

Housing Strategy for Wairoa

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15 March 2021



SENSE PARTNERS

DATA LOGIC ACTION



Context

Wairoa Taiwhenua, Tatau Tatau o Te Wairoa Trust and the Wairoa District Council invited Sense Partners to develop a strategy to address the housing crisis in Wairoa. The goal? Build more houses.

This strategy is informed by a workshop held in Wairoa on 5 November where local stakeholders were brought round the table to identify what needs to be done and agree an action plan or way forward to deliver better housing outcomes. We subsequently tested the strategy with stakeholders on the Wednesday, 9th December 2020.

We thank our hosts for the workshop - Wairoa Taiwhenua. We are grateful for the insights from all the participants.



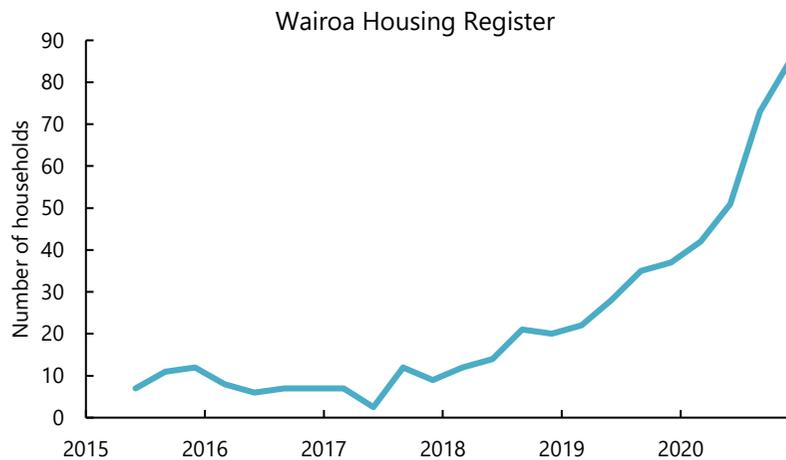
1. Current state: Wairoa has a housing crisis

Wairoa has a confronting housing crisis.

After rapid population growth, there is a material shortage of housing. Without significant change, expect need to grow.

Housing pressures show up in Wairoa in different ways, including increasing rent, high costs of housing relative to incomes and a lack of stock of one and two bedroom homes. But the waitlist is a useful summary indicator of the escalating housing pressure (see Figure 1).

FIGURE 1: GROWING WAITLIST CAPTURES HOUSING PRESSURES

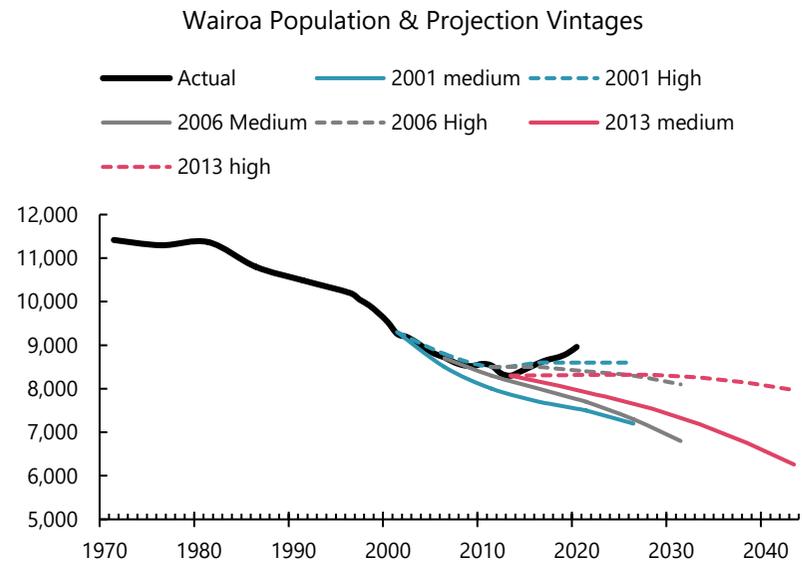


Source: MSD

Unexpected demand is outpacing supply

Successive predictions of population decline have been proven wrong over the past seven years (see Figure 2). Population growth has added at least 600 people to the region at a rapid rate, increasing demand for housing. Higher housing costs that pressure those with the least financial resources, leading to over-crowding and other social issues in the community.

FIGURE 2: POPULATION GROWTH HAS OUTSTRIPPED PREDICTIONS



Source: Statistics NZ, Polkinghorne (2017), Sense Partners



Demand has a number of facets

Population growth has been boosted by strong internal migration. Many more families of prime working ages, with particular housing needs are setting up or returning home to Wairoa.

