

# Housing Forum 2016: Palmerston North



August 19th 2016. Catholic Diocesan Centre, Palmerston North



## **Acknowledgements**

Many thanks to the Catholic Parish of Palmerston North for allowing us to host the Housing Forum in the Diocesan Centre and for the lending of time and equipment. Our gratitude is extended to all the speakers for presenting and offering their information to everyone gathered. Thanks to all those who attended. An extra big thank you to Diane and Fran Reilly for the homemade food, Frazer Greig for emceeing, Kevin Reilly for keeping everything running smoothly, and Lorna Tattersfield for making the notes that made this document possible.

DBRyland.

## **Contents**

Introduction.....	1
Dr Christina Severinsen – Massey University.....	2
Kerry Howe – Massey University Students' Association.....	7
Darren Birch – Homes for People .....	9
Garry Buckman – Prisoners' Aid and Rehabilitation Society.....	12
Age Concern.....	13
Alistair Saywell – Property Investors' Association.....	14
Debs Radley – The Salvation Army .....	16
Keith Hilson – Housing New Zealand .....	17
Sally Babbage – Housing Advice Centre.....	19
Open Session.....	22
Concluding Comments.....	23

## **Table of Figures**

Figure 1: Household Residual Income (MBIE) .....	3
Figure 2: Home Loan Affordability .....	4
Figure 3: Housing Continuum .....	9
Figure 4: Social Housing Register Requirements by Household Size.....	10
Figure 5: Homeless by Year .....	20
Figure 6: Age of People Seeking HAC's Help.....	20

## **Introduction**

New Zealand is facing a period of housing crisis. Many of the issues facing the country are present in Palmerston North, and were raised by the speakers; housing in New Zealand is some of the least affordable in the world, waiting lists for social housing have been rapidly growing, homelessness is rising, and a high proportion of income is going to housing costs at all levels of the community. All of these are present in Palmerston North and are the pressing concerns that we are facing.

In 2011, the Manawatū Tenants' Union, together with the Housing Advice Centre, arranged the first Palmerston North Housing Forum. In 2016, the Manawatū Tenants' Union decided that it was time to revisit the issue with the recent housing crisis and how little has changed since 2011. The intention was to bring together those engaged in housing in Palmerston North, and those interested in housing outcomes, to discuss the problems and concerns as they perceive them, with an ultimate goal to find a way forward.

A diverse range of speakers were gathered to speak at this event, from social housing providers to private investors, academics to social workers. Each brought a unique view of housing and the issues facing Palmerston North, and the event was stronger for this diversity. This document outlines the ideas and concepts spoken on the day. May the knowledge contained herein prove helpful in alleviating the state of housing in Palmerston North.

## **Dr Christina Severinsen – Massey University**

Housing is a significant cost for households and a key determinant of health. At a national level, housing forms a key part of the social and physical infrastructure, which provides both public and private benefits. In New Zealand, many houses are of poor quality and have received few upgrades, but its cost in recent years has increased. These rising housing costs have not been had a corresponding increase in income however, with the result being inequalities of health and wealth, which have been increasing over time.

