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Submission: To Commerce Commission's

Inquiry into Housing Affordability in NZ

From the Just Housing Trust

**A UNITARY HOUSING POLICY  
FOR NEW ZEALAND TO MEET THE CHALLENGES  
OF AFFORDABLE HOUSING  
IN AN ERA OF CLIMATE CHANGE.**



a second-stage Passive House

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- Appendix 1: Adaption of Housing.
- Appendix 2: Kyoto-rated Dwellings.
- Appendix 3: A Passive House system.
- Appendix 4: Equity Farms.

# **A UNITARY HOUSING POLICY FOR NEW ZEALAND TO MEET THE CHALLENGES OF AFFORDABLE HOUSING IN AN ERA OF CLIMATE CHANGE.**

*The New Zealand community has a unique opportunity to recover its position as exemplar and world-leader in the provision of affordable housing, by employing adaptation-technologies and methodologies toward achieving the goals of radically reducing green-house gas emissions and ensuring balance & engagement in society.*

## **introduction**

1. The purpose of this submission is two-fold. Firstly, we want to submit a third-sector way to address housing affordability. Secondly, we wish to introduce serious consideration of adapting future housing policy involving wider participation by the community in measures to counter the adverse effects of climate change.
2. We propose to address the current crisis in affordable housing by introducing a type of housing that significantly reduces green-house gas emissions.
3. We will introduce the Passive House -- a flexible-design, demountable, Starter House, which can take advantage of the many available rural and urban sites unsuited for conventional building solutions.
4. We will introduce the concept of Equity Farms, as a mechanism by which community, not-for-profit, housing groups can harness the pooled entitlements of participant individuals and families to get ahead.
5. Proposals to achieve this, will be by means of the introduction of Steps-to-Equity and Shared-Equity housing schemes.
6. We hope to persuade that the current opportunity to provide affordable housing in new ways can contribute significantly to a restoration of economic balance and social engagement in New Zealand. We believe this can be done by not-for-profit, third-sector housing groups in a way that is socially, economically and environmentally sustainable.

## the inquiry's terms of reference

7. The chief driver of housing unaffordability is a restricted supply of land for housing and the high price of the land that is available. The cost can be offset to some degree by community housing groups adopting the following measures:

- Land Banking,
- 'Borrowing' community land,
- Using fixed-term leases to access private land,
- Establishing Equity Farms to create financial surpluses which can be used to purchase land for permanent secondary-stage, shared-equity housing, in which individuals and families own the dwelling and the community own the land. Such land will never again go on the market (see details in the Appendix 4). Such Equity Farm proposals favour Maori because land is a lesser problem for them.

8. Another driver of housing unaffordability is the inability of householders to service debt and meet the costs of ownership as the relatively low-wage sector in New Zealand economy grows the disparity between income and property prices and mortgage interest rates. This can be countered by community-based, not-for-profit cost-rental neutral tenure housing schemes that effectively co-operativise and pool the participants' resources through the workings of a Revolving Loan Fund.

9. The increasing demand for residential properties by investors also contributes to making housing scarce and expensive. The introduction of 'ring-fenced' community-based housing stock will reduce incentives towards unproductive and ultimately unsustainable investments in the housing sector.

10. Local Authority planning and approval processes are necessary costs to raise building standards. In a time of climate change, we would like to see building standards continue to rise with even more strict compliance codes. We would also like to see the building code include factors of sustainability. Reduction of the compliance costs can be achieved by community housing providers like ourselves, registering pre-approved designs with the Local Authorities (see details in Appendix 3).

11. The increasing costs required through the demand to raise building standards considered in the context of the "Leaky Buildings" syndrome and the Government's plans to licence

builders. In practice such licensing we believe is impractical and will only serve to deprive some New Zealanders of their civil and human rights to provide shelter for their families. It will criminalise a wider group of people. In the wider issue of raising building standards -- for example -- insulating for both extremes of heat and cold, or BRAANZ's recommendations that future New Zealand dwellings should be built with an eye to recyclability of components, can be addressed by design features in Passive House designs produced from within a not-for-profit, housing delivery system (cf. Appendix 3). Efficient, co-ordinated factory production, as opposed to one-off design and production, offers opportunities for savings over compliance issues.

12. As, with the advent of climate change, the standards will rise and the function of buildings will change. It is important we as a nation raise the standards and training of our 'independent' building inspectors to become a positive force in conservation and the raising of those standards.

13. For the last twenty-five years we have been saying there is a urgent need to establish a Third Sector Revolving Loan Fund, which effectively co-operatises access to finance for first home-buyers. This fund should be linked to a "housing as a utility" supply-side housing production system. Safeguards would apply to prevent the privatisation of common good assets. This only works within a 'housing as a utility' system.

14. Our message to this Inquiry is that if we in New Zealand want home ownership to be more accessible then we must use means to de-commodify housing -- a sentiment that is not likely to be well received in some quarters.

15. We consider the current version of 'shared-equity' schemes now operating in the market-place, in which investors take a portion of the capital gains is self-defeating. Initially it will get more people into houses, but will increase competition for the resource and will drive up prices. Shared Equity schemes work best with common-good beneficial partners.