Demand is also from retirees. As the population ages, more homes are needed for the same population. At the same time, holiday homes that are often vacant are increasing.

Wairoa is poorer and more deprived than elsewhere. Many residents are likely to rent rather than own a home. Government spending on housing support (such as Accommodation Supplement) is high and rising.

The majority of Wairoa for both land and people is Māori.

Any strategy needs to reflect these demand factors and unpack both opportunities and potential areas of need:

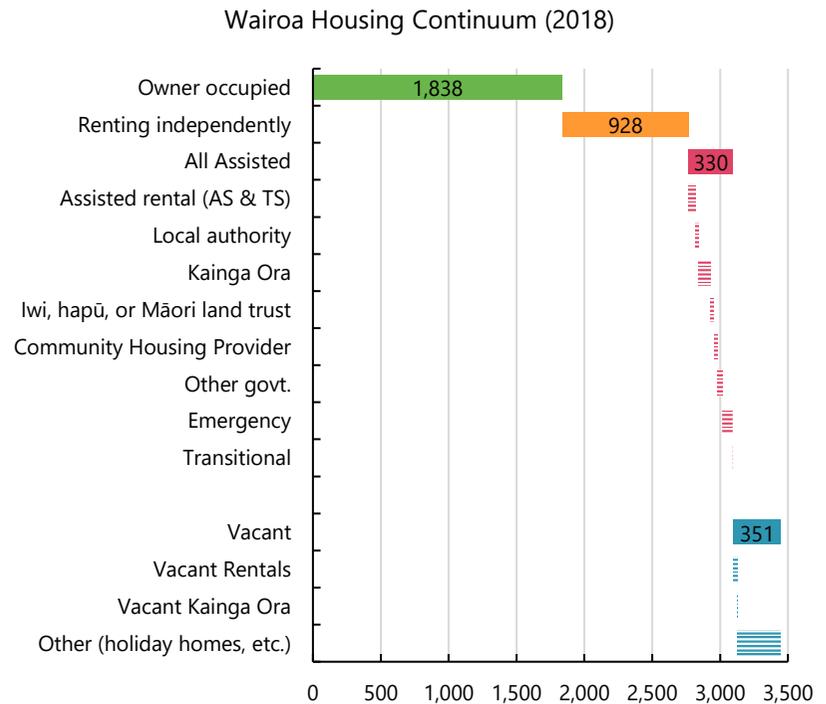
- Secure housing for young people in low-income households, which can affect education, health, and lifetime outcomes.
- Ownership transition pathways for people in coupling/family formation ages (25 onwards) to guard against future housing vulnerability
- Secure tenure and affordable housing for low-income older people (which often come with significant government support).

Demand is also revealed by the continuum of housing types we show in Figure 3 About 30% rent independently but renters are less secure

because tenure tends to be short term. The majority do not need assistance to maintain tenancies.

But about 10% of households require assistance for their housing. This should be the focus of effort. Around 350 homes are also vacant. Most appear to be holiday homes.

FIGURE 3: CONTINUUM SAYS FOCUS ON SOCIAL HOUSING NEEDS



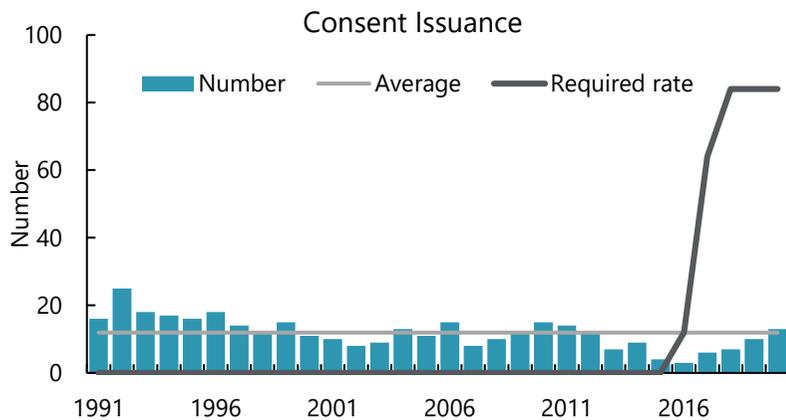
Source: MSD, MHUD, Kainga Ora, Statistics NZ, Sense Partners



Supply has not kept pace with demand

Wairoa has not built enough houses. The cost of new builds outstrips the cost of existing stock. New builds are few and far between (see Figure 4).

FIGURE 4: NEW BUILDS RAPIDLY FALLING BEHIND THE RUN-RATE



Source: Statistics NZ, Sense Partners

Our strategy needs to account for many supply-side issues that include:

- A starting point of too few homes
- The expectation that more homes will be needed soon
- The cost of building is expensive relative to the existing stock
- Growth in 1 and 2 person households as the population ages
- The stock of vacant homes is growing
- The cost of construction is high due to distance to labour and materials supply chains.