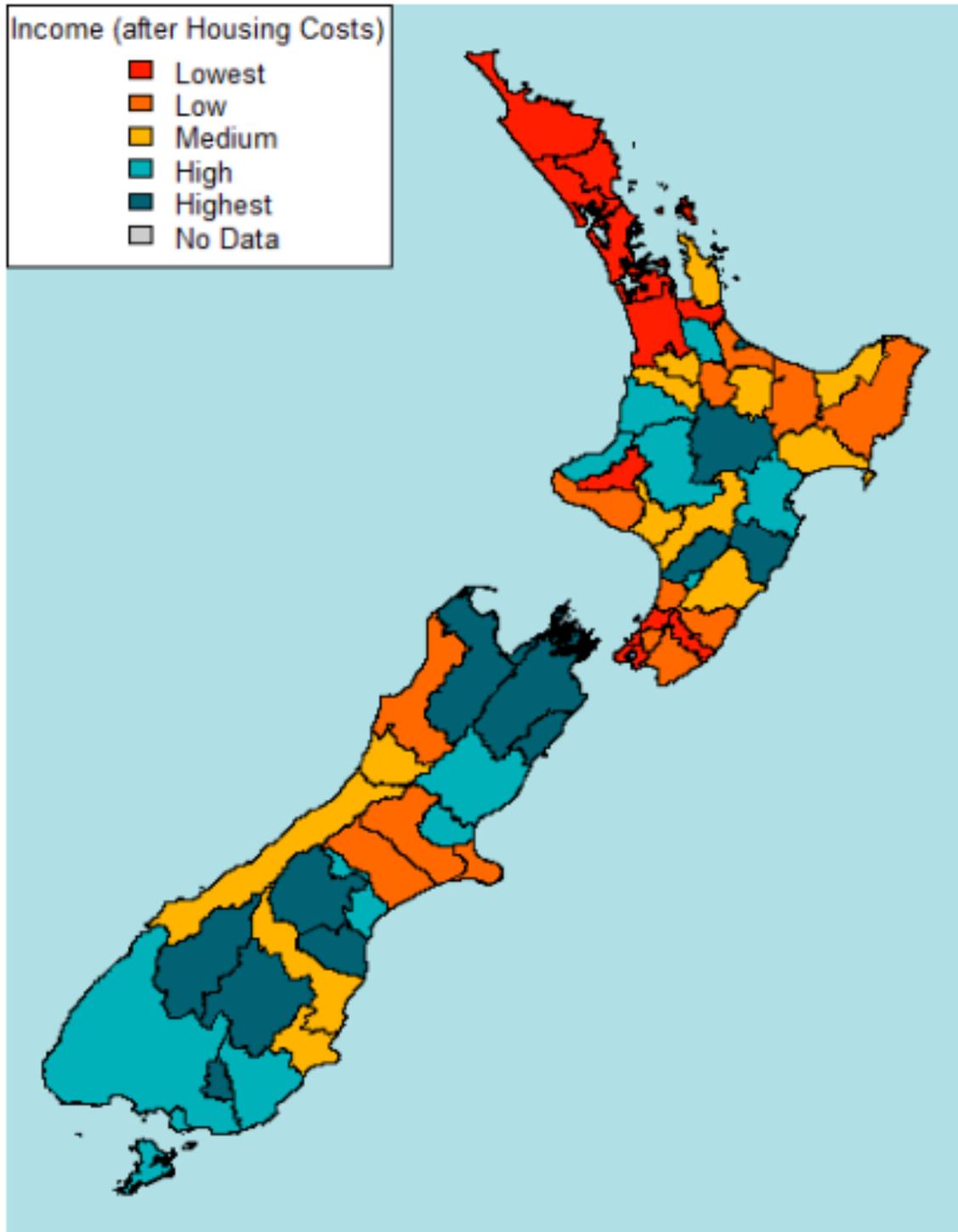
### **Housing Tenure**

Research nationally shows that home ownership is clearly linked to better health, and improved social and economic outcomes. In contrast, renters have higher mortality rates and poorer health outcomes even after adjusting for other factors. Rental statistics for Palmerston North in 2016 show an increasing number of renters, with home ownership dropping to 62%, and many of these renters are likely to find themselves in older or substandard properties.

### **Affordable Housing**

Affordable housing is defined as housing which costs 30% or less of a household's disposable income, and for renters in particular, it is becoming increasingly difficult to find housing which falls within this affordable bracket.

In Palmerston North, the median rent is \$320/week for a three bedroom house, which is low compared to the national average. In addition, Palmerston North has a relatively high residue income. For example, for a three bedroom house in June 2016, it would cost a typical Palmerston North family 20% of their income, but the same house would cost 25% of income nationally. However, looking only at households with the lowest incomes, the costs of housing are more problematic. In 2013, 94% of households receiving government assistance were spending more than 30% of their income on housing costs, and over half of those were spending more than half. For these households, the idea of home ownership is an impossible dream. See Figure 1 for household spending on housing costs as a proportion of income in Palmerston North compared to the rest of New Zealand, and Figure 2 for how this spending has changed for some households in Palmerston North in recent years.

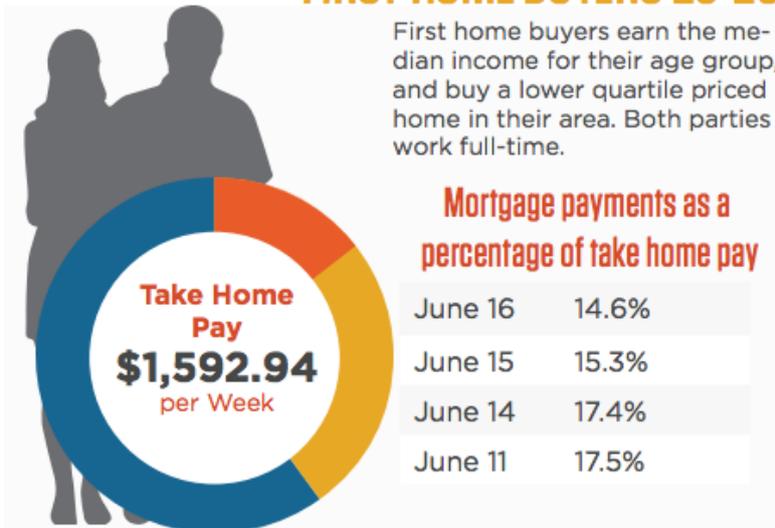


**Figure 1: Household Residual Income (MBIE)**

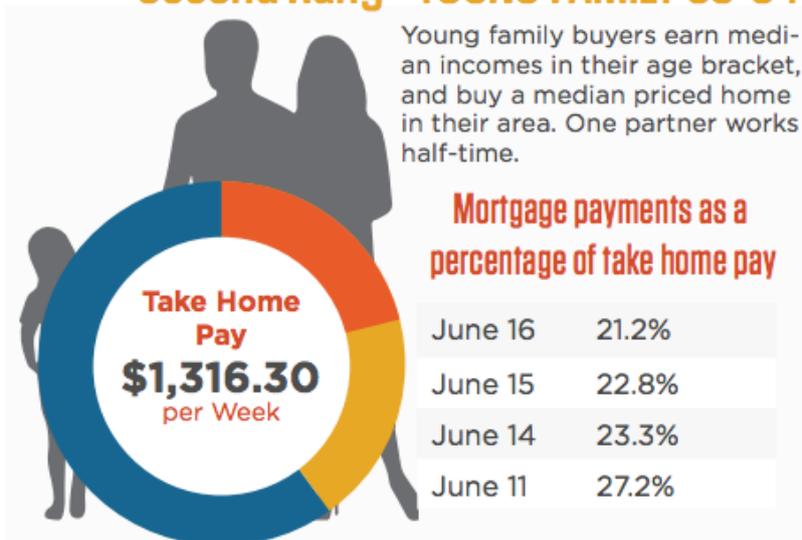
The remaining income after housing costs. Palmerston North in particular is placed in the second to highest quintile (MSD, July 2015).



