating revenue. While this mismatch is due partly to cost pressures in Kāinga Ora’s operations (these are considered later in the paper), the misalignment between the value of income related rent subsidies and the inflationary pressures faced by Kāinga Ora as a business are a particular weakness in the organisation’s operating model

Figure 5 below charts movements in various price/cost indicators against movements in the value of the total income related rent subsidies received annually by Kāinga Ora. Figure 6 considers the inflation adjusted value of income related rents expressed as an average payment for very residential unit managed by Kāinga Ora at the time of the subsidy. Both graphs illustrate this mismatch and perhaps that the income related rent subsidy is mainly an administrative number not much related to the foregone market rents it is supposed to be based on.

Figure 5: A comparison of price/cost indicators and income related rent subsidies – 2018 to 2023

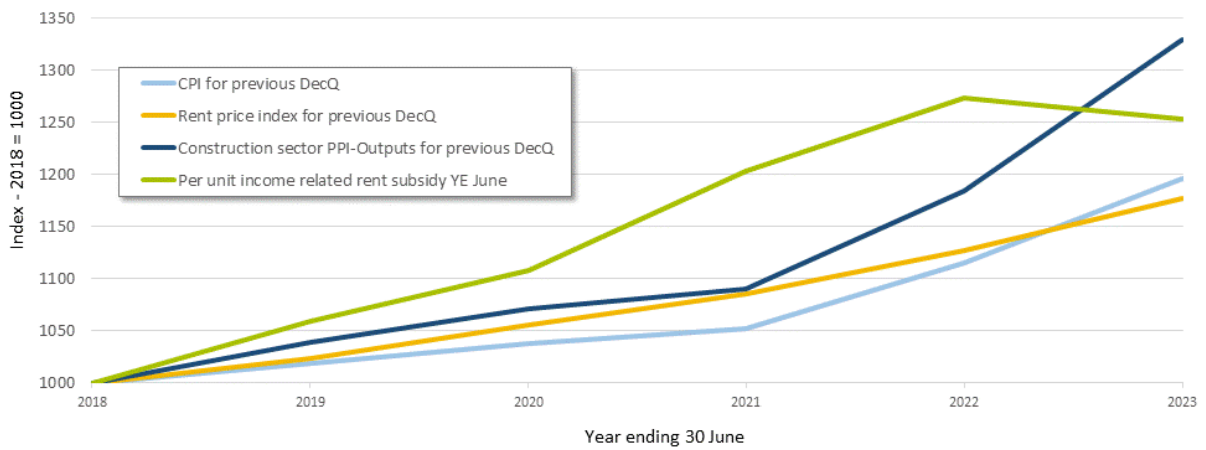
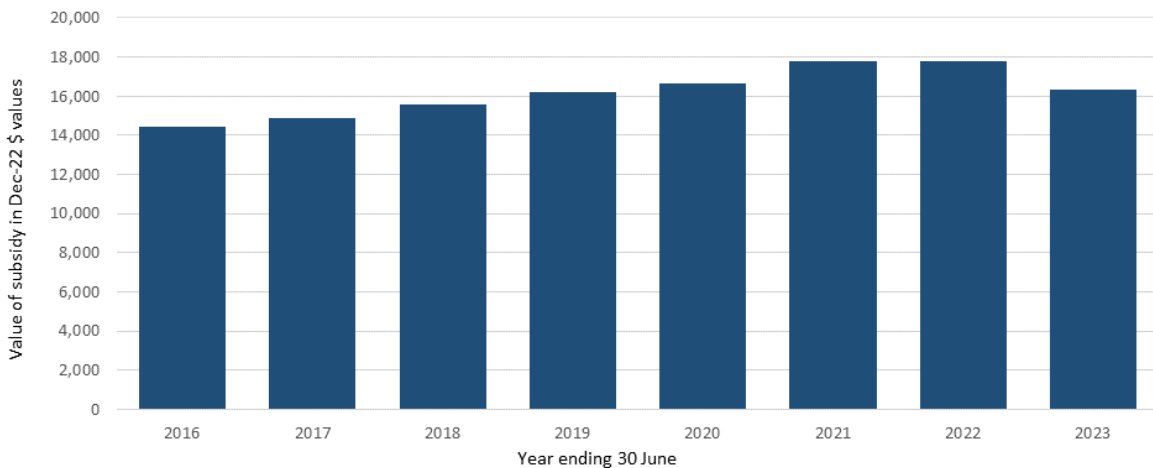