Right now, we estimate a shortfall of about 150 homes. But expect population growth and an ageing population to make that shortfall about 500 homes in the next ten years. This forms the target for our strategy.

2. Current state to future state

Opportunity

Three things are needed to enable the housing strategy:

- Resources
- Coordination
- Planning and regulation

Resources

Wairoa has a number of resources to draw on to set up a housing strategy.

Unlike many regions, land is available at relatively low cost. Some Māori land is owned by multiple owners. Other land holdings are privately held. But even land within Wairoa town is not relatively expensive compared to other build costs. This is an opportunity to preserve for future development.

But capital is also needed. Unlocking any capital within the region, including local government funding of social housing will be critical. Central government will also commit where there is a clear plan to add value. Building strong relationships with Te Puni Kōkiri, Kainga Ora and the Ministry of Housing and Urban Development is critical.



Existing community resources can provide coordination

A committed and nimble community is also a major asset. Iwi are motivated to invest time and resource to support future generations. Council has the capability to make plan changes quickly.

Unlike the big cities, critical players can sit around the table. Personal relationships should help cut through the thorny problems. Make the most of relationships to keep accountability clear and cut down costly delays.

You will need to continue a collective approach. Most likely, you will need to setup a governance vehicle to clarify responsibilities and hold key stakeholders accountable. Other councils, such as Nelson, have chosen to set up a housing reserve to purchase housing to provide to Community Housing Providers. But you are best positioned to know how you want to structure yourselves.

Central government is ready to work with local partners that show purpose and a plan for action. Consider using the housing strategy as starting point for collaborative efforts with central government and the Ministry of Housing and Urban Development and Kainga Ora.

You will also want to make the most of existing Community Housing Providers. Can you scale up these existing organisations to manage additional housing stock?

Planning and regulation

The best plans in the world count for nothing if council are not on board, ready, with flexible regulation that allows for growth. We see a council prepared to be accommodative, flexible and put through plan changes that would chew up time and efforts in other councils. This is an asset.

Don't be afraid to spy, copy, and steal from elsewhere

Other communities are also confronting housing crises in different ways. Some pathways may work for Wairoa while others will not fit the needs of the local community. You can speed up progress on building more homes by adapting and then adopting from elsewhere.

For example, we like the government's pilot programme to help co-ordinate agencies in Hastings to deliver better housing outcomes. This model is showing strong signs of success: homes are getting built. This shows the power of collaboration between the capability of central government and iwi and local communities that can identify, prioritise and action specific projects. We also recommended looking closely at the elements of the Hastings model to Manaaki Tairāwhiti.

The housing crisis, while pressing, is also tractable. 150 homes would make a large difference to outcomes.

Many levers are needed – prioritise the social end of the spectrum

No one solution will solve the crisis. Instead, everyone needs to play their part – local government, central government, community, iwi – so that no one group needs to do the all the lifting.

The crisis is pressing so that suggests prioritising provision of social housing solutions first. The gap between incomes and homeownership is large. Not everyone will be able to own their own home soon.

Papakāinga offers a useful medium-term solution to Wairoa. Capital investment that might otherwise be used to purchase land can instead be turned towards funding construction. Addressing the issue of capable governance over Māori land is critical to unlocking this potential.



But long-term, the goal should be to have some market provided housing. Planning needs to be permissive and make use of local features. For example, zoning could enable sub-division on the existing large plot sizes. These plots are close to town. Construction on these sites provides in-demand, 2-bedroom homes within access of local amenities and services.

Part 1: Social housing 150 homes

Collaborate with central government on social housing in 3 ways

Right now, our estimates suggest an acute shortfall of 150 houses in Wairoa. Future population growth will require additional housing but without change expect extra demand rental and social stress. It should be high priority to provide an additional 150 houses.

The first path is to make more of the 330 vacant homes identified in the housing continuum.

Many appear to be holiday homes, so not all of these homes will be close to town with good access to services.

But even 20 percent of these homes would prove invaluable to MSD looking to sources of social housing in the region. These agencies would provide guaranteed income streams, incentivising owners to make more of their asset.

This would help support people in employment but not yet able to access the home ownership market.

