



**Submission to Social Services Committee  
on the Social Housing Reform Bill  
by The Salvation Army (New Zealand, Fiji and Tonga Territory)**

**1 BACKGROUND**

- 1.1 The Salvation Army is a worldwide evangelical Christian Church and human service provider committed to caring for people, transforming lives and reforming society. The Salvation Army works with people in need, whoever and wherever they are; transforming lives through spiritual renewal; working to reform society by alleviating poverty, deprivation and disadvantage; and challenging evil, injustice and oppression. During 130 years of operation in New Zealand, the Army has carried its social services to people of all ages, regardless of culture, financial position, religious belief or social class.
- 1.2 Through its work with poor and vulnerable people, The Salvation Army's staff and personnel have come to keenly appreciate the role which housing, and specifically the lack of access to decent affordable housing, plays in the hardship and poverty these people face. The Army believes that New Zealand's housing shortage is the worst in over 60 years and that it has arisen through a series of deficient policies and outright neglect dating back to 1991.
- 1.3 The Salvation Army's concern for the provision and supply of decent affordable housing has been expressed both in its policy research and advocacy and in its operational activities.
- 1.4 Across New Zealand the Army provides over 400 social housing units to low income people and households and is keen to increase its investment if more realistic Government policies around housing partnerships and the administration of the Social Housing Fund were in place.
- 1.5 The Salvation Army's Social Policy and Parliamentary Unit has taken a long-term interest in housing policy. The Unit is presently completing a research paper which looks at options for reforming New Zealand's housing assistance policies and programmes and this paper is due for publication in late July. Members of the Unit have also been closely involved in the present social housing reform process and have a good working knowledge of this and of the issues emerging from it.

## 2. OVERVIEW OF THE SALVATION ARMY'S PERSPECTIVE

- 2.1 The Salvation Army overall is supportive of the policy direction offered in this Bill and of the recommendations of the Housing Shareholders' Advisory Group which have driven these changes. Specifically the Army supports Housing New Zealand having a narrower focus on being a social landlord and provider of affordable good quality rental housing rather than a one stop shop for housing policy and public housing programmes as it has tended to be. Additionally the Army supports the ideas that housing needs assessment should be undertaken by an independent public agency such as Work and Income and that opportunities to develop and operate social housing should be extended to the not-for-profit sector.
- 2.2 Policy changes since the release of the recommendations of the Housing Shareholders' Advisory Group have often tended not to follow our expectations over how social housing would be developed and delivered especially by Housing New Zealand. For example without any formal and public review of the social housing assessment model the practice of Housing New Zealand has seen both the number of applications for state housing and the number of people being allocated such housing decline. These declines are illustrated in the following graph which is based on data taken from Housing New Zealand's Annual Reports. In addition we have received report from around New Zealand that state houses are remaining empty and unallocated for longer periods of time and there is evidence that the stock of state houses has also declined. Furthermore, from Housing New Zealand's accounts it appears as if the Crown has withdrawn \$271 million in dividends<sup>i</sup> from the Company between 2009/10 and 2011/12 exactly at the same time, in our opinion, that the organisation required more capital to refurbish and relocate its stock. None of these changes were contemplated from or signaled in the Housing Shareholders' Advisory Group's work.
- 2.3 Such unintended, or at least un-signaled, changes raise concerns for The Salvation Army that the social housing reform process which we support in principle may be lost in translation. What was promised or at least intimated by policy makers does not materialise on the ground. Such a gap in expectations and experiences is critically important for the individuals and families whom the Army works with and for on a daily basis. Such a gap means literally that people go homeless while state houses remain empty and while the state housing agency is re-structured.
- 2.4 This gap, in The Salvation Army's opinion, risks creating a credibility problem. To avoid such a problem we suggest to the Committee that any legislation which directs social housing reform should be as exact and as explicit as possible. The submission which follows is based on this approach.
- 2.5 The Salvation Army believes that while this Bill is going in the right direction, the thinking behind the Bill is incomplete and that the timeframes for its rollout are unrealistic. For these reasons we suggest the further work be put into several elements of the proposed changes and that at least another year is taken for the rollout. Ideally these changes should receive multi-lateral support from all or most parties in Parliament and if this can be achieved then we can avoid the flip-flops in housing policy which often accompany shifts in political support and power. These

flip-flops, such as the experiment with market rents during the 1990s, prevent us as a country from making long-term progress in building a stock of good quality appropriately located social and affordable rental housing. It is important, in our view, to get these reforms right so that they last and for this reason we suggest to the Committee that further work is done on some of the underlying ideas.