## FIRST HOME BUYERS 25-29



## Second Rung - YOUNG FAMILY 30-34



**Figure 2: Home Loan Affordability**

The median Palmerston North income to service a mortgage for a median priced home is 21.2%, which is below the national average of 32.6% (Interest.co.nz June, 2016).

## **Overcrowding**

Overcrowding is an aspect of housing which is related to poor health outcomes, and is experienced predominately by lower income households. The increased moisture can lead to the spread of infectious diseases such as rheumatic fever. On top of this, people living in crowded households are less likely to have access to healthcare.

Palmerston North compares favourably with 6.5% of households suffering overcrowding, while it is 10% nationally. While this number is decreasing as a percentage in Palmerston North, the number of households experiencing overcrowding is increasing. Pacifica, Asian, and Maori households, renters, and those under-five are most likely to live in crowded households. There is a clear negative impact on children's education and development, mental health, and a greater incidence of relationship breakdown.

## **Housing Quality**

Many rental properties nationally are damp, cold, and poorly ventilated. Over 70% of households contain mould, bringing with it an increased risk of respiratory illness. While the World Health Organisation recommends a minimum indoor temperature of 18°C, for which many rental properties have difficulties achieving due to substandard heating and/or insulation.

Over 99% of rentals in Palmerston North have some form of heating, although this is usually electric or gas and thus tied to fuel prices, making costs subject to changing prices. Of insulation, around a third nationwide has no insulation at all, while approximately 60% have substandard insulation – all of which makes maintaining adequate temperatures more costly for tenants. This amounts to approximately 20,000 inadequately insulated homes in Palmerston North.

## **Housing Deprivation**

Homelessness is defined as either lacking a permanent place to live, or living in excessively crowded or substandard housing. In 2013, the number of identified homeless in New Zealand was 41,000 people, and this figure does not include those in temporary accommodation. Since 2013, this has been rising, with both the absolute figures and the percentage of homelessness steadily increasing.

Of the homeless population, 70% are staying with friends or family, or in severely overcrowded conditions. 20% are living in boarding houses or on camping grounds, while the remaining 10% are sleeping in cars or on the street. Many of these are youths, young families, and those of low socio-economic status. Approximately half of these are working and/or studying, and are still unable to gain access to affordable housing.

In Palmerston North in 2013, there were 410 people identified as homeless – 6 in every 1000, which is below the national average of 10 in 1000. However, the increase in homelessness from 2006 to 2013 was 26%, far ahead of the national average of around 15%. Most of this group are Pacifica and Maori, while half were under 25, and a quarter under 15. There are only a few 65 or older homeless, but they still exist.

## **Where to from here?**

Dr Severinsen concluded that the way forward is to increase the supply of affordable housing, increase the quality of housing stock as these are the best and easiest ways to improve unequal relations and prevent disease. There is also the opportunity to put into place policies to encourage home ownership. Current policies contribute to inequality. Housing needs to be warm, dry, accessible and affordable.

## **Kerry Howe – Massey University Students' Association**

Half of the welfare issues presented to the Massey Students' Association are directly related to accommodation.

The most significant problem facing students and housing is the financial burden. A student can access \$176 student loan, or if fortunate, up to \$210 through student allowance and accommodation supplement. However, the average spent by a student on housing is \$147 per week, which for most leaves them around \$30 for all other living costs – food, power, heating, and internet. Of these, it is food which students have the most control over, and thus the one that is reduced foremost. This often leads to students not eating properly or at all. The houses themselves tend to be damp, cold, and expensive to heat, leading students to stay at the university library or go to bed early just to stay warm. These factors result in stress, which can lead to students failing their programme of study. The result are costs to the university, and the student looking at a large loan with little to show for it.

There is still a stereotype out there that students are destructive and fine living in these poor conditions, but this does not hold. Yet there is still evidence of overcrowding and unsafe conditions that students are forced to live in. This is particularly true for first year students, aged 17 to 19, who often cannot afford the halls and must resort to private rentals in a new city without their usual networks, and international students who can be taken advantage of.

A common problem facing students are fixed-term tenancies. Although MUSA recommend that students avoid these, there is generally no other option but to take a 12-month tenancy – meaning that students are unable to return home during university breaks or at the end of the year to reconnect with family and whanau. Instead they face three to four months of rent alone.



