

The Gisborne Housing **Strategy**

REPORT FOR MANAAKI TAIRĀWHITI AND TRUST TAIRĀWHITI

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Context

Manaaki Tairāwhiti invited Sense Partners to collaborate and write a strategy to address a developing housing crisis in Gisborne. The goal was to ensure a co-ordinated approach to ensure more house building.

This strategy was informed by a workshop held in Gisborne on October 1 where many stakeholders were brought round the table to discuss the issues, identify what needs to be done and agree an action plan or way forward to deliver better housing outcomes.

For some, the strategy may be best read in conjunction with our housing stocktake, that assesses the current state of the housing market in Gisborne.

We thank our hosts for the workshop, Manaaki Tairāwhiti, and seminar participants for the active and constructive engagement: Annie Aranui and Wilma Hawkins (MSD), Steve Breen (Trust Tairāwhiti), Judy Campbell and Leslynn Jackson (Manaaki Tairāwhiti), Janene Dixon-Smith and Leigh Gibson (YMCA), Robbie McCann (McCannics), Simon Jeune, Jo Noble and Carrie White (Gisborne District Council), Tim Reedy (Te Puni Kōkiri), Terry Sheldrake and Dianne Taylor (Chamber of Commerce), Rob Telfer and Tracey Johnstone (Gisborne Holdings Ltd), Darren Toy (Kainga Ora) and Mark van Wyk (Currie Construction).



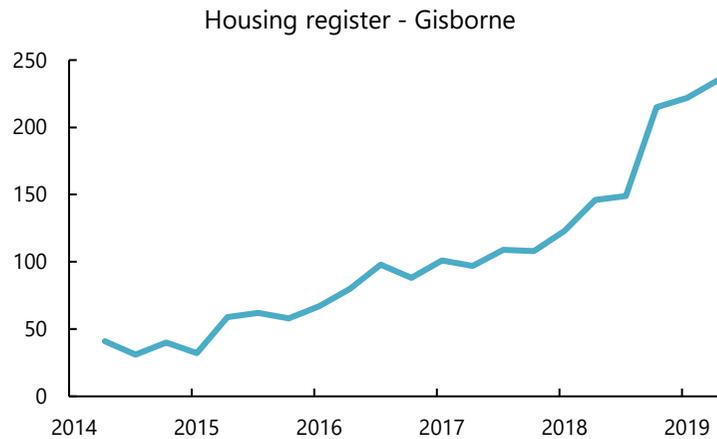
1. The key housing issues

Present needs are acute and rising...

The Gisborne region has pressing housing needs. There is a significant shortage of housing, which is increasingly unaffordable for many to either buy or to rent.

The housing register, which measures the waitlist for social housing, is a handy proxy for housing pressures. The register has grown rapidly in recent years (from less than 50 in 2014, to 235 in June 2019, Figure 1).

FIGURE 1: THE HOUSING REGISTER IS GROWING RAPIDLY



Source: MHUD, Statistics NZ, Sense Partners

Gisborne has the second highest housing register relative to the population of all the territorial authorities in NZ. Second only to neighbouring Napier City. The entire

East Coast has intense housing needs, reflecting strong population growth, rapidly rising housing costs and slow housing supply.

Much of the demand is for smaller units but most of the housing supply is larger (86% of new housing supply 4 bedroom+).

FIGURE 2: MUCH HOUSING NEED IS FOR 1- AND 2-BEDROOM PLACES



Source: MHUD, Statistics NZ, Sense Partners

Demand is outstripping supply...

When housing demand outstrips supply, the pressure on housing is greatest for those with the least financial resources. This can lead to over-crowding and homelessness.

Increasing house prices and rents cascade down the housing continuum, until we see soaring demand for and a waitlist for social housing. While less visible, this is accompanied by increasing housing stress for those who may have otherwise been



able to buy a home, and renters. This can show up in increased assistance through the Accommodation Supplement and other means.

Pressures on demand include:

- Housing demand is growing from population growth and ageing population
- Signs that crowding is increasing (housing related health costs around \$5m)
- Economic growth is boosting population growth prospect further; plus seasonal workers
- Tourism demand is a modest additional factor, but sector has high occupancy and falling capacity.