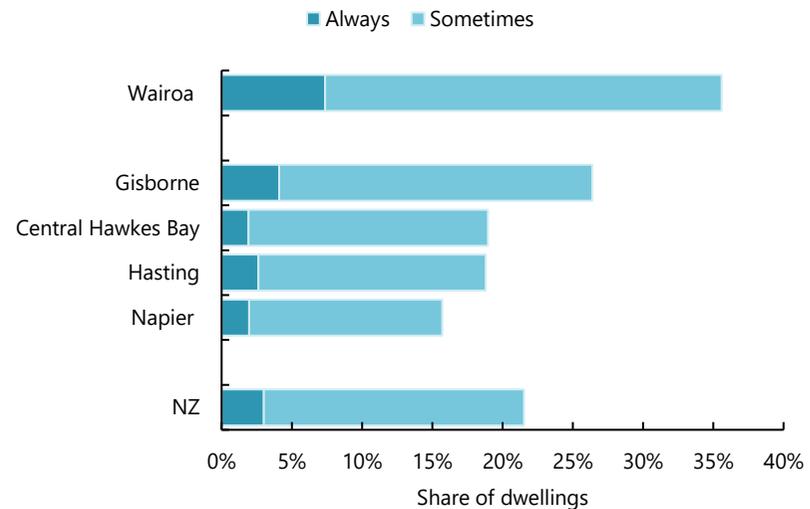
Other central government agencies also have an interest in housing. To support key workers, such as teachers and police, agencies such as the Ministry of Education may want to invest to secure housing tenure for key

workers. This could provide additional capital to turn vacant houses into rental accommodation.

Tactically, it makes sense to pursue this opportunity since it provides the quickest opportunity to increase the housing stock. Target bringing 50 homes to the market under this scheme.

Second, central government is rightly focussed on the poor quality of New Zealand homes. And we know poor quality makes damp and mouldy houses in Wairoa more prevalent than elsewhere (see Figure 5).

FIGURE 5: MANY HOMES IN WAIROA ARE LOW QUALITY



Source: Statistics NZ



Rebuilding these homes would take fewer resources and take less time to increase supply than building new homes from scratch. This path should bring about 50 homes to supply.

Given demand is high for one-two bedrooms, consideration could also be given to converting existing 3-4 bedrooms to two, two-bedrooms units. This strategy has been used successfully in other regions, such as Christchurch and could rapidly increase the stock of units.

Central government could begin by using the census to identify the areas and housing types in Wairoa most at need of renovation. Consultation with Wairoa could then guide targeting.

Bringing these homes up to standard is not cheap at around \$250,000 to \$300,000 but can be done more quickly than new builds and saves on many costs that include consenting and pouring concrete in remote areas.

The third path is recognising the value in investing in housing infrastructure to reduce the future fiscal costs for central government of around \$15.6 million per year.

The cost of government borrowing has decreased markedly over recent years and post-COVID sits at historic lows. Right now, the ten-year government bond rate is 0.94 percent.

If used to finance infrastructure those annual payments could fund \$404.3 million loan, including both interest rate and principal repayments.¹

¹ Based on repaying the loan over a thirty year period at a one percent interest rate.

Other initiatives to access government investment could include.

- accelerating and increasing Kainga Ora investment in the region
- leveraging DHB and MSD expenditure in the region to invest in outcome-based initiatives centred around housing
- investigating a scheme on rents similar to the WINZ Youth Centre where rent is subtracted from benefits. Any scheme would need to be opt-in and have clear incentives to joining.

Wairoa can help by demonstrating to central government a willingness to partner, coordinate activities, and deliver on desired outcomes. Based on our workshop we understand there is agreement on some key outcomes:

- (i) Housing choices for everyone
- (ii) Affordable housing
- (iii) Elderly options
- (iv) Healthy homes.

Part 2: Papakāinga 200 homes

Papakāinga housing offers the opportunity to make use of your resource – whenua Māori. Papakāinga is likely to provide the most significant change to housing stock in the region and housing outcomes for Wairoa.

Papakāinga will take time – perhaps 3 years minimum, and naturally sits after provision of emergency housing, but before market-led



development. Papakāinga needs to be driven by your values and your vision for housing in Wairoa.

If we were doing this work, we would recommend taking a very deliberate approach. We would take the following steps.

- Identify potential – people and sites – to establish the size of what is possible and which sites could yield the best outcomes.
- Start with a pilot but record and then share everything – views of whanau, data, project management, costs, quality of suppliers.
- Next, be clear about governance. Identify the community leaders who will drive the project.
- Once the pilot has been completed, start scaling up. This takes longer but promotes better outcomes and limits risk of failure.

Figure 6 and Figure 7 show that there are many possible sites. Identifying land parcels suitable for papakāinga will take time.