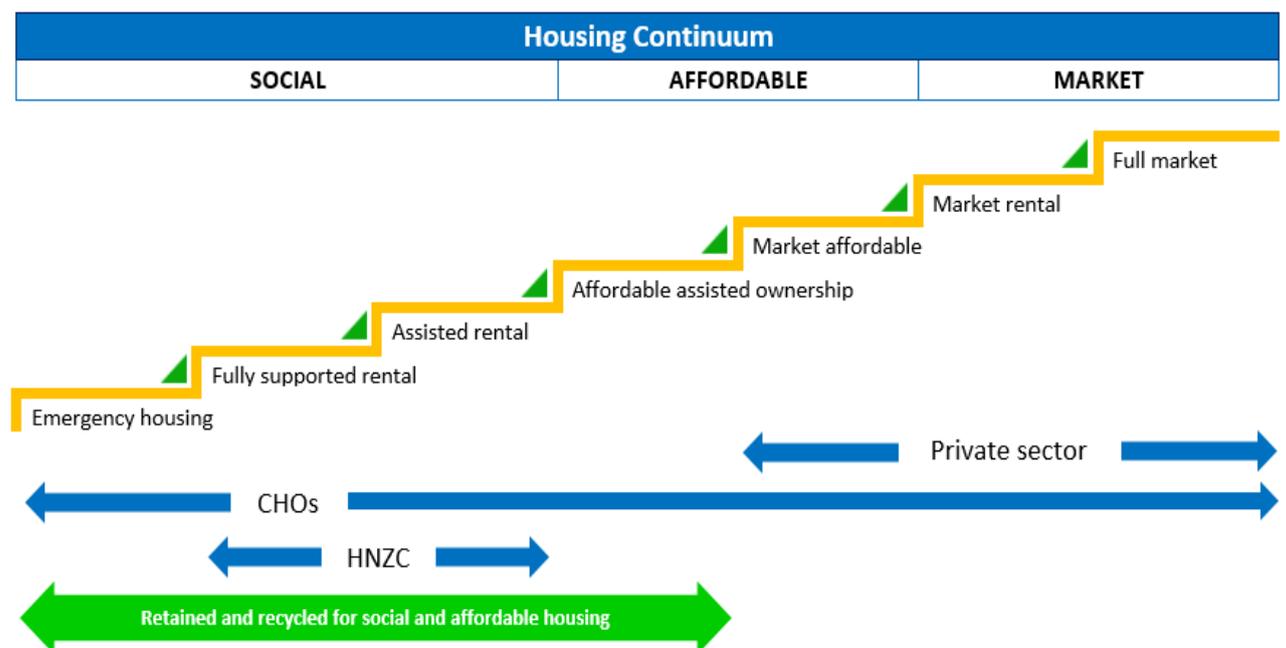
The Massey Students Association however is engaged in student housing. They rent out 30 homes which are healthy, warm and insulated, but there is a great need for more.

These issues have been getting steadily worse in the last ten years. Increasing financial burdens and substandard housing are negatively impacting upon student mental health and wellbeing.

## Darren Birch – Homes for People

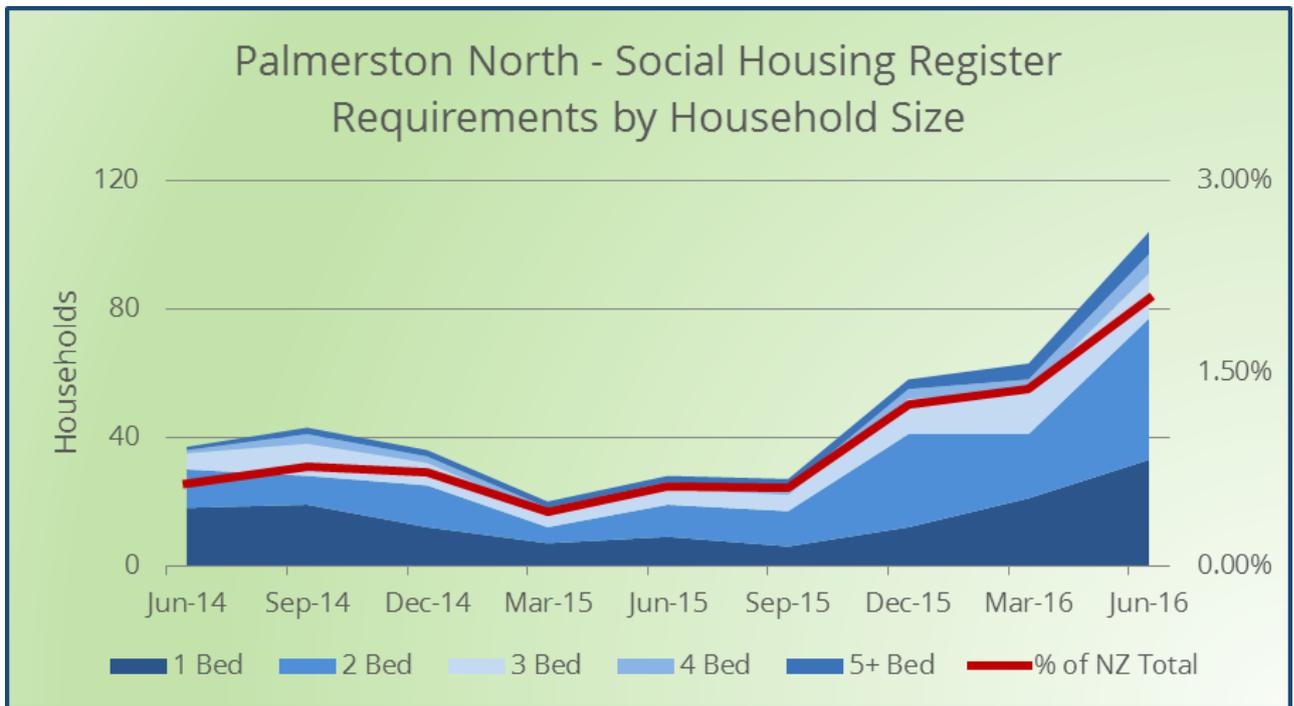
Homes for People grew out of an identified need for affordable housing for low income people in Palmerston North and the Manawatū. They were inspired by the New Zealand Housing Foundation, based in Auckland, which completes a new home every three days and offers an affordable assisted ownership scheme. Homes for People currently have \$10 million in land and assets and 30,000 square metres of Housing New Zealand land available for developing affordable social housing. Many of those engaged with Homes for People are also involved with Habitat for Humanity.