- 2.6 The underlying ideas which we believe need further work and which are discussed below include:
- the treatment and status of Housing New Zealand as a social landlord,
  - the differences between social and affordable housing,
  - the basis for being a registered social landlord,
  - the concept of a social rent rather than an income related one,
  - security of tenure as a means of building more cohesive neighbourhoods and communities.
- 2.7 Finally, The Salvation Army is contemplating becoming a registered social landlord when the opportunity arises. We believe it is important, for reasons of transparency, that we report this interest as part of this submission. In doing so we wish to assure the Committee that our motivation for making this submission is not one of gaining operational or financial advantage from having more beneficial legislation to work under, but by our interest in seeing that the social housing reforms provide real opportunities to build a larger and more effective social housing system.

### **3. THE TREATMENT AND STATUS OF HOUSING NEW ZEALAND AS A SOCIAL LANDLORD**

- 3.1 The Bill at present, in our view, gives Housing New Zealand quite extraordinary powers and responsibilities which should not lie with a state owned enterprise which has commercial objectives. The Army believes that these powers and responsibilities properly lie with the Government agency responsible for accessing housing need and initially setting income-related rents or with the Tenancy Tribunal.
- 3.2 There is in the Bill something of a contradiction in that the social housing agency is responsible for notifying social housing providers, including Housing New Zealand, of a tenant's housing need (cl.105) and of the income-related rent payable by that tenant (cl.104). Additionally under Part 7 in clauses 72, 75 and 76 Housing New Zealand has the ability to review the rent and to set new rents if in its view the circumstances of a tenant have changed. Tenants also have a criminal law obligation to report changed circumstances to Housing New Zealand (cls 84 and 85) and Housing New Zealand has regulatory powers to investigate a tenant's circumstances (cls 80-82) including those of requiring third parties to provide information.
- 3.3 To The Salvation Army such powers appear excessive and outside the scope of what a state owned enterprise should have. We believe that the social housing agency alone should have powers to assess housing need, to set income related rents, to review these rents as circumstances change and to undertake investigations to ensure that recipients of income-related rent subsidies are accurately reporting

their circumstances. To make both the social housing agency and Housing New Zealand responsible for these duties risks confusion over roles and burdens Housing New Zealand unnecessarily.

- 3.4 There may also be a case for including the Tenancy Tribunal in the review of tenancies and tenancy conditions by the social housing agency, Housing New Zealand and other social housing landlords. This will particularly be the case where the change in a tenant's circumstances is more to do with the occupation of the dwelling than with the household income.
- 3.6 We do however believe that all registered social housing landlords including Housing New Zealand should have statutory obligations to report to the social housing agency situations where they believe tenants' circumstances have changed which may necessitate a review of their income-related rent subsidies.
- 3.7 We believe that Housing New Zealand should be treated as any other registered social landlord in terms of how they are expected to treat tenants, administer tenancies and to provide housing of an adequate quality. Specifically it is our opinion that Housing New Zealand should be subject to the same scrutiny and accountability requirements as other social landlords and as provided in clauses 170 to 175 of the Bill.

#### **4. THE DIFFERENCES BETWEEN SOCIAL AND AFFORDABLE HOUSING**

- 4.1 The definition of 'registered community housing provider' offered in clause 17 of the Bill makes reference to social and affordable rental housing. This in The Salvation Army's opinion is an important reference even if the distinction between social and affordable is not offered anywhere in the Bill.
- 4.2 The reference to both social and affordable rental housing is important because it acknowledges different levels of need and the possibility that these different needs can be addressed together and by the same organisations.
- 4.3 The distinction between social and affordable rental housing is probably one of degree and definition rather than some absolute. This distinction is often explained by way of a spectrum of need from those people who require supported and heavily subsidized housing through to those who may usefully benefit from housing which offers secure tenure and is slightly below market rents.
- 4.4 This spectrum of need is a useful way of framing housing assistance and could possibly be extended into how rent subsidy policies are developed. Such an idea is discussed below.
- 4.5 However rent subsidy policies are framed, it is generally the case that social rental housing has more subsidy than affordable rental housing - if indeed affordable rental housing has any direct subsidy at all. If affordable rental housing is unsubsidised then there is no need for any form of registration by a public agency because surely any assistance between landlords and tenants is based on private contracts. If, on the other hand, affordable housing is publicly subsidised then it is a form of social housing and should be registered.

4.6 If we accept this distinction based on access to public subsidies and the need for registration, then there is little need to consider the place of affordable rental housing in the context of these social housing reforms. If we accept this distinction then we can more narrowly define the role of those agencies receiving public subsidies to that of social housing providers or social landlords. Subsequently references in the Bill to 'community housing providers', which have often been quite vague on any account, can be dispensed with.