FIGURE 6: THERE ARE MANY PARCELS OF MĀORI LAND IN THE DISTRICT BUT NOT MANY CLOSE TO THE WEST OF THE TOWN

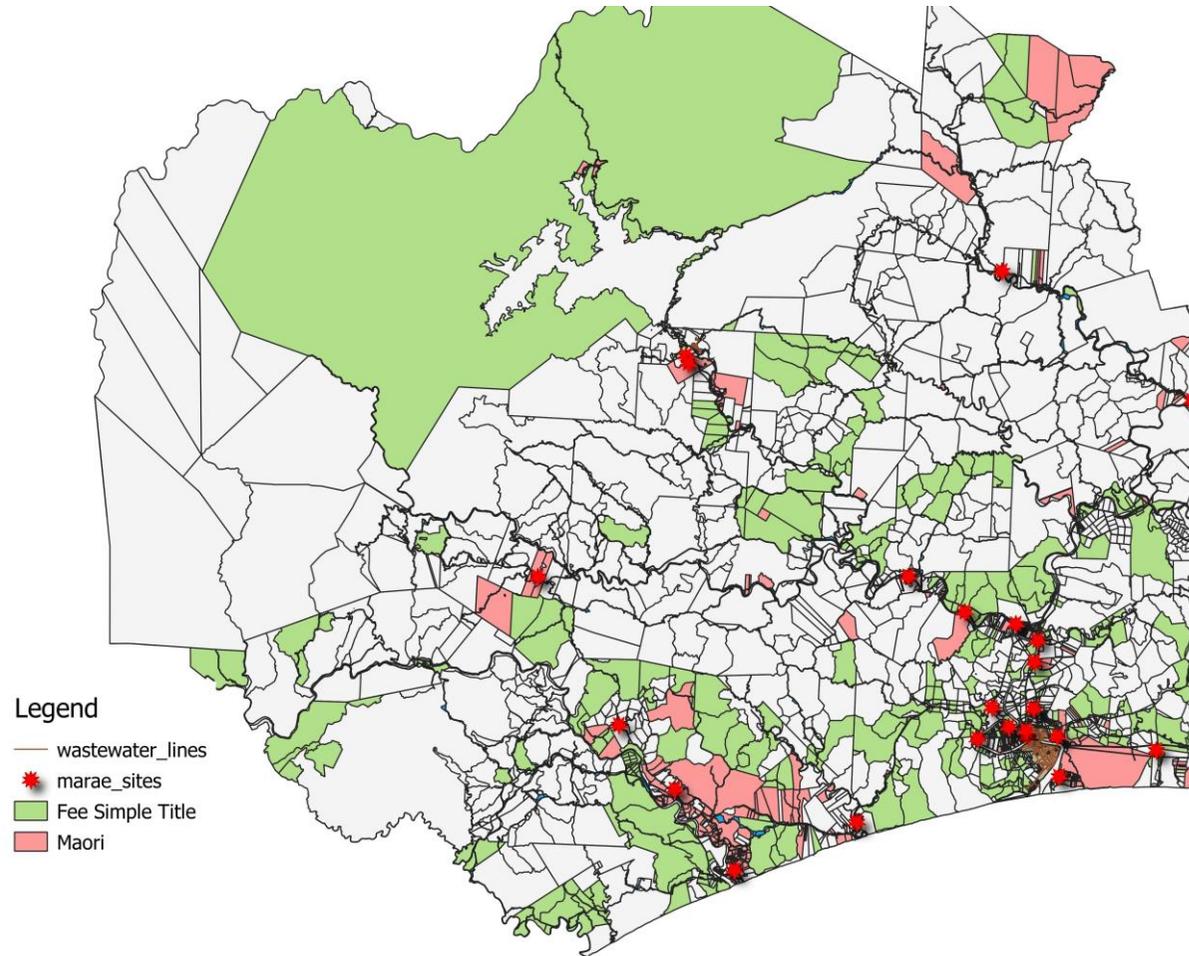
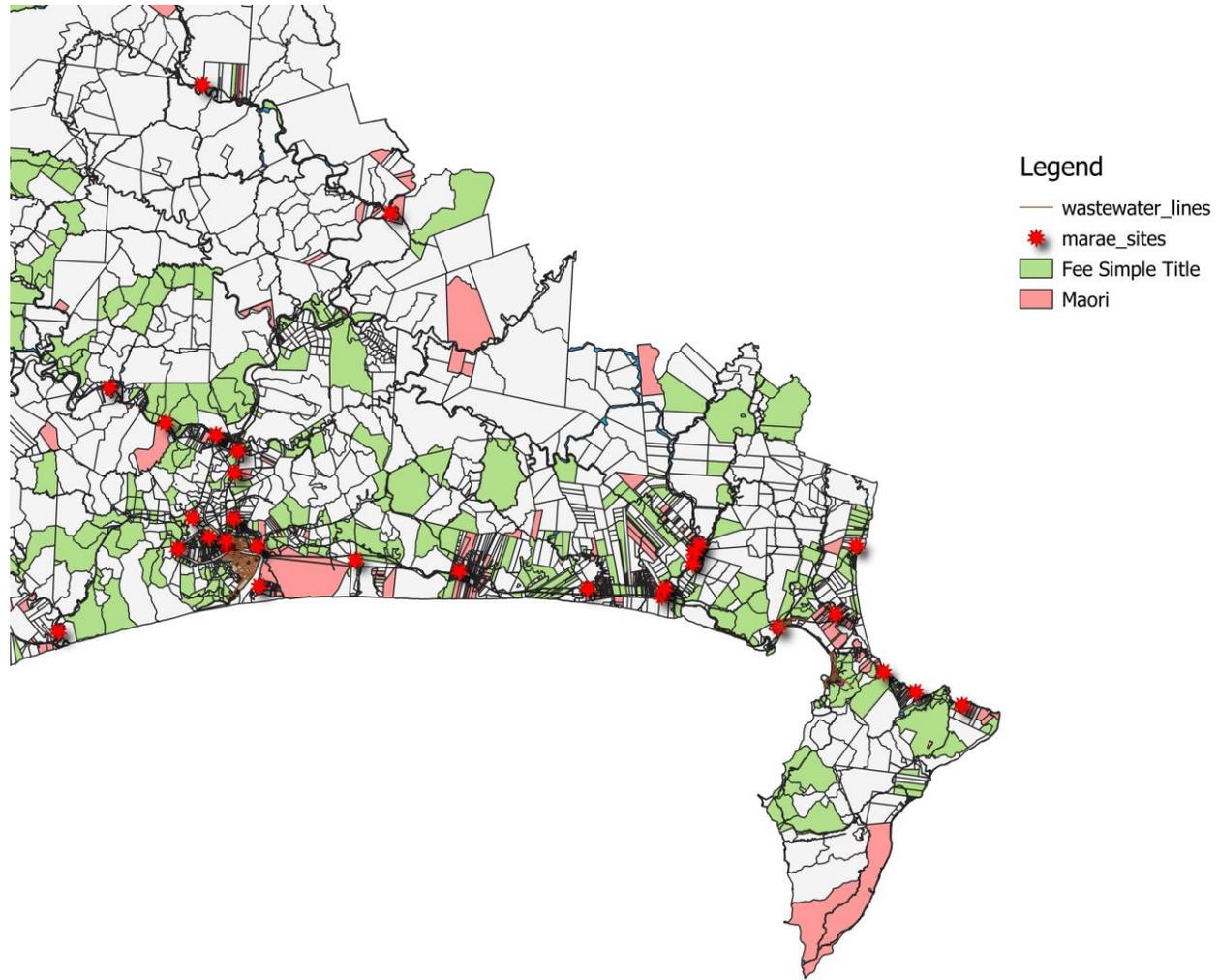