16. For the last twenty years politicians and public servants alike have rubbished us, whenever we have put forward capitalisation of benefits as a means of getting third-sector housing schemes started. This refusal has more to do with preventing parity with private sector investors in respect of serious funds such as the Accommodation Supplement. Allowing common good, not-for-profit groups to capitalise the Accommodation Supplement would begin

to solve the housing crisis without serious inflationary pressures and would truly mean the beginning of an independent Third Sector.

17. Some consider that contributory schemes such as the Abbeyfield concept is an acceptable Third Sector approach. But regardless of how well such schemes are run they are certainly not intended to address the fundamental problem of housing speculation and the plight of exploited families.

18. We believe in the past there has been a systemic resolve to prevent a Third Sector in housing becoming a strategic element in NZ's housing stock. As a consequence there are no schemes that in the actuality of the size of the problem have any significance. We, as a group have refused to build houses — the only houses worth building are those dwellings that contribute towards the possibility of a structurally significant presence for a Third Sector.

19. We intend to make that point in the audio-visual presentation at the oral stage of our submission. We want to make comparisons between NZ and Swedish housing stock.

20. Living in a rapidly globalising world during an era of climate change, the social, economic and environmental consequences of change, provide a brand-new context already affecting access to affordable housing in New Zealand. Therefore we consider such considerations fall within the Terms of Reference for the purposes of this Inquiry.

21. In the future the single most influential factor weighing upon access to affordable housing is climate change. Climate change, is the issue of the moment. It is very likely to change patterns of settlement, our perceptions of the functionality of dwellings, our understanding of the way we use them, and most definitely the materials we use in the pursuit of the Government's stated aim of sustainability.

22. We think it merits being one of the central themes of this Inquiry that invited comment from professionals with regard to overseas planning and yet it doesn't rate a mention in the terms of reference.

## components of a unitary housing policy:

23. Sweden started a universal-benefit approach to housing at the same time as New Zealand. And they made some of the same initial mistakes. (cf A. Davidson 1999). Sweden got itself out of the hole it created by de-commodifying its housing with mechanisms to finance not-for-profit Third Sector, supply-side housing providers. This maintained some degree of control over the speculative private sector, and allowed them to run their housing systems as a tool of sustainable social and economic development.

24. The needs for the lowest first-cost entry possible, in both countries was met by setting initial rents not to rise above 25 percent of income and to have a sufficiently large programme to maintain production facilities and cash-flows to achieve long-term economic sustainability.

25. Analysis of the breakdown of both New Zealand's unitary policy and Sweden's difficulties, reveals the cause lies in failure to carry out no.24 above. The problem of the 'haves' paying the costs of the others. We judge that even if no Government assistance becomes available in New Zealand, it would still be possible to start such programmes -- as-of-right within existing policy. It might take longer, and it would need the co-operation of community organisations like churches and some sympathetic Local Authorities to provide the land for spark the programme into life.

26. Public / Private Partnership arrangements for investors will not achieve the same sustainable pathway for the rental house occupants.

27. To offer a unitary cost-rental, neutral-tenure housing entails a political risk. Pressure would also be felt against applying adaptive housing technologies to counter the adverse effects of present and future climate change as the result would be seen in delivering an advantage to those benefitting from such innovation. Future Governments might also deny not-for-profit housing groups access to the Accommodation Supplement. This later intervention would probably be justified on the grounds that through climate change technology, the actual income levels of the participating families is relatively very high.

## passive houses for starters

28. The concept of a minimalist "starter house" design, is proposed for both rural and urban sites (for details of the concept cf. Appendix 3). Such houses will be 'demountable' making their use flexible. They can be sited on 'borrowed land' for a minimum contractive period of say 15 years, without compromising housing standards. The houses will incorporate passive energy characteristics which we elaborate in the Appendix.

29. We believe a range of such Starter Houses, provided by and administered for, the common good, provide the best pathway towards economic balance and social engagement. We see it as an individual or a family's chance to take the necessary first steps towards equity in the house where they live.

30. As the supply of such houses grows and as community awareness develops, we expect a self-sustaining housing movement to emerge. It would be a movement that respects and enhances these aspiring ones, enabling them to 'get ahead' through the accumulation of assets - namely a 'steps-to-equity' scheme, or a form of 'shared-equity' living.

## towards a supply of 65m<sup>2</sup> passive houses

31. A 65m<sup>2</sup> Passive House is acceptable to some local authorities as being able to be built as-a-right, if specified planning control conditions are met. Such houses allow the community to make efficient use of land in urban areas.

32. Such house design can fit into smaller spaces and makes far better use of the land. With this eco-friendly house cube, its possible to square off the design and build a better house, with greater amenity value; that takes up approximately the same area of land, as much larger single level house designs and is simpler and cheaper to build.

33. Smallness lowers the first-cost of such housing and that's necessary to support other policy and operational measures.

## notes on house construction & green-house gas reduction

34. Timber is the only major building material which is a renewable resource, but this is true only while forests are managed to ensure production in perpetuity without negative environmental impacts.