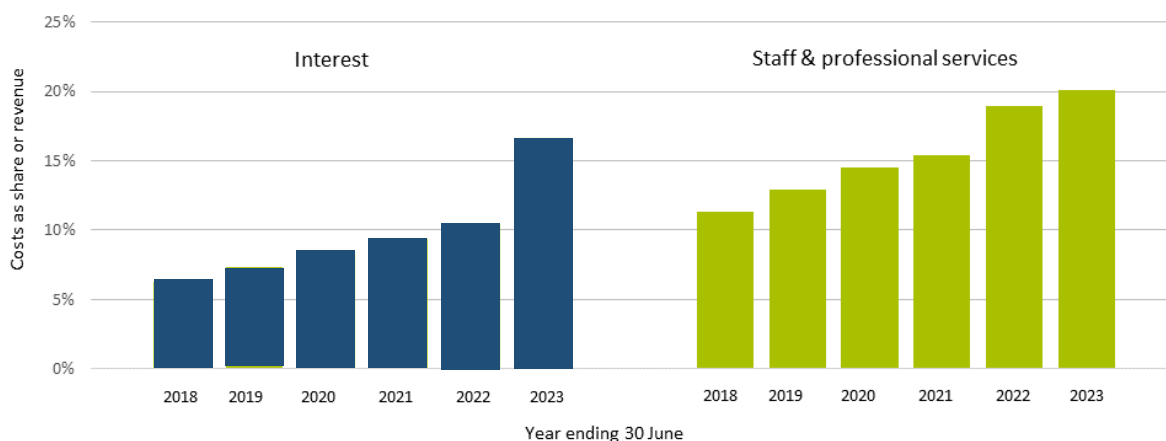
Figure 6: Inflation adjusted value of per home income related rent subsidy – 2016 to 2023



The data offered in figure 5 and 6 show that the value of income related rent subsidies (on a per unit basis) were generous initially but that that generosity slipped away in 2022/23. In inflation adjusted terms the per unit value of the income related rent subsidy in 2022/23 was less than in 2018/19.

However, Kāinga Ora’s financial position is not solely the result of a diminution of income related rent subsidies. Between 2018 and 2023 its operating costs increased 115% against a headline inflation rate of approximately 20%. These increases were related to the increased scale of the business and increased debt servicing costs on account of higher debt and interest rates. Put succinctly, Kāinga Ora did more and owed more in 2023 than it did in 2018. This change is somewhat shown on the following graph which charts interest costs and the costs of staff and professional services as a share of revenue from 2018 to 2023. During the 2017/18 financial year these two areas of cost amounted to 16.4% of Kāinga Ora’s revenue and by 2022/23 these costs had risen to 36.7%. Maintenance costs also increased relative to revenue from less than 24% in 2017/18 to more than 30% in 2022/23.

Figure 7: Costs of interest and staff and professional services as share of revenue – 2018 to 2023



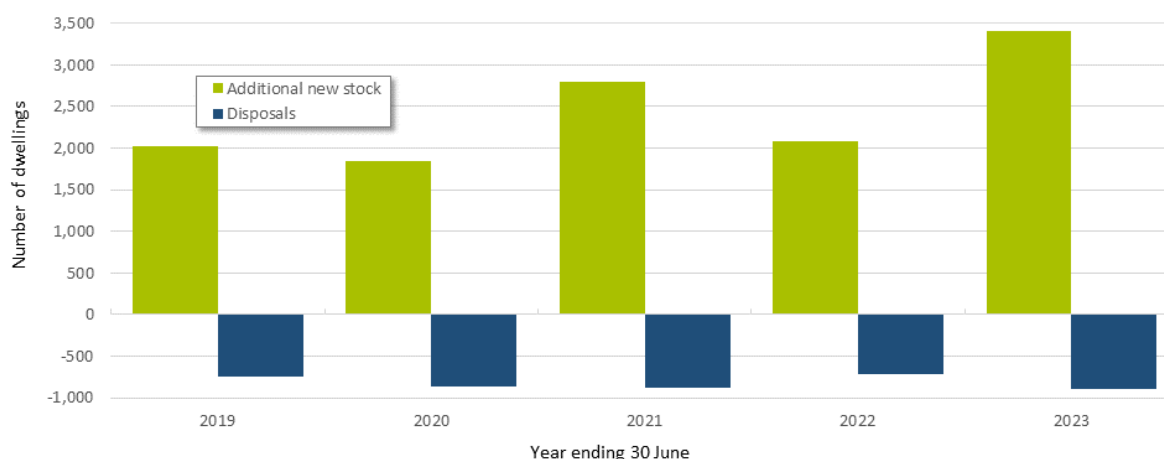
Kāinga Ora’s increased debt burden is considered later in this paper. The organisation’s increased scale is partly illustrated in Figure 3 above which shows changes in the stock of dwellings under Kāinga Ora’s management. This stock increased from 64,000 in June 2018 to 72,000 in June 2023. What isn’t apparent from that data is the scale of the increased effort to build this additional housing on a stock which was aging and sometimes poorly maintained. This increased effort may account for some of the ballooning costs of staff and professional services shown in Figure 7.