FIGURE 7: THERE ARE PARCELS EAST OF THE CITY BUT IDENTIFYING THE BEST SITES REQUIRES A PRIORITISATION EXERCISE





Te Puni Kōkiri suggest thinking about papakāinga housing development in three steps:²

- Steps 1: Planning/agreeing the use of the whenua
- Steps 2: The building process
- Steps 3: Ongoing maintenance and management

Step 1 will take time. This stage is about developing and sharing a plan with whanau. Expect to cover:

- Who the housing is for?
- Are there expectations in terms of need?
- Is the intent to build housing for purchase or for rent?
- What are the governance arrangements?
- Is a trust needed?

Step 2 requires considered evaluation of capability. Who will provide:

- the project manager,
- financial due diligence,
- the designers,

- the contract managers.

Barriers to progress might include Māori Land Court processes, any need to underwrite development loans and identifying leaders who will step and drive development.

Infrastructure ready sites will ease progress but will be at a premium. Identifying these sites is a sensible first step.

It is easy to underestimate the resources and governance required for ongoing management and maintenance. Step 3 needs a steady hand to realise the return from the asset in the community.

To build sufficient houses to accommodate not just existing demand we think Papakāinga housing should target 150-200 houses over the next ten years.

² Te Puni Kōkiri (2017), "A guide to Papakāinga Housing", <https://www.tpk.govt.nz/en/a-matou-mohiotanga/housing/a-guide-to-papakāinga-housing>



Part 3: Market led supply 150 homes

Market provided demand

Some of Wairoa's housing issues stem from remoteness. When combined with a lack of scale that makes building a costly exercise. So social housing needs to be prioritised.

In the long-term, market provided housing can help alleviate pressures. Expect growth in market led supply to continue over the next 10 years.