Housing supply has not kept pace with demand:

- Housing supply is slow to respond
- Shortage of ~400 homes
- Building large homes but growth in 1 & 2 person households
- Vacant stock of homes increasing
- The development economics does not stack up

The imbalance between housing supply and demand also needs to be considered across the housing continuum.

When starting from a position of housing shortage, increases in housing supply will tend to be for those who are well-off, unless there are targeted interventions to increase other types of housing supply.

In recent years, the overall housing supply in Gisborne has grown only modestly, mainly for homes to buy, while the rental stock has barely grown. There are very few rentals listed (17 on realestate.co.nz which had no new listings between

January and September of 2018) and rents rose by 9% in the year to September 2019 (5% nationally).

...driving pressure for the housing stock across the continuum.

The housing stock is usually considered across a continuum. This gives us a good understanding of the size and distribution of the housing stock. Our best estimates (for 2018, rounded) and descriptions of each are:

- Emergency & transitional housing (340): Households with urgent and immediate housing needs
- Social/state housing (1250): We counted IRRS places, which represent households with complex needs and barriers in accessing and maintaining private rentals.
- Assisted rentals (160): We counted council housing and community housing providers. Households who don't qualify for public housing but cannot afford market rentals.
- Market rentals (6,200): these are market rentals, but include those accessing Accommodation Supplement (which is not linked to other benefit payments). These are households who rent, either through choice or because they cannot afford to buy.
- Progressive ownership (15): We counted rent to own programs, for households who can't afford to buy a house outright (can't afford deposit, or cannot meet mortgage repayments for a full house).
- Ownership (7,600): Households that own outright or with a mortgage (those with sufficient resources to raise a deposit and meet mortgage repayments).



2. Strategy

Good access to finance presents opportunity...

Gisborne is fortunate to have a number of well-resourced local organisations. A well-capitalised local authority (GDC's gearing is 2% of assets) and a well-capitalised community Trust (Trust Tairāwhiti) can both be leveraged, if desired, to meet a fundamental human need: shelter.

Capital could help fast track infrastructure delivery...

Right now, infrastructure is funded from development contributions.

But other models are possible that would bring forward infrastructure delivery to make more readily developable land available.

This could include funding infrastructure development simply through debt – Gisborne has the lowest debt per ratepayer of any local council in New Zealand

...and capital could make development contributions payable over a longer time

Capital could combine with targeted rates to incentive development of existing land holdings

Future beneficiaries of the infrastructure would pay more rather than developers, increasing feasibility of the infrastructure model that would otherwise be subject to upfront cash constraints of the developer.

Targeted rates need to be set on the benefit from the infrastructure rather than demand for the new infrastructure

Capital can reduce the premium between new builds and existing houses is critical

Land is the most uneconomic part of residential development so capital could buy land to invest in development projects as equity

Even though the price of credit is low increasingly developers face restrictions on the quantity of upfront credit. Local capital, perhaps in return for share of profit, could help ease these restrictions on development.

Capital could help bring Build-to-rent to the region

Gisborne is missing a way to build more desperately needed rental homes, as they do in the United States (multifamily homes) and Europe (build to rent).

Existing New Zealand initiatives are not common but include the build-to-rent scheme in Hobsonville, supported by the New Zealand Super Fund, Nga Tahu and New Ground Capital.

Build-to-rent can be high risk in small locations because of uncertainty over future rent streams.

Capital could underwrite the value of the future stream of loans reducing project risk or step in to provide targeted home ownership assistance under a progressive home ownership model.



...Gisborne can learn from elsewhere...

Gisborne could be right-sized for a central government looking to make a step-change in approach to raise wellbeing and living standard for regional communities by providing more good quality, warm, dry and healthy rental housing more for regional housing provided the local institutions have ambition and co-ordination.

The government's pilot programme to better co-ordinate agencies to deliver better housing and social outcomes in Hastings may be a replicable model. It demonstrates how a partnership between central government and local groups, including iwi, can identify, prioritise and action specific projects.

The focus could include accelerating and increasing HNZC supply, and leveraging DHB and MSD expenditure in the region (current and projected) to invest in outcome based initiatives (centred around housing and wrap around services).

Make small size work by exploiting collaborative possibilities...