## 5. BASIS FOR BEING A SOCIAL LANDLORD

5.1 The Salvation Army believes that the Bill should spell out more explicitly the basis for being a registered social landlord. The Army acknowledges both the definition provided in clause 17 of the Bill and in the qualifying criteria for registration as a social landlord set down in clause 179. We believe however that these definitions and criteria do not provide the public with sufficient assurance to be confident that this move to support third party social housing providers is not a form of privatization by stealth.

5.2 Such confidence is important in our view not for ideological reasons but for the purpose of gaining broad political buy-in to these reforms. If third party and hopefully community based social housing providers can be established as a viable alternative to state owned social housing The Salvation Army is sure that the New Zealand public will support this form of housing and that they may even buy into it as the preferred way of providing low income citizens with decent affordable housing.

5.3 To gain such public confidence and support the Army believes that it is important to ensure that the housing developed and provided is not liable to be sold off by opportunistic operators at some future date and that this housing is not used to give preferential and unfair treatment to people with a close relationship to the provider. Such preference could arise by being a member of congregation or other community of interest.

5.4 To avoid doubt and confusion around the motivations of registered social housing providers we suggest the following amendments to the Bill.

5.5 That all references to 'registered community housing provider' should be changed to 'registered social landlord'. Such a change overcomes the ambiguity often associated with community housing.

5.6 Amend the definition offered in clause 17 to read as follows:  
*"registered social landlords" means a not-for-profit housing provider-*  
*(a) that has as its principal objective , the provision of social rental housing; and*  
*(b) that has been registered by the authority Under Part 10 as a provider of rental housing that is eligible to receive either or both of capital grants from the authority or income-related rent subsidies from the agency.*

- 5.7 This definition does not preclude registered social landlords being providers of affordable housing as well, but makes it clear that it is only social housing which is the recipient of public subsidies and regulatory oversight.
- 5.8 This definition also more narrowly defines registered social landlords as being only not-for-profit and having housing as their principal although not necessarily exclusive objective. This would not prevent organisations such as churches and iwi authorities being social landlords but would require them to separate out such housing operations from the parent organisation both organisationally and financially so that the housing role is not seen to be supporting the parent organisation.
- 5.9 Subsequently the definition for social housing could also be changed as follows:  
*"social housing" means rental housing which is allocated according to some social allocation process and for which a rental subsidy is paid to the landlord directly by the agency*

## 6. THE CONCEPT OF A SOCIAL RENT

- 6.1 Under both the current legislation and in the Bill, the method for calculating income-related rents to be paid by tenants is explained in some detail (see clauses 108-115). While these provisions offer some degree of discretion, the sole basis for calculating the level of assistance a person or household will receive is their income or the income which might otherwise be derived from assets. Housing need or social need or the expenses of providing for these needs is not taken into account.
- 6.2 The income-related rent calculated through provisions in the current Act and the Bill will determine how much a tenant must pay the landlord. It will not determine how much the landlord receives for housing the tenant because there will, in the case in income-related rents, be some top up payment from the Crown to the registered social landlord. Clearly details around how this payment is calculated and made will be the subject of further policy development which has been referred to in clause 103 of the Bill.
- 6.3 The way the \$660 million annual income-related rent subsidy paid to Housing New Zealand is calculated does not appear to be part of the public record. While theoretically this subsidy should be difference between what Housing New Zealand receives from each tenant by way of an income-related rent and what the Company would otherwise receive if the property was rented at a market rent, there is no way of knowing if this logic is applied in practice.
- 6.4 In The Salvation Army's opinion, for the social housing reforms to work, there needs to be considerable transparency around how various subsidies are calculated so that an informed view can be gained as to whether or not these subsidies are fair and reasonable. This need for transparency applies as much between how Housing New Zealand is treated relative to other social landlords as it does to how individual NGO social landlords are treated relative to other NGO landlords. In other words the level playing field on which these reforms are predicated needs to be seen to be level by all those playing on it.

- 6.5 Such transparency and equality of treatment is unlikely to be easy to achieve in practice because of regional variations in housing markets and because some tenants present more risks to social landlords than others. A failure to appreciate this and to build it into a subsidy policy creates at least two types of risk.
- 6.6 There are always likely to be regional variations in rents and building costs and perhaps in the market yields from rental property. Clearly where market rents are higher but income-related rents are the same the social landlords offering housing in the higher rent markets should be expected to be paid a higher income-related rent subsidy. This market rent may however still not make it viable to build or acquire additional stock because the yields are so low. If this difference is not taken into account - either through higher operating subsidies or more generous capital subsidies, then social housing in high rent areas or regions is unlikely to be built. A possible result is not only the under-supply of social housing in such markets but a re-allocation of operating subsidies to areas with lower housing costs and presumable lower housing demand.
- 6.7 The second possible problem arises around not taking account of the social and housing needs of individual tenants. Not all tenants present the same risk to landlords in terms of management effort required, damage to property or default. For example two tenants on the same income and receiving the same income-related rent subsidy could present quite different risks to landlords. Clearly if a social landlord had a choice between two such tenants they would most rationally choose to house the least risky tenant unless of course the higher risk tenant carries a higher subsidy. There is in our view a real risk of adverse selection where the hard to house are in practice excluded from many housing opportunities in the social housing market because there is not incentive for social landlords to accept the risk they bring to a tenancy.
- 6.8 One way around these problems is to attach a social rent to a tenant at the time that their housing needs and income-related rent subsidy are assessed by the social housing agency. Ordinarily this social rent would be the market rent but there may be occasions either because of risk or low yields from the type of housing required, that a higher rent is set. The amount the social landlord would receive from the Crown would be the difference between this social rent and the rent paid by the tenant.