But construction is complex. Several factors need to come together: including:

- Planning and consenting
- Infrastructure provision
- Development of a trades workforce

Local council can help by being nimble and facilitating a flexible and rapid consenting process.

Local land use regulation needs a second look given the cost of housing and to make the most of new water infrastructure. For example, trying smaller minimum lot sizes close to the city centre is likely to help lower the cost of new builds.

Establishing a local trades workforce can be challenging. Trained up workers can easily move to other locations without a steady train of local

work. Instead, focus on the support that will come from an increase in the flow of construction work from social and papakāinga housing construction.

Partnering with forestry, one of the larger employers in the region remains unexplored. Forestry have a commercial interest in retaining a workforce within the region. A targeted approach that focusses on where value lies for both business and the local community could unlock resources.

We estimate that up to 150 market provided homes are required to meet the target of 500 homes in ten years. Expect few of these homes to be built immediately. Instead, focus on helping putting place the conditions to facilitate market provided developments. Public home building can help by stimulating the supply side in the local community.

Accountability

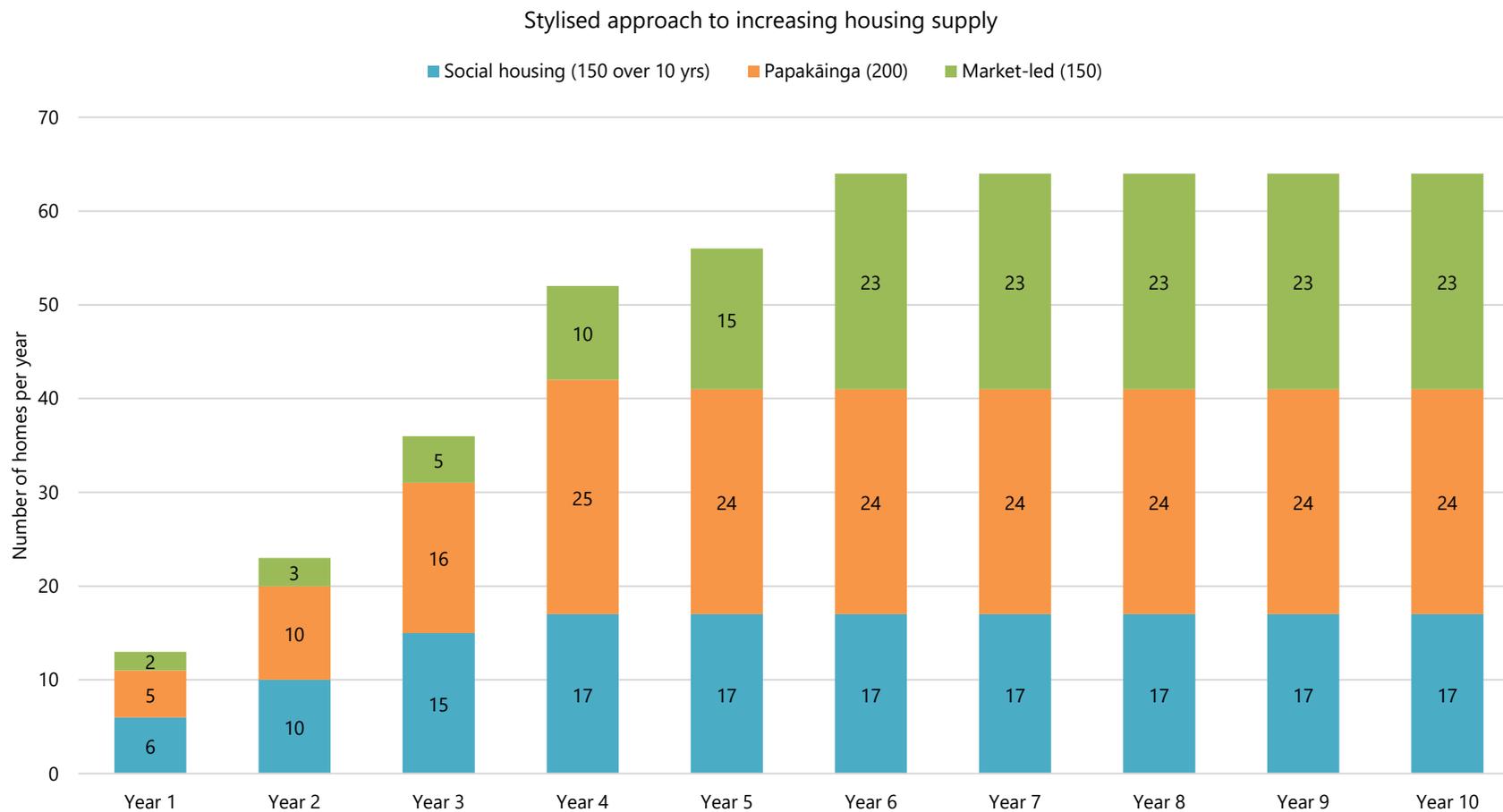
This plan require ambition but also SMART (Specific, Measurable, Attainable, Relevant, Timely) goals and ownership of who does what, we start to lay this out in the staged plan in the next section.