In December 2023 Kāinga Ora claimed that it had 6,300 dwellings under development or under contract, and that it had ‘built internal and supplier capability and capacity to deliver over 5,000 home construction builds and retrofits (substantial renovations) a year’.¹⁰ For an organisation which has consistently failed to reach its build or acquisition targets¹¹, these claims need to be anticipated with caution. There is encouraging evidence that Kāinga Ora has gradually built its capacity to develop and re-develop at scale as shown in the following graph which reports numbers of additional stock built or acquired by Kāinga Ora between 2019 and 2023. These numbers, especially those for 2021/22, need to be seen against the background of the supply chain disruptions following the Covid-19 lockdowns.

¹⁰ Briefing to Incoming Minister – 2023, p.5.

¹¹ For example Kāinga Ora’s 2021/22 Statement Service Performance promised an additional 2,700 dwellings under its management for the 2021/22 of which 1,600 would be rental housing units and 1,100 supported housing units (p.39). Kāinga Ora’s Annual Report 2021/22 reported delivery of 566 rental housing units and 667 supported housing units (p.56)

Figure 8: Additional dwellings and disposals of Kainga Ora’s managed stock – 2019 to 2023



Kāinga Ora’s balance sheet and cash flow

The increased scale of Kāinga Ora’s business has been financed from its balance sheet and facilitated by its cash flow rather than from increased revenue or additional equity capital. This is shown in the following two tables which respectively report, summarily, the organisation’s cash flows and financial position from 2018 to 2023.

Table 2: Housing New Zealand’s | Kainga Ora’s cash flow statements (*\$millions*)- 2018 to 2023¹²

Year ending 30 June	2018	2019	2020	2021	2022	2023
Cash flows from (used in) operating activities						
Rent receipts IRRS	813	880	963	999	1128	1151
Rent receipts tenant	391	410	398	426	483	526
Other Crown appropriations	108	115	113	128	118	149
Sales of developments			48	64	63	142
Land development activities					-184	-21
Other receipts	38	47	32	29	51	63
Payments to suppliers and employees	-797	-992	-1093	-1125	-1273	-1633
Interest (net)	-72	-89	-114	-137	-178	-189
Cost of goods sold			-59	-63		
Income tax paid	-121	-77	-104	-90	-88	-24
Net cash flow from (used in) operating activities	360	294	184	231	120	164
Cash flows from (used in) investing activities						
Purchase of rental property assets	-946	-1523	-1461	-1887	-2216	-3502
Net short-term investments	324	116	-1410	281	-111	507
Other cash flows	32	3	-97	-4	-17	-32
Net cash flow from (used in) investing activities	-590	-1404	-2968	-1610	-2344	-3027
Cash flows from (used in) financing activities						
Net contribution from (to) Crown	-2	-1	6	3	-2	219
Market notes issued	700	851	2903	1188	-1	-136
Crown debt drawn down	-1	33			2168	2645
Net cash flow from (used in) financing activities	697	883	2909	1191	2165	2728
Net cash flow	467	-227	125	-188	-59	-135
Cash reserves at 30 June	523	296	421	233	174	39

¹² Source: Housing New Zealand’s and Kainga Ora’s Annual Report for the years 2017/18 to 2022/23

Table 3: Housing New Zealand's | Kainga Ora's financial position (\$millions)- 2018 to 2023¹³