A way of conceiving housing and how people move through forms of accommodation can be seen in the housing continuum (Figure 3). In Palmerston North, there is a gap in the housing continuum at affordable housing. This puts additional pressure on other segments of the housing market, particularly for social housing, such as the growing Housing New Zealand waiting list for all types of housing (Figure 4). While on the side of home ownership, the steep increase in capital growth in Wellington and Palmerston North last quarter was 7%, meaning that those saving for a deposit for their own home are suddenly unable to afford it. If these trends continue, Palmerston North will be short 5,400 dwellings by 2031.



**Figure 3: Housing Continuum**

The proposed housing continuum and where various organisations and groups are placed when supporting people into accommodation (Birch, 2016).



**Figure 4: Social Housing Register Requirements by Household Size**

The number of households on the register for HNZ have increased significantly in the past year, and this has applied to all groupings, not just the traditional one and two bedroom homes (Housing New Zealand, 2016).

Homes for People have a model, similar to what a housing group did in the UK. There, the group focused on marginalised communities and raised the equivalent of NZ\$19.8 million in only eleven days, which was then used to develop 200 houses. It is at this stage that Homes for People is currently, they are aiming to raise an equity fund, with a whole community response incorporating community groups, and social and commercial sectors. They will provide a sustainable model, and thus emphasise that it is an investment, rather than donations. The homes they seek to build are focused on small one and two bedrooms, and larger five or more bedroom homes. Priority tenants are to be the elderly, disabled, those suffering from overcrowding, and housing accessible by community groups with wrap around services. Of the homes built, Homes for People are aiming for 60-70% to be purchased by first home buyers, with the remainder available for community groups and social services.



In order to overcome the problems facing housing in Palmerston North, a whole community approach is needed. Not just the government, or a single organisation, but everyone. Only by coming together can we create an environment where there is housing available for all who need it.

## **Garry Buckman – Prisoners' Aid and Rehabilitation Society**

The Prisoners' Aid and Rehabilitation Society is involved with Corrections and the 'six pillars of reintegration,' two important pillars being housing and employment. For housing in particular, the Prisoners' Aid and Rehabilitation Society often receive referrals from case managers, as prisoners need an address before they can be granted parole. The rest of the work is crisis intervention, for ex-prisoners who for one reason or another have lost their accommodation and need an alternative quickly.

One of the problems of housing ex-prisoners is that while incarcerated, they have their initiative and how to survive removed. For many, they can be away from society for such a long time that what they knew when they went in is no longer relevant when they leave. While this does make finding housing difficult, Prisoners' Aid and Rehabilitation Society has thus far been successful.

The accommodation available for Prisoners' Aid and Rehabilitation Society's clients are generally hostels. In Palmerston North there are a few which Prisoners' Aid and Rehabilitation Society makes use of, these are;

1. North Lodge, which has around 40 rooms. However, there are a number of social difficulties at the site, which can make it difficult for those who want to go straight.
2. Shepherd's Rest; however many have chosen to move after Shepherd's Rest recent change in orientation. This has also made it harder to access.
3. The Royal Hotel; while it takes casual clients, it does not have a lot of capacity and is not good for weekends.
4. Manawatū Community Housing Trust; a good trusted housing provider with an on-site manager, but they only have sixteen rooms and a large waiting list.
5. Fellowship House; this a halfway house with intensive reintegration support provided by volunteers. This support can include help with finding a doctor, opening a bank account, or getting ID among other things. Currently all who have used this facility have successfully been moved into sustainable housing and employment after a year. However, spaces are very limited.

6. Housing New Zealand; generally only available for high need clients, but when State houses can be accessed, they are highly effective.
7. The private market; unfortunately this is difficult for ex-prisoners, due to discrimination and the need for such things as good credit history and references.

For the future, there are few options additional options available. One noteworthy group is *Homes for People*, with homes built tailored for ex-prisoners, complete with the support networks for reintegration, as part of a range of available homes.

In order to house a prisoner it can cost \$100,000 dollars, and there are over 9,000 who are currently imprisoned, which is a huge drain on the economy and inefficient use of resources. There is little research in a New Zealand context around reintegration, but the benefits of support in reducing the costs of housing ex-prisoners and reducing repeat offending have been shown elsewhere. In Singapore, the economic benefit to building halfway houses is well recognised and supported. In Canada, there are a wide range of halfway houses available – a model supported by a number of prominent NZ experts including Roger Brooking and Judge David Carruthers, former head of probation services. In the USA, by contrast, their halfway houses do not offer any support to ex-prisoners, with the outcome that reincarceration is more likely.