## **7. SECURITY OF TENURE**

- 7.1 Although not explicitly signaled in the Bill, the intention that tenancies with social landlords are reviewable and possibly able to be terminated because a tenant's financial or living circumstances have changed is indicated in clause 78 in the case of Housing New Zealand and clause 99(2) in the case of community housing.
- 7.2 The idea that social housing tenancies (whether in the public or community sectors) should be reviewable if a tenant's circumstances improve economically is in the opinion of The Salvation Army a backwards step - for a number of reasons.
- 7.3 The most obvious drawback with reviewable social housing tenancies is the poverty trap it creates. It by getting a job or by finding a new partner who may help you

financially you end up losing your home there is a real incentive either to do very little to improve yourself or to cheat the system. While the Bill has paid extensive attention to provisions around monitoring tenants and penalizing cheats to some extent it creates these problems by the way in which it makes tenancies conditional.

- 7.4 A second problem with reviewable tenancies is around the neighbourhoods you create with such practices. Neighbourhoods which have people in a variety of financial situations and have people who have been resident there for extended periods are generally more stable socially than those communities with concentrations of poor and vulnerable people who are transient. The aggressive application of reviewable tenancies by Housing New Zealand will almost inevitably create the later social environment and The Salvation Army warns against this practice.
- 7.5 Clearly as and if social housing tenant's circumstances improve financially they should be expected to pay more rent and to receive fewer subsidies. This of course frees up the subsidy to go to another family or household although it may not free up the dwelling. What will free up the dwelling is opportunity, and specifically an opportunity to move into affordable home ownership. Implying that we can make better use of our social housing stock by evicting people with few other housing options risks creating a revolving door of social housing need where people are recycled through the allocation process with little advantage to anyone.
- 7.6 Where a tenant's circumstances improve to the point where they no longer require income-related rent subsidies or even a social housing tenancy it should, in The Salvation Army's opinion, be incumbent on a social housing landlord to work with the tenant on alternative housing options. The most obvious of such options is affordable home ownership which might on any account be part of a portfolio of activities that some social housing landlords are involved.
- 7.7 The Salvation Army recommends that the Committee rewrite references to reviewable tenancies contained in clauses 78 and 99(2) of the Bill to include some requirement that social housing landlord work with tenants on viable and worthwhile housing alternatives as part of the tenancy review process.

## 8. CONCLUSIONS

- 8.1 The Salvation Army believes that the proposed social housing reforms are going in the right direction, that many parts of the Bill appropriately support this direction and that the Bill itself is a reasonable first step.
- 8.2 As discussed in our submission we believe that there is still considerable thinking required around some of the changes which the Bill is offering and we do not believe that it is responsible to enact these changes without first having sought to extend this background thinking.
- 8.3 While this is a Government Bill, we ask opposition parties to acknowledge the real opportunities which it and the whole social housing reform process offer for us to build a viable and re-energised social housing system which is not only based on



principles of public investment and stewardship but on ideas of community enterprise, localised decision-making and neighbourliness. If it is possible, we ask the Committee to consider how it might re-shape this Bill in order to gain cross-party support and by doing so bring about reforms which will be broadly owned and so be allowed to bed in regardless of the results of the next election.

8.4 It is our view that the Bill needs further work in order to reasonably gain such support and we ask the Committee to take the time necessary to undertake the background work which we have discussed here.

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<sup>i</sup> Figures (in millions of \$s) from Housing New Zealand's financial statements for the 2009/10, 2010/11 and 2011/12 years includes the following:

YEAR	CAPITAL CONTRIBUTIONS FROM CROWN	DIVIDENDS PAID TO CROWN	INCOME TAX PAID	NET PAYMENTS TO CROWN
2009/10	105	132	49	76
2010/11	20	68	69	117
2011/12	4	71	76	143
<b>TOTAL</b>	<b>129</b>	<b>271</b>	<b>194</b>	<b>336</b>