Year ending 30 June	2018	2019	2020	2021	2022	2023
Assets						
Cash and cash equivalents	523	296	421	233	174	39
Investments	148	35	1,296	1,136	1,199	741
NZ Government Bonds	0	0	200	50	98	49
Interest rate derivatives	1	0	0	29	5	8
Receivables and prepayments	44	31	84	165	350	395
Properties held for sale	5	27	14	45	44	19
Properties under development	55	144	191	365	504	525
Other Assets	69	53	43	45	37	36
Property plant and equipment	26,645	28,410	30,685	38,868	46,433	43,264
Freehold land	16,771	17,420	18,363	23,537	29,908	26,473
Rental properties	9,446	10,087	11,058	13,257	13,834	12,536
Other assets	472	880	1,215	2,074	2,691	4,255
Total assets	27,490	28,996	32,934	40,936	48,844	45,076
Liabilities						
Accounts payable and other liabilities	168	218	168	280	421	582
Income tax payable (receivable)	5	17	28	22	-6	-48
Mortgage Insurance Scheme	32	32	31	30	25	51
Interest rate derivatives	94	114	114	58	22	23
Borrowings - Crown	1,953	1,986	1,985	1,985	1,985	4,630
Borrowing - Market debt	700	1,550	4,454	5,642	7,809	7,673
Deferred tax liability	2,206	2,141	2,192	2,570	2,510	1,819
Other and miscellaneous liabilities	13	14	20			
Total liabilities	5,171	6,072	8,992	10,587	12,766	14,730
Net assets	22,319	22,924	23,942	30,349	36,078	30,346
Equity						
Equity attributable to the Crown	3,555	3,555	3,561	3,564	3,562	3,781
Retained earnings	596	712	697	904	779	403
Revaluation reserve	18,234	18,739	19,793	25,923	31,741	26,157
Hedging reserve	-66	-82	-81	-42	-4	5
Total equity	22,319	22,924	23,970	30,349	36,078	30,346

The story to take out of Table 2 is that of debt and capital spending on rental housing over the period 2019 to 2023. This story is summarised in the following table which considers total cash flow for the whole five-year period to illustrate how Kainga Ora worked in cash flow terms during this period.

Table 4: Summary of Kāinga Ora's total cash flows – 2019 to 2023

	\$billions		\$billions
Cash flows from operations		Headline cash flows	
IRRS receipts from Crown	5.1	Purchase of rental property assets	-10.6
Other appropriations from Crown	0.6	Increase in debt	9.0
less income tax paid	-0.4	Contribution from operating activities	1.0
Net cash from Crown	5.4	Capital contributions from Crown	0.2
		Decline in cash reserves	-0.5
Rent from tenants	2.2	Other cash flows	-0.8
Net proceeds from property sales	0.0		
Net interest	-0.7		
Payments to suppliers and employees	-6.1		
Other receipts	0.2		
Net cash flow from operations	1.0		

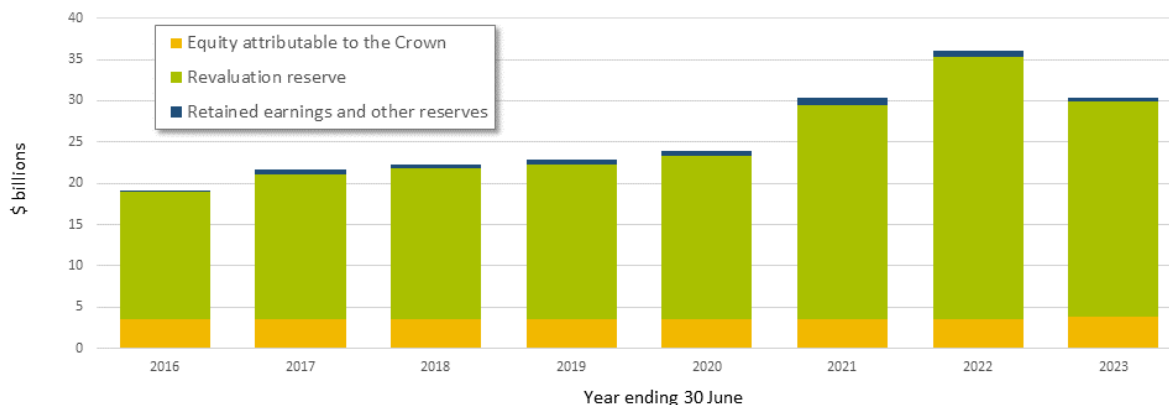
¹³ Source: Housing New Zealand's and Kāinga Ora's Annual Report for the years 2017/18 to 2022/23

The \$10.6 billion reported to have been spent in Kāinga Ora between 2019 and 2023 supports the argument offered above that the organisation has scaled up significantly over this period and that this has contributed to rising operating costs and a changing cost structure. Table 4 shows clearly too that this building and maintenance effort is related to increasing debt. This \$10.6 billion five year spend under the previous Labour Government is four times more than the same category of spending under the prior National Government when \$2.6 billion was spent over the five years between 2014 and 2018.