There is a clear need for support workers, as it is the support which gets ex-prisoners housing and employment, while reducing the likelihood of reoffending. Although support workers can be expensive, with only 50 to 60 hours of support per ex-prisoner, one support worker is less costly than repeat incarceration, while also ensuring a more equitable life for all.

## **Age Concern**

The scheduled speaker was unfortunately absent, but a representative reminded us that older residents have housing needs too and they should not be forgotten.

## **Alistair Saywell – Property Investors' Association**

In 2013 there were 1.5 million dwellings in Palmerston North, and about 380,000 of these are rental properties. These are owned by 170,000 property investors, most of which are not big businesses, but instead people with one or two extra houses which they seek to rent.

The average house price is currently \$250,000, and after purchase can leave a buyer with a loan of \$150,000. If the house is then put up for rent, it is expected to bring a steady and improving income for the owner. However, market rents are approximately \$300 per week, which leaves very little profit after loan payments, rates, and maintenance. Any work performed on a rental property is deemed a 'capital improvement,' and cannot be claimed against tax. Thus an increase in the value of the property may be less than the cost of performing the work, which encourages major work to be deferred. Exacerbating this is the need for 40% equity, which means that less money is available for improvements for small landlords. Other factors such as the 5:1 debt ratio are able to be met by large investors, but put limits on the ability for small investors to own and maintain their housing. In addition, a house is not an asset that can move to meet demand, so its value is beyond the control of an investor, driven instead by local demand and population changes.

Some of the difficulties that landlords are facing come from the changing environment in which housing is a part. New Zealand has faced record migration in recent years, and the rise of AirBnB has seen houses which would have been up for rent in the past, instead becoming temporary accommodation for travellers. These increase the demand for housing, but in Palmerston North, the supply has remained relatively constant. Furthermore, the recent legislation requiring smoke alarms, insulation, and earthquake proofing, while highly desirable, is also costly. These factors are likely to lead to rent increases.

The meth guidelines are of particular concern to landlords. These standards were originally designed for meth manufacture sites, but the standards have been misapplied to buildings where meth has been smoked. There is some who claim that the current Ministry of Health set maximum amount of 0.5 micrograms per square metre could be 20 times higher with no ill effect on tenants. At present however, any detectable level, even below the Ministry of Health guidelines, is in breach of the RTA and the building must be decontaminated. The costs of this are borne by renters, landlords, and the taxpayer.

At the Tenancy Tribunal, recent rulings have made landlords liable for all damage but intentional damage to their properties. In addition to the added cost of damages and inability to recover them, it means that tenants have less responsibility for their homes than owner-occupiers.

These factors combine to make investment less attractive to landlords; thus many of them are selling their properties and exiting the rental market.

## **Debs Radley – The Salvation Army**

Debs Radley is a social worker who herself has experience of homelessness. Part of her role focuses on emergency housing.

There has been a huge increase in homelessness in recent years, as well as a change in the people affected. While homelessness used to be predominantly single men in their 40s and 50s, there are now far more families or single parents – even elderly people and working families. These are families that are not generally dysfunctional; they do not have the complex needs such as mental and/or physical health issues, substance addictions, or justice histories typically associated with homeless people. It is nevertheless very difficult to find them suitable housing, as many of the lowest cost accommodation providers are not suitable for children.

However, housing is only one part of the problems that people are facing. Support needs to be put into place so they can have stable accommodation and remain within it.

One noted difficulty is getting people to a point where they can apply for housing. For example people going to Ministry of Social Development are not always receiving all that they are entitled to get, and suffering needlessly as a result – thus need an agent to ensure they have the support and money needed. In addition, the costs of rental accommodation have gone up. Housing now costs over \$300 a week for a family of three, and this is after an upfront cost of \$2000 or more to get into a house, not including furniture. The result is that vulnerable families are starting to rent in debt, either to the Ministry of Social Development or elsewhere, and due to the cost are not given an opportunity to extract themselves.

## **Keith Hilson – Housing New Zealand**

Nationwide, Housing New Zealand owns and manages approximately 64,000 properties, houses 200,000 people and 8,000 separate families, and spends \$0.5 billion per year maintaining its housing – making it the biggest landlord in New Zealand. The typical State house is a three bedroom home, most of which were built in the early 60s. In Palmerston North and Feilding, Housing New Zealand houses approximately 5,000 people in 1600 properties, and they have been housing 250 and 300 new families each year.

Nationally, New Zealand has been making significant investment in improving their stock. This includes putting in or upgrading insulation, carpeting, thermal drapes and more efficient heating sources. Furthermore, the Social Housing Reform Programme recently introduced is attempting to increase diversity in social housing providers.

In recent months, the waiting list for Housing New Zealand homes has been steadily growing, in all areas. The total number on the list has increased four- or fivefold in the last six months alone. There are currently between 170 and 180 families waiting for suitable accommodation, and this has been growing by ten families each week. Unfortunately, due to a low rate of people leaving Housing New Zealand houses, they have only been able to house three to six families per week.

At present, approximately a third of applicants are single; a third families requiring a two bedroom home; and the remainder are larger families seeking three bedroom or larger homes. This puts a lot of pressure on smaller housing, and has revealed a clear mismatch with Housing New Zealand stock to current demands. Housing New Zealand still seeks to accommodate as many people as possible, with the result that many three bedroom homes are currently occupied by single people.