Some of Gisborne's housing issues stem from remoteness combined with a lack of scale that makes building a costly exercise.

But compared to many other jurisdictions, it is comparatively easy to get the key people round the table and cut through barriers to progress. Manaaki Tairāwhiti is a Place-based Initiative and already comes with those advantages. Making the most of this opportunity should be the most cost-effective means of progress.

Right now, central government appears outward focussed and ready to progress shared regional objectives on housing with the right partners that can demonstrate coordination and ambition. The housing strategy could be a stepping stone to

making more of collaborative efforts with central government and the Ministry of Housing and Urban Development and Kainga Ora in particular.

Manaaki Tairāwhiti and Trust Tairāwhiti wish to target short-run objectives while working on long-term solutions

For Gisborne, easier wins in the near-term address the social end of the housing spectrum while long-term solutions tend to address the broader private market.

Our stakeholder engagement suggests agreements on some key outcomes:

- (i) Housing choices for everyone
- (ii) Prioritise those on housing waitlist
- (iii) Prioritise worker accommodation
- (iv) Work on long term solutions (e.g. infrastructure and labour).

Priorities includes addressing risks for those on the waitlist, rental stress and seasonal workers. This should be a high priority.

This needs immediate action is finding infrastructure-ready sites owned by HNZC (and others who are or may wish to be Community Housing Providers) and fast track the current build programme and expand it.



Medium-term objectives require land, infrastructure and finance...

We should be moving away from housing people in motels and poor-quality homes to high quality social and affordable housing. This will require land, infrastructure and co-ordination for the financing.

The most scalable model is likely to be Build-to-Rent, especially if the rental income and vacancy risk is underwritten by affected parties (MSD, DHB) or those who have a community interest (Trust **Tairāwhiti**).

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... critical to keep an eye on long-term objectives

The long-term aspiration is to have a permissive planning system and smooth infrastructure delivery – goals shared by seldom attained across other councils in New Zealand – that makes it both economic and efficient to build houses for the people of Gisborne.

Long term, we want to see more housing choices, appropriate in size, density and proximity. We want to scale up papakainga housing, more retirement-ready

homes, and assisted home-ownership programmes. (Because of the sheer scale of unaffordability, homeownership is not an attainable goal in the near future.).

These programmes all set squarely in the middle of the housing spectrum, between emergency housing and the market housing market.

In the medium-term, progressive home ownership could be a powerful combination of the capital base of Trust Tairāwhiti and the support networks and leadership of Manaaki Tairāwhiti.

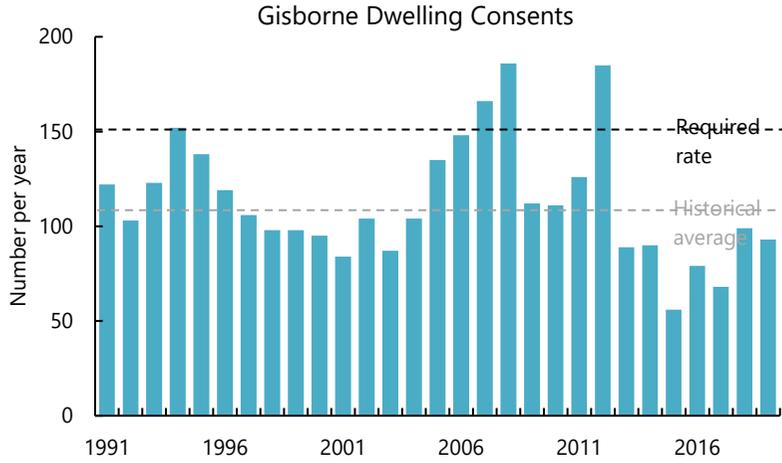
The long-term goal of the strategy is to increase housing supply sufficiently to eliminate housing stress. Ideally the goal should be to build 400 social and affordable homes over the next 5 years. Figure 3 shows the gap between what is needed and current delivery.

This means we need to overcome current constraints on infrastructure, labour and potentially planning rules regarding density around amenities.

This requires work to better understand the constraints (physical or financial). Alternative means of financing can help overcome barriers.