While this \$10.6 billion of spending is categorised as investment spending on the ‘Purchase of rental property assets’, it is by no means clear what was purchased. Some of this expenditure is most likely to be spending on maintenance rather than additional housing stock. In its December 2023 Briefing to the Income Minister, Kāinga Ora reported that it classified approximately one third¹⁴ of its spending on repairs and maintenance as capital spending – presumably because it extended the life of the assets being maintained. Not all of this capital spending on rental property assets resulted in more housing.

Table 3 shows that Kāinga Ora’s equity position improved substantially between 2020 and 2022 but subsequently fell during 2022/23. These movements were almost entirely due to changes in the assessed value of Kainga Ora’s rental housing assets as shown in Figure 9. Between June 2020 and June 2022 Kainga Ora’s property assets were estimated to have risen more than 50% and by \$16.6 billion. Nearly 60% of this increase was due to higher land values which rose almost \$10 billion (or 63%) in two years. Land values subsequently fell precipitously during 2022/23 by \$3.4 billion to account for almost the entire right-down of property asset values in that year.

Figure 9: Housing New Zealand’s | Kāinga Ora’s equity position – 2016 to 2023



These changing values of land and buildings are due to a number of factors including additions and disposals of assets, reclassification of assets as they are prepared for sale or re-development, and revaluations which reflect price changes in regional residential property markets. Table 6 below strips out the impact of revaluations on these values for freehold land and rental housing for the six years to 30 June 2023. The year-by-year changes in these values is compared with the same time changes in the Reserve Banks Housing Price Index. The two value indicators are comparable suggesting that the apparently volatile revaluations of Kainga Ora’s properties have been a sound reflection of market conditions.

¹⁴ Briefing to Incoming Minister 2023 p.18.

Table 5: Analysis of Housing New Zealand’s | Kāinga Ora’s property revaluations – 2018 to 2023¹⁵

Year ending 30 June	2018	2019	2020	2021	2022	2023
Freehold land						
Opening value - 1st July (previous year)	16,303	16,771	17,420	18,363	23,576	29,908
Revaluations	195	326	813	5,307	6,124	-3,740
Other adjustments	273	323	130	-94	208	305
Closing value 30 June	16,771	17,420	18,363	23,576	29,908	26,473
Rental properties						
Opening value - 1st July (previous year)	8,426	9,446	10,177	11,184	13,470	14,052
Revaluations	452	57	142	1,300	-445	-2,345
Other adjustments	568	674	865	986	1,027	1,111
Closing value	9,446	10,177	11,184	13,470	14,052	12,818
Land and buildings						
Opening value - 1st July (previous year)	24,729	26,217	27,597	29,547	37,046	43,960
Revaluations	647	383	955	6,607	5,679	-6,085
Other adjustments	841	997	995	892	1,235	1,416
Closing value	26,217	27,597	29,547	37,046	43,960	39,291
Annual increase due to revaluations	2.6%	1.5%	3.5%	22.4%	15.3%	-13.8%
Annual change in Reserve Bank House Price Index	3.6%	1.5%	7.1%	29.6%	5.3%	-9.0%

There are a few reasons to question if the estimated value of Kāinga Ora’s rental property assets is a realistic reflection of the realisable value of these properties. The value of this property portfolio is assessed annually by an independent professional valuer based on accepted valuation techniques. The resulting values are said to reflect market values for the properties within this portfolio¹⁶.

The realism of this approach is however questionable notwithstanding its orthodoxy. The portfolio is owned for social rather than market purposes- that is the provision of affordable rental housing which is heavily subsidised by the State. While it is perfectly legitimate to sell off small parts of the portfolio on an incremental basis- as the prior National Government did between 2010 and 2018, the complete privatisation of the public housing stock is not politically feasible and would on any account severely disrupt property markets if it was attempted. Some of the portfolio is already encumbered by Treaty settlement obligations which require some properties to be offered for sale to iwi/hapū on a right of first refusal basis¹⁷.

These limitations may explain why the book values of Kāinga Ora properties identified for sale were written prior to sale. These write downs are reported in Table 6 for the five years 2019 to 2023. Over this period \$1.7 billion of Kāinga Ora property was re-classified as property for development¹⁸ and was written down by \$244 million, or 14%, to reflect its realisable value. Why wouldn’t similar levels of discount not apply to the whole of Kainga Ora’s property portfolio?