Palmerston North Housing New Zealand stock has been decreasing. Due to the policies for meth contamination that Housing New Zealand is required to enact, up to fifty homes can be out of circulation at any one time, and each of these for up to six months. In addition, testing and cleaning is prohibitively expensive, and must be done in addition to the usual repairs and checks performed for a vacant house. An additional 150 homes have also been removed from circulation due to earthquake standards.

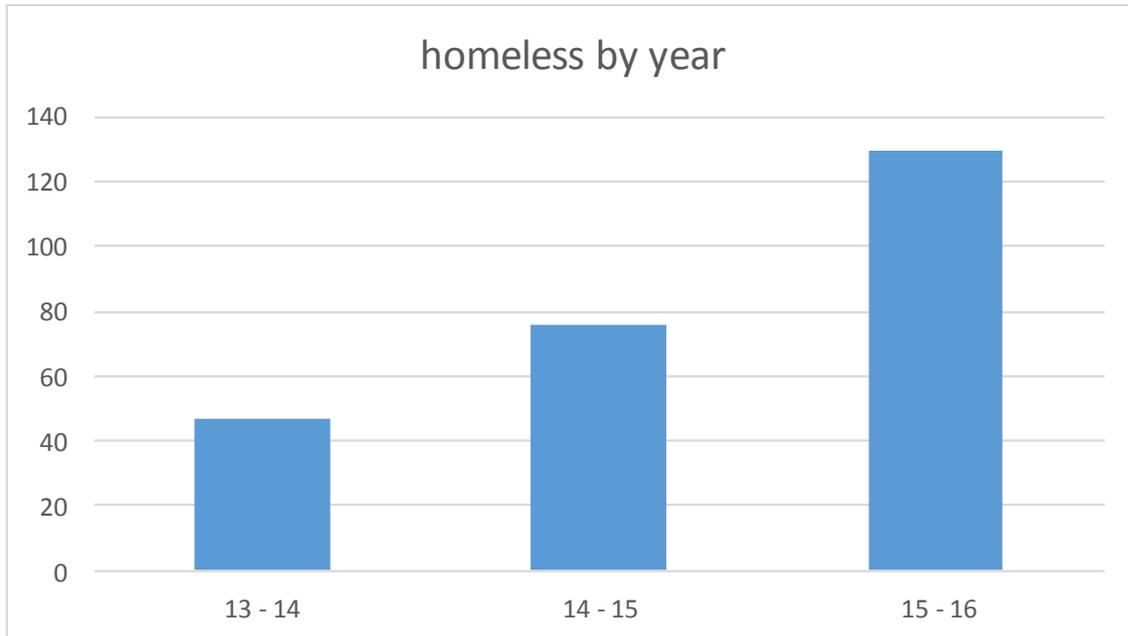
## **Sally Babbage – Housing Advice Centre**

The Housing Advice Centre is a local service that works with anyone with a housing issue, both tenants and landlords. One of their major activities is twice-weekly regional listings, through which tenants seeking housing can reduce costs by dealing directly with landlords, thus avoiding letting fees. In addition they run the Housing Needs Monitoring Group, bringing together stakeholders in housing every six weeks.

In the last financial year, they had 1,946 direct contacts, and over 40,000 other contacts through online hits and event attendance. Most of these are low-income earners, and they have few housing options available to them. Rising costs and low availability is also making it difficult for these tenants to stay in the Palmerston North area.

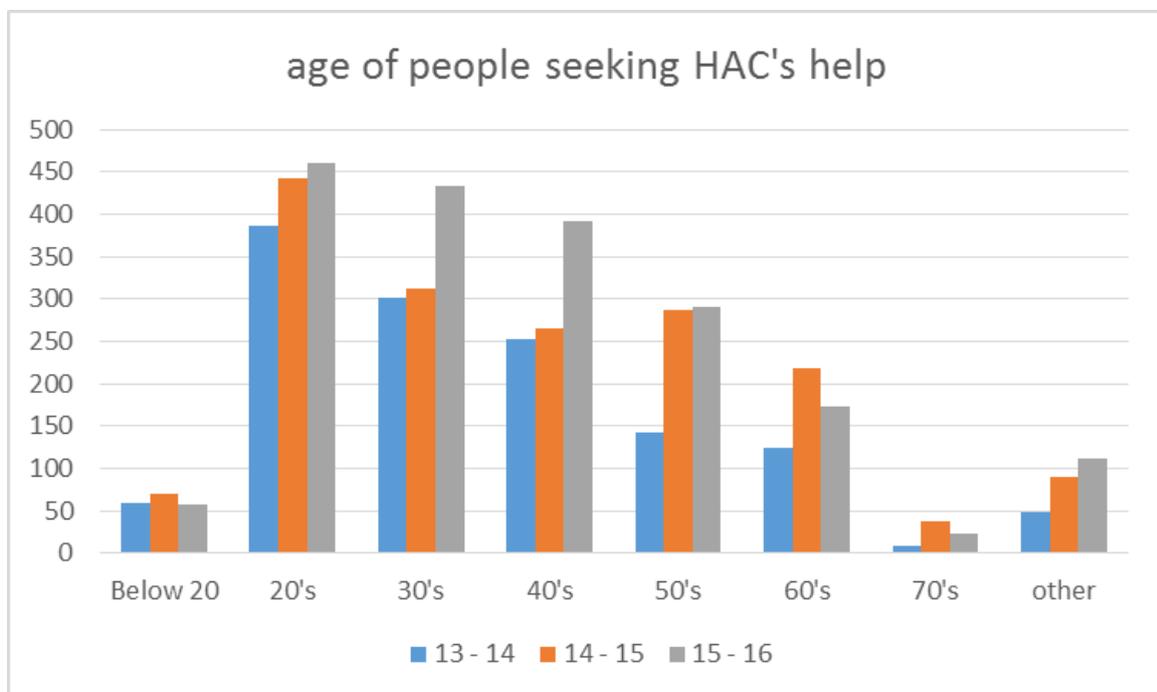
Over the past 12 months it has become harder to find suitable housing; thus the Housing Advice Centre has been turning towards a multi-agency approach. The people who come to the Housing Advice Centre can have a diverse range of complicating factors, such as mental health concerns, ex-prisoners, people on ankle bracelets who need to find housing to stay out of prison, single mothers, people with complicated health needs, and elderly people with complex needs. A small group, the most complex, exhibit combinations of complicating factors, together with poor credit, poor references, on stand-down with Housing New Zealand, or previous Tenancy Tribunal cases.