The long-term goal is to increase housing supply sufficiently to eliminate housing stress. We believe 500 homes are needed over the next 10 years (see Figure 8).

Not everything needs to be built from day one. Instead, focus on ameliorating acute needs and setting up the foundations for growth.



FIGURE 8: HOMES NEED TO COME FROM A VARIETY OF SOURCES OVER THE NEXT 10 YEARS





3. A staged plan of attack

FIGURE 9: STAKEHOLDERS NEED TO SHARE THE PLAN TO GENERATE THE BUY-IN AND PROGRESS NEEDED TO MAKE PROGRESS

Part		Activity	Description	Agency Responsible
Short-term actions with impacts in the next six months				
Part 1 – Social housing	1	Establish governance structure	You want to continue a collective approach but establishing a governance vehicle to help make clear accountability and resources.	
	2	Clarify the relationship of Community Housing Providers	Identify which housing providers have the ambition and capacity to scale up.	
	3	Test converting some vacant homes to rentals	<p>Liaise with MSD to test the proposition of ameliorating acute need by identifying and then approaching owners of suitable vacant homes for short-term rental housing.</p> <p>Test proposition of underwriting future rent streams, perhaps with government agencies that want to secure housing for key workers.</p>	
	4	Approach Kainga Ora on renovating damp homes	<p>Build a proposition that shows the costs and benefits from renovating existing poor-quality homes (vacant or otherwise) to a high-quality standard that improves the housing stock.</p> <p>Identify any issues and explore how they can be overcome.</p>	



Part		Activity	Description	Agency Responsible
	5	Test converting 3-4 bedroom vacant homes to two, two bedroom units	Test proposition of converting 3-4 bedrooms to two, two-bedrooms units	
	6	Tighten working relationship with government	Continue to build relationships with key government agencies (HUD, Kainga Ora, TPK, MSD) to better understand their funding drivers, for example HUD place-based initiatives.	
	7	Learning from elsewhere	Understand approaches of other regions in tackling housing crisis. What can Wairoa learn from what is happening in Hastings? Explore mentoring.	
Part 2 – Papakāinga	8	Identify potential	Test potential to scale up to 200 homes – where are the most likely sites, who are the most likely leaders?	
	9	Test capability	What is available locally right now? What do you need to bring in? How do you build and resource capability development?	



Part		Activity	Description	Agency Responsible
Part 3 – Market-led supply	10	Test fit-for-purpose of council regulations	Rapid rise in housing costs tests trade-offs between managing externalities and allowing growth through regulation (for example, minimum lot sizes). In addition, expect wastewater infrastructure to also impact on where land use regulations bind. Test of regulations could be made more flexible to better enable future market-led growth.	
	11	Share early thinking with large firms	Test if there is an investment proposition for large firms, including forestry, that helps provide a long-term local work force. Could use United Nations' Principles for Responsible Investment to formalise any investment.	
Medium-term actions with impacts in the next 6-18 months				
Part 2 – Papakāinga	12	Set-up pilot	Set-up objectives, data collection incentives, project management, leadership and governance for first pilot	
	13	Identify leaders	Where are the opportunities to start to scale up?	
	14	Building skills	Right sized skills programme to develop and retain construction skills within the region in parallel with social and papakāinga construction.	



Part		Activity	Description	Agency Responsible
Part 3 – Market led supply	15	Building capability	Assist with home ownership - Develop a coordinated whole of whanau approach to home ownership including financial literacy, home ownership etc.	
	16	Finance innovation	Address financial barriers to home ownership - Investigate with government and financial institutions opportunities to provide shared equity products to whanau.	
	17	Identify scale development sites	Identify potential iwi led developments - Work with iwi and hapu to identify potential sites for medium to large scale housing developments.	
	18	Develop partnerships	Partner for development - Work with Maihi agencies to develop a holistic housing model for iwi and hapu.	
	19	Kainga Ora Māori strategy	Investigate opportunities to contribute to the Kainga Ora Maori Strategy	



4. References

Te Puni Kōkiri (2017), "A guide to Papakāinga Housing", downloaded, 4 December 2020, <https://www.tpk.govt.nz/en/a-matou-mohiotanga/housing/a-guide-to-papakainga-housing>