¹⁵ Sources: Housing NZ and Kāinga Ora Annual Reports – notes to Financial Accounts and Reserve Bank date series Housing M10.

¹⁶ See for example an explanation of this valuation parameters at Note 2 and Note 11 on p. 188 and p.207 of Kāinga Ora’s 2022/23 Annual Report.

¹⁷ See for example Kāinga Ora’s Annual Report 2022/23 p.207.

¹⁸ It is not clear why this development is occurring although it is probably related to the partial sell-off of land within suburban re-development programmes which are said to ‘enabling’ this land for the development of ‘affordable’ and market housing.

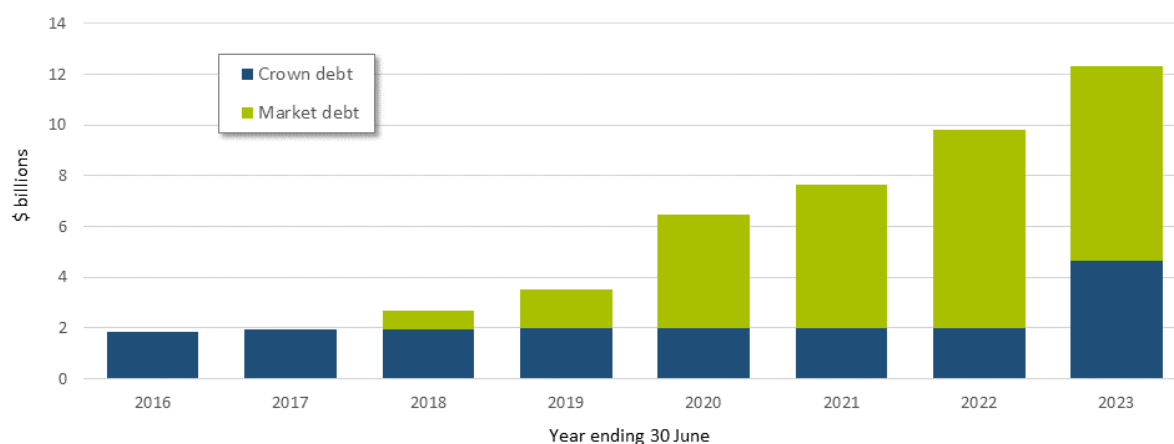
Table 6: Write downs of Kāinga Ora’s property values – 2019 to 2023¹⁹

Year ending 30 June	2019	2020	2021	2022	2023	Total for 5 years
Properties under development	144	191	365	504	525	1729
Write downs to net reliable value		70	68	91	15	244
Write down as proportion of value		37%	19%	18%	3%	14%

These quibbles over property valuations surely don’t really matter if the properties concerned are unlikely to be sold? They are however relevant if future reference is made to the market-based opportunity costs of the current uses of Kāinga Ora’s assets or if mention is made to market focused indicators of the organisation’s financial health. Lower realisable values make these opportunity costs lower and the financial indicators worse.

The other side of Kāinga Ora’s balance sheet is its debt. The history of this debt is reported in Figure 10. It shows two recent phases in Kainga Ora’s borrowing. The first is from 2019 to 2022 with the rapid increase in overall debt – all of which was borrowed from the market. Over this period the organisation’s borrowing grew by 177% or \$6.3 billion to \$9.8 billion. As seen above, this debt was used to finance Kainga Ora’s asset development and re-development programmes. By June 2023 Kainga Ora’s borrowings stood at \$12.3 billion an increase of \$9.7 billion over the five years of Labour’s political management. The most noticeable tangible achievement from this borrowing was the expansion of Kainga Ora’s housing stock by 8,000 homes to 72,000 in June 2023. Other less noticeable achievements included the increased spending on property maintenance and preparation of urban land for re-development.

Figure 10: Housing New Zealand’s | Kāinga Ora’s borrowings – 2016 to 2023²⁰



The second phase of Kainga Ora’s debt story was the sudden switch in 2022 to using Crown debt rather than borrowing directly from private debt markets. In 2022 the Government started lending more to its subsidiary after more than a decade of a resolutely stable Crown debt ceiling of \$1.9 billion. In that year the Government increased its lending to Kāinga Ora to \$4.6 billion.