A matter of concern for Palmerston North is that homelessness has been on the increase over the last few years. Of those coming to the Housing advice Centre, 42 people in 2013-14 financial year reported being in a state of homelessness. This grew to 78 in 2014-15, and in 2015-16 had reached 130 (Figure 5). These numbers are frightening, but are likely only the tip of the iceberg as there are many who do not know of the supports available, or are unwilling to utilise them. The Housing Advice Centre has also seen an influx of people across all demographics, but particularly noteworthy are those in their 80s and 90s (Figure 6).



**Figure 5: Homeless by Year**

The number of enquires at the Housing Advice Centre where individuals have been seeking support with finding accommodations due to homelessness (Babbage, 2016).



**Figure 6: Age of People Seeking HAC's Help**

While predominately in the 20s, the Housing Advice Centre has been seeking an increasing number of older residents (Babbage, 2016).

It is particularly difficult to find housing for single people. Only a year ago, it was possible to find housing, but in more recent times the only option is to go onto waiting lists, and need a lot more support in order to find and stay in a home. In the private market, many landlords are selling their properties as the market is good, which means that many more people are facing 42 day notices for vacant possession.

Despite the concerns outlined above, the Housing Advice Centre recognises and commends the large number of landlords who are willing to take risks to house the tenants who come to them. However, there are still far too many people who must face unsuitable housing on a daily basis.

## **Open Session**

At the end of the presentations, the floor was opened for thoughts and suggestions from those in attendance.

There has been a lack of support of local councils to remain in housing from central government. However, this is still necessary and an important component of what government should be providing.

There is a need to update or replacement existing housing stock. The standards for housing have increased to ensure that those living in them can live comfortably and well. Houses which do not meet these standards impose additional costs on their inhabitants. The question of how such a project could be funded was raised.

A speaker emphasised that a sense of community needs to be fostered. The focus on investments, house prices, rent income, and similar monetary factors have overshadowed the fact that there are people who must live in substandard housing conditions. Improved conditions and an improved sense of being part of a place aids in achieving a stable and happy community.

It was suggested that property auctions could be a culprit of high house prices by artificially inflating prices in an open bidding war. A proposal was thus made to end these to calm inflation in the property market.

A proposed way to move forward given the housing situation suggested was through housing associations. The ability to provide the will power to build houses, combined with other connections for resources, could ensure an increase in housing of the required type – complete with support services for tenants.

## Concluding Comments

Palmerston North is facing many housing issues, with local homeless and the waiting list for social housing skyrocketing, yet these same issues are faced across the country. There is a silver lining in that for Palmerston North they are not as large proportionally as those facing other provincial centres and cities. However, this does not mean that these problems are not relevant and pressing, nor that they should be ignored. All of the statistics around homelessness, poverty, and unaffordable housing represents people who are suffering. As a local community, it is up to us to do what we can to make sure that Palmerston North moves forward and improves its housing situation.

As the housing market gets increasingly unaffordable for renters and first home buyers, houses are conglomerated into fewer and fewer hands. Households must appropriate funds from other sources in order to maintain shelter, giving up on food and heating – resulting in unhealthy and stressful lifestyles. Meanwhile, the availability of social housing is lacking, with reduced numbers due to drug contamination and previous low demand. The future of Palmerston North housing is not all problems however. While still developing, the pilot for *Homes for People* has the potential to add housing to Palmerston North, while *MUSA* has improved their flats and are encouraging the further development of student flatting.

The incentives and focus upon home ownership is not conducive to supporting a diverse range of accommodation options, and it leaves many behind and neglected. While the cost of correcting these imbalances is prohibitive, they are necessary in order to reduce the suffering that households currently face. A direct and clear way to move forward was not reached at this forum, as housing is complex and connected to countless other aspects of life. But, through these events, housing can be kept on the agenda and the voices of those unable to gain adequate housing will not go silent.

To close off the document, a final big thanks to all our speakers and everyone who came out on the day. Together, we can keep the discussion for housing going, with events such as International Tenants' Day, and we hope to be able to revisit these issues and actions in late 2017 or 2018.