35. New Zealand's plantation forests are ideally suited to this type of management. Timber construction using plantation-grown wood has two major benefits. First, is the carbon accumulated in the log by the growing forest remains stored in the timber for the life of the building. The second is that it is not necessary to burn a lot of fossil fuel to make the wood!

36. Significant carbon savings are possible in the construction of the Passive House (see provisional costings in Appendix 3). The most common type of new house has a timber frame, concrete floor, concrete-block exterior walls, aluminium window-frames and an iron roof. The result is a net emission of 6.27 tonnes of carbon from the construction of a 94m<sup>2</sup> house — an average sized three-bedroom family home).

37. If a house of the same size had a timber floor, plywood exterior walls, timber window frames and a tin roof, the net carbon emission would total less than 0.88 tonnes.

## methodologies of common good housing

38. Our associates have just completed an upgrading of our technology to considerable increases in its efficiency and savings in costs has emerged. We have also developed, using the same principles, ultra low-cost wooden double-glazed windows. We are speaking about a "carpenter-less" building system.

39. The planet and the people of New Zealand can no longer afford the long site-times; the inefficiencies and the degree of waste engendered by archaic building methods. Increasingly in New Zealand, to meet the challenges of climate change, housing standards will be improved across the board, by the designing and building of more complex dwellings, that use methods that lie outside traditional solutions.

40. Dwellings in the future will be built in ideal factory conditions that introduce new efficiencies that lower costs.

41. The workers on such sites will increasingly be assemblers and carry out a wide range of tasks such as installing pre-made wiring and plumbing harnesses and an assortment of other pre-made recyclable componentry.

42. Construction Industry Minister Clayton Cosgrove, in our opinion, would help solve the affordable housing problem far more if he directed the money intended to license builders, into investment for common-good housing factories. Such factories would lower costs and raise construction standards and better fulfill specification requirements. This is the way housing construction is moving in Europe.

## summary

43. Measures to set the asset poor on the pathway to wealth accumulation involves something of a combination of owning and renting. This is the concept of participants in third sector not-for-profit housing organisations being offered a share in the equity in the houses - a housing credit - which they may sell when moving and share the remaining mortgage burden, maintenance costs, etc. among themselves, in the form of a 'rent' payment administered by the not-for-profit housing provider.

44. This form of tenure is highly developed in Sweden, where tenant-owners are jointly and severally responsible for the assets and debts of their co-operative housing organisations and commercial banks will lend money to individual tenants on this form of ownership.

45. The move to realise a unitary housing policy in Sweden has resulted in a high and uniform standard of housing at a lower cost for households at all levels of society, than has occurred in New Zealand.

46. It is impossible to 'begin over' and attempt to duplicate the Swedish experience, which in its formative years was shaped by factors that were time- and context-specific. However, instead of trying to rebuild the house of cards that was the New Zealand State Housing programme only to see it blown over by the next conservative wind to gust through New Zealand politics, perhaps it would be wiser to adapt some of the basic principles of Swedish policy and apply them to local conditions in an era of climate change.

## recommendations

### 1) ***A NEW HOUSING SECTOR***

To deal with New Zealand's affordable housing crisis, Government to facilitate the inauguration of a significant and independent civil society not-for-profit housing sector.

### 2) ***HOUSING AS A UTILITY***

That this sector be a "housing as a utility" sector.

### 3) ***DISINCENTIVES TO SPECULATION***

That the primary strategic purpose of this sector be to improve housing conditions and well-being by providing alternatives to the present dualist system that is in systemic failure.

### 4) ***A COST RENTAL / NEUTRAL TENURE UNITARY HOUSING POLICY***

That the proposed community housing sector mark the commencement of the reintroduction of a cost rental / neutral tenure housing policy to New Zealand, as we understand the intentions of the first Labour Government.

### 5) ***REVOLVING LOAN FUNDS***

That a series of regional Revolving Loan Funds be established, from which seeding capital, housing providers would take a social entrepreneurial approach towards financial sustainability. The objective would be a self-sufficient community sector independent of the electoral cycle.

### 6) ***EQUITY FARMS***

That local and regional housing providers operate Equity Farms as the base strategy leading to financial independence. (Appendix 4)

### 7) ***PASSIVE HOUSING----ADAPTATION AS A PATHWAY TO SUSTAINABILITY***

The proposed new sector would change the rules that have captured existing systems and operate only within the context of the adaptation of housing, as a risk management path towards a

sustainable New Zealand.

This would entail radically different new types of flexible dwelling, independent, where possible, of costly conventional infrastructure support, as the means of assisting New Zealand towards social, economic and environmental sustainability. (various appendices)

#### **8) *AN INDEPENDENT HOUSING COMMISSIONER***

Government to appoint an independent Housing Commissioner with knowledge of and sympathy for cost rental / neutral tenure housing systems.

The task would be to risk-manage and co-ordinate local and regional housing providers in their climb towards independence and financial stability.

#### APPENDICES:

Appendix 1: Adaption of Housing.

Appendix 2: Kyoto-rated Dwellings.

Appendix 3: A Passive House system.

Appendix 4: Equity Farms.

[ Appendices available on request  
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