It is difficult to understand why the Labour Government insisted that Kāinga Ora borrow from the market in the first place. Generally, the Government, through the Crown Debt Management Office,

¹⁹ Sources: Kāinga Ora Annual Reports – notes to Financial Accounts- 2019/20 at p.120, 20/21 at p.178 and 22/23 at p.202.

²⁰ Sources: Housing New Zealand’s and Kāinga Ora Annual Reports- Statements of Financial Position.

would be more efficient at borrowing money from private markets than would Kāinga Ora. These private markets may also attach a small risk premium in lending to Kāinga Ora although such lending is for all intents and purposes Government guaranteed.

The evidence to support or refute the wisdom on Kāinga Ora borrowing directly from the market is mixed. Data on such borrowing and the interest rates paid is reported in Table 7 for the period 2016 to 2023. These interest rates are compared with a 5-year Government bond yield as an indicator of the current opportunity costs of such borrowing.

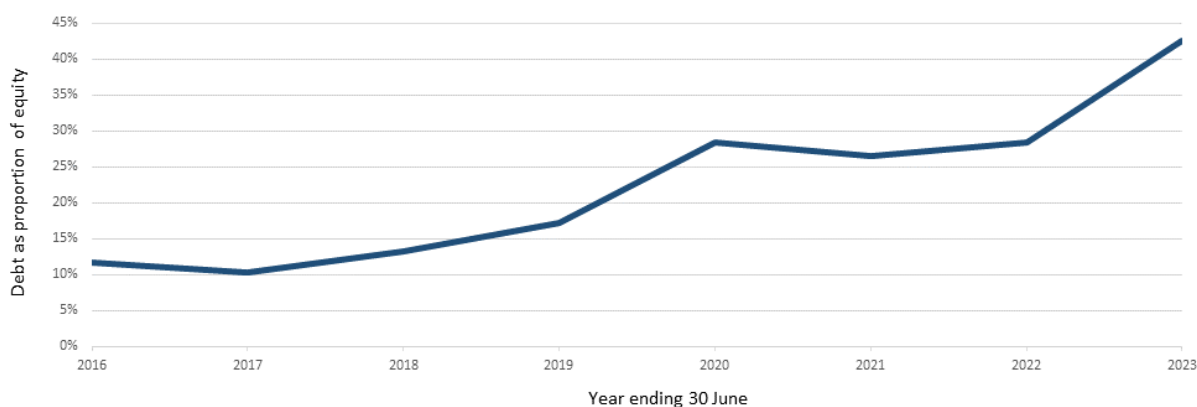
Table 7: Housing New Zealand’s | Kāinga Ora’s borrowings and interest rates- 2016 to 2023²¹

Year ending 30 June	2016	2017	2018	2019	2020	2021	2022	2023
Crown debt \$ millions	1,859	1,953	1,953	1,986	1,985	1,985	1,985	5,481
Weighted average interest rate	2.25%	2.32%	2.01%	1.65%	0.39%	0.44%	2.57%	4.47%
Market debt \$ millions			700	1,550	4,454	5,450	7,670	6,800
Weighted average interest rate			2.86%	2.65%	1.97%	1.93%	2.43%	2.46%
Secondary market 5 year bond yields- at June	2.12%	2.46%	2.28%	1.30%	0.43%	1.03%	3.77%	4.44%

Between 2018 to 2021 there was a positive margin between market and Crown sourced debt although this reversed in 2022 and 2023. Much of the difference during this latter period would be on account of the maturity terms of the market debt. On any account Kāinga Ora’s further borrowing of \$2.6 billion over 2022/23 would have attracted an interest rate around 4.5% to 5% regardless of its source.

A summary indicator of Kāinga Ora’s financial position is the debt-to-equity ratio which is reported in Figure 11 for the period 2016 to 2023. This data shows a rapid deterioration in this indicator between 2021/22 and 2022/23 rising from 28% to 43%. This change was on account of the combined effects of falling asset values and rising debt. The relevance of this indicator for a publicly owned and supported organisation such as Kāinga Ora needs to be questioned although it may be used by some critics to raise concerns about the financial wellbeing of the organisation.

Figure 11: Housing New Zealand’s | Kāinga Ora’s debt to equity ratio – 2016 to 2023



²¹ Sources: Kāinga Ora Annual Reports – notes to Financial Accounts-The weight average interest rate for market debt is the weighted average interest rate across reported market paper and medium term notes. Data on the Secondary Market 5 year bond yield is sourced from the Reserve Bank’s financial data series B2

Conclusions

Within the context of recent history, the transformation of Housing New Zealand into Kāinga Ora is somewhat exceptional on at least two counts.