FIGURE 3: GISBORNE DWELLING CONSENTS NEED TO AVERAGE 150 PER YEAR, NOT <100 IN RECENT YEARS



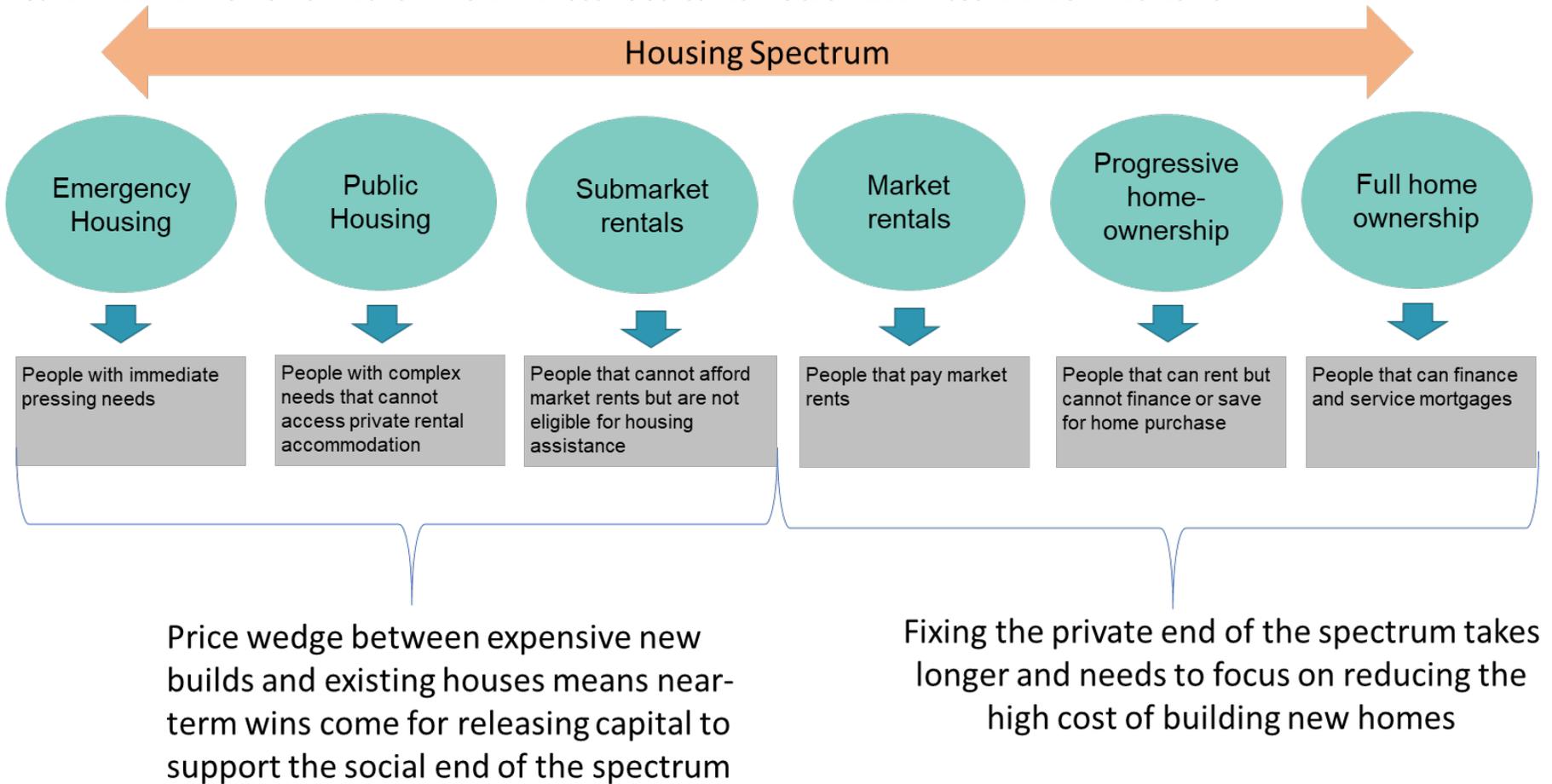
Source: Statistics NZ

For Gisborne, most opportunities lie at the social end of the housing spectrum (Figure 4).

Stakeholders acknowledge Gisborne has a housing crisis. Solving it will require ambition but also SMART (Specific, Measurable, Attainable, Relevant, Timely) goals we lay out in the staged plan.