For the first time, perhaps since the 1970s, the State has become involved, in a hands-on way, in urban development and re-development. This involvement was probably overdue on account of the run-down condition of many of the 'state-house suburbs' where Housing New Zealand and now Kāinga Ora have dominant ownership. In addition, population pressure – especially in Auckland, has created social and economic demand for better utilisation of these land holdings – at least in terms of higher densities and greater connectivity.

The housing stock of Housing New Zealand and now Kāinga Ora has been allowed to physically deteriorate through inadequate maintenance budgets and lack of any comprehensive interest in renewals. This has been a failure of successive governments at least since the mid-1970s – that is until now. The efforts by Kāinga Ora and the former Labour Government to address this long-running deficit have been commendable although probably still only barely adequate. The challenge to continue this work has been laid clearly and squarely at the feet of the current Minister of Housing in Kāinga Ora's briefing papers.

The wisdom of combining a public housing landlord with a national scale urban re-development agency has not really been questioned. There are conflicts in these roles, not the least of which is the obvious drift toward Kāinga Ora leading state sponsored gentrification of former state house suburbs such as Northcote, Mt Roskill, Oranga and Māngere. This is played out in the politically directed emphasis on enabling private development on public land in these suburbs.

The value of this market focused development activity needs to be explained by those promoting it. It is not apparent that this activity has done any better than breakeven. The State (through Kāinga Ora) has been busy re-developing public land to facilitate private development and investment just for the sake of it. This effort does not appear to have benefited tenants and would-be tenants of Kāinga Ora and it does not appear to have generated a profit for Kāinga Ora or taxpayers.

The cost of doing all this needs to be considered. Kāinga Ora borrowed almost \$10 billion between 2019 and 2023 and has provided 8,000 extra state housing units. In addition, it has begun to address the serial neglect of poor maintenance and minimal renewals and has from all accounts built a capacity to scale up its house building and urban redevelopment activities. These are hard won gains against a legacy of confusion and indifference from previous administrations.

The fact of an extra \$10 billion debt on Kāinga Ora's balance sheet is simply a reflection of how the previous Government chose to fund the capital requirements of its public housing and urban development agency. In whole-of-government opportunity cost terms it makes little difference if these capital requirements are funded as equity or debt. However, from Kāinga Ora's perspective, needing to fund the previous Government's urban re-development ambitions from debt and against social housing subsidies appears to have become unsustainable. This position has arisen because the agency has been starved of equity capital.

Urban re-development is a costly and fraught activity in which the Government has until recently had no experience. There are often significant and unforeseen costs especially around infrastructure replacement, land contamination and geotechnical issues with building at scale. These often end up as sunk costs. Suggestions that these costs are funded as debt which one day will be recovered from future income streams have not been proven. This is the challenge faced by Kāinga Ora as it also tries to meet its other challenge of housing some of the poorest and most vulnerable New Zealanders.

While the previous Labour Government was ambitious in its transformation of Kāinga Ora and the breadth of the organisation's mandate, it really lacked a matching ambition to pay for it. That Government used social housing budgets to drive urban redevelopment and only lately came to the realisation that this was inadequate. The Infrastructure Acceleration Fund is an example of this realisation and regrettably it lacked any considered connection to what is required to address New Zealand's numerous infrastructure deficits. It appears to be little more than a band aid.

A great deal will be lost if Kāinga Ora as a public housing and urban development agency is dismantled. For the first time since at least the 1970s New Zealand has a public agency which can build cities, towns and the physical dimensions of communities. The initial results in terms of redevelopments provided by Kāinga Ora are encouraging in terms of the quality and fitness for purpose. It is important to maintain this progress in the face of burgeoning unmet housing need and urban infrastructure deficits.

Whether or not Kāinga Ora should retain its dual function as an urban re-development agency and public housing landlord should be debated more thoroughly than when Kainga Ora was established on a political whim. While the two roles have some synergies, they also have some conflicts and potentially confused agendas. A central government agency running local urban re-development projects is a top-down approach which does not appear to have paid much regard to the local and regional interests of councils, manawhenua and communities. Some thought should be given to the establishment of genuine partnerships between Government, local councils, iwi/hapū and local communities in the re-building of state housing suburbs and public housing stock which should remain in them.

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