FIGURE 4: NEAR-TERM OPPORTUNITIES TO IMPROVE THE HOUSING OUTCOMES IN GISBORNE LIE AT SOCIAL END OF THE SPECTRUM





3. A staged plan of attack

FIGURE 5: STAKEHOLDERS NEED TO SHARE THE PLAN TO GENERATE THE BUY-IN AND PROGRESS NEEDED TO MAKE PROGRESS

	Activity	Description	Agency Responsible
Short-term actions with impacts in the next six months			
1	Test existing capacity	Identify locations with existing infrastructure capacity for additional housing, potential for increased density close to transport and amenities, and inclusionary zoning for greenfield sites (developer compensated through increased density provision)	Gisborne District Council
2	Test debt appetite	Clarify council appetite for use of debt or targeted rates for infrastructure, instead of development contributions (to spread the cost over time, rather than up front)	Gisborne District Council
3	Explore Papakainga	Test for Papakainga options and Maori purpose zoning (refer Western Bay of Plenty, Hastings District Council and Whangarei District Council)	Gisborne District Council, Te Puni Kōkiri
4	Realise existing opportunities	Identify projects that have not progressed due to specific issues. Identify the issues and explore how they can be overcome (e.g. YMCA, worker accommodation, scaling up CBD apartments).	Manaaki Tairāwhiti, Trust Tairāwhiti
5	Test funding health funding proposition	Identify DHB expenditure on public health and housing related health costs (estimate \$5m+) and explore a place-based initiative to draw on such funds to direct vulnerable whanau to safe, dry and warm homes.	Tairāwhiti DHB a role for iwi



	Activity	Description	Agency Responsible
6	Test support for place-based housing initiatives	Identify MSD expenditure on EH-SNG, AS, TAS in Gisborne (estimate \$17.5m+) and willingness to support place-based initiatives to encourage new housing supply and reduce future expenditure.	Ministry of Social Development
7	Test for additional HNZC land	Explore additional HNZC land that can be developed.	Housing New Zealand Corporation, Kainga Ora
Medium-Term: Actions to take in for impact in the next one to two years			
8	Test potential of home relocation	1. HNZC to accelerate delivery/increase delivery/relocate homes from other parts of NZ	Ministry of Housing and Urban Development, Housing New Zealand Corporation, Gisborne District Council
9	Emergency housing	2. Procure emergency housing choices.	Ministry of Social Development, Housing New Zealand Corporation, Gisborne District Council, Trust Tairāwhiti
10	Worker accommodation	3. Fast-track one worker accommodation project – test for learning from Hastings housing strategy	Trust Tairāwhiti, Gisborne District Council, private partner
11	Test build-to-rent feasibility	4. Engage one build to rent project feasibility with underwritten rent and vacancy risk (e.g. Wellington City Council)	Trust Tairāwhiti, Gisborne District Council, , Ministry of Social Development



	Activity	Description	Agency Responsible
12	Test under-writing model	5. Explore GDC or Trust Tairāwhiti acquiring land to invest as equity in a build-to-rent development, where the rental income will be under-written as above to reduce upfront risk to developers and get dwellings built.	Gisborne District Council, Trust Tairāwhiti , YMCA, Gisborne Holdings Limited and iwi
13	Partnering with forestry	6. Explore a long-term investment plan with a horticulture company for a long-term plan to procure houses (say 50 a year for 10 years) for older people, papakainga, social and affordable houses (market if no longer required for these purposes) with some guarantee of demand.	Trust Tairāwhiti , private partner
Long-term actions for impact in the next two plus years			
14	Ready-to-rent	Ready to rent programme (like the HB DHB & Auckland) – the programme prepares people to sustain tenancies. Programme reporting high success rate initially.	Manaaki Tairāwhiti and the Tairāwhiti DHB
15	Assisted home ownership	Manaaki Tairāwhiti to lead exploring assisted home ownership products and market readiness.	Trust Tairāwhiti , Housing New Zealand Corporation, Manaaki Tairāwhiti
16	Development capacity	Focus on sustained housing development capacity and output, including spatial planning	Gisborne District Council
17	Building skills	Skills programme to develop and retain construction skills within the region.	Trust Tairāwhiti