

## Submission to the New Zealand Productivity Commission's Draft Report on Housing Affordability

This submission to the Productivity Commission on its Draft Report on Housing Affordability follows our submission on its Issues Paper.<sup>1</sup> In that submission we made three broad recommendations, based on our research into housing quality and health.

We made these recommendations because the mandate of the Productivity Commission in its report is to “identify and analyse all components of the cost and price of housing”, with a view to identifying “mechanisms to improve the affordability of housing” (p.7). Housing costs have implications not only for the costs of property purchase and rates, or the cost of renting. To make houses healthy, they have to be heated. The condition of many New Zealand houses makes this costly and sometimes unaffordable.

The Commission brings together much useful information, making the important point that “those in the two lower income quintiles still spend, on average, more than 30% of their disposable income on rent, after allowing for government assistance” (p.15 ). As we have previously highlighted, those in the lowest income decile are also spending an increasing proportion of their household expenditure on energy (from 7.6% in 1989 to 13.1% in 2010).<sup>2</sup> This illustrates one of our main points: for private renters in particular, whose houses are of poorer quality, affordability must be measured in terms of both rents and operating costs.

The Commission has not discussed our recommendations in any substantive manner, nor made any recommendations related to the issue of housing quality, despite it being closely related to effective housing affordability. The Commission has also ignored our recommendation that the affordability of housing can only be usefully analysed if housing and transport planning and costs are considered together – to consider one without the other is to overlook the effect of both on the household budget.<sup>3</sup> We therefore refer the Commission back to our submission in its Issues Paper.

Here are our recommendations in summary:

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<sup>1</sup> <http://www.healthyhousing.org.nz/wp-content/uploads/2011/08/Submission-to-the-New-Zealand-Productivity-Commission-on-Housing-Affordability.pdf>

<sup>2</sup> Howden-Chapman, P., Viggers, H., Chapman, H., O’Sullivan, K., Telfar-Barnard, K., Lloyd, B. Tackling cold housing and fuel poverty in New Zealand: a review of policies, research and health impacts. *Energy Policy*, Fuel Poverty comes of age: 21 years of research into fuel poverty, 2011, doi:10.1016/j.enpol.2011.09.044.

<sup>3</sup> Center for Transit-Oriented Development and Center for Neighborhood Technology. The Affordability Index: A New Tool for Measuring the True Affordability of a Housing Choice. In: The Brookings Institution, *Urban Markets Initiative*. Washington, 2006.

1. **That houses be warm and healthy<sup>4</sup>**: the Government should introduce heating systems into social and pensioner housing; supplement the provision of more effective heating systems into all housing; expand financial assistance for insulation in homes; develop and enforce guidelines on heating and insulation in rental homes; enforce regulations that require energy companies not to charge higher electricity tariffs for those on pre-payment meters.<sup>5</sup>
2. **That health and health care are considered in the discussion on housing affordability**: poor quality housing has negative impacts on health,<sup>6 7</sup> and unaffordable housing means the population has less income to spend on other goods and services, which too often leads to household crowding and increasing rates of serious infectious diseases causing hospitalisation.<sup>8</sup>
3. **That low income and social housing is dispersed throughout the city**: the concentration of capital in the centres has created a worrying trend towards increasing the vulnerability of those in 'ex-urbs' to higher risks of mortgage sales as petrol prices rise, isolating those on low incomes from regular public transport and amenities, and entrenching poverty and residential segregation.<sup>9 10</sup>

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<sup>4</sup> Howden-Chapman P, Viggers H, Chapman R, O'Dea D, Free S, O'Sullivan K. Warm homes: drivers of the demand for heating in the residential sector in New Zealand. *Energy Policy* 2009;37(9):3387-3399.

<sup>5</sup> O'Sullivan KC, Howden-Chapman PL, Fougere G. Making the connection: The relationship between fuel poverty, electricity disconnection, and prepayment metering. *Energy Policy* 2010;39:733-741

<sup>6</sup> Howden-Chapman P, Matheson A, Viggers H, Crane J, Cunningham M, Blakely T, et al. Retrofitting houses with insulation to reduce health inequalities: results of a clustered, randomised trial in a community setting. *British Medical Journal* 2007;334:460-464.

<sup>7</sup> Howden-Chapman P, Pierse N, Nicholls S, Gillespie-Bennett J, Viggers H, Cunningham M, et al. Effects of improved home heating on asthma in community dwelling children: randomised community study. *British Medical Journal* 2008;337:852-855.

<sup>8</sup> Baker, M., Telfar-Branard, L., Kvalsvig, A., Verrall, A., Zhang, J., Keall, M., Wilson, N., Wall, T. Howden-Chapman, P. Increasing incidence and inequalities in infectious diseases in a developed country. *The Lancet*, February 20, 2012.

<sup>9</sup> Howden-Chapman P, Stuart K, Chapman R, editors. *Sizing up the City: urban form and transport in New Zealand*. Wellington: Steele Roberts Publishers, 2010.

<sup>10</sup> Witten K, Abramhamse W, Stuart K, editors. *Growth Misconduct? Avoiding sprawl and improving urban intensification in New Zealand*. Wellington: Steele Roberts Aotearoa, 2011.

## Discussion of the Commission's response to those recommendations:

1. **On ensuring homes are warm and healthy:** The Commission acknowledges that poor quality houses lead to negative health outcomes (p.4), and that retrofitting existing housing will be a key role for the construction industry (p.144). However, it makes no specific recommendations to resolve the issue of poor housing, or support quality standards for existing buildings. The Commission "is supportive of voluntary reporting tools which encourage landlords (and those selling housing) to disclose comparable information about housing quality, such as the level of insulation" (p.186). Despite on-going evidence that self-regulation has failed in the new building market, in regard to leaky buildings for example,<sup>11</sup> or in raising the quality standard of rental housing<sup>12</sup>, the Commission does not recommend the development of guidelines, or the uptake of internationally recognized tools such as the Healthy Housing Index, which has been developed in New Zealand by the University of Otago, Wellington and BRANZ, in line with international best practice.<sup>13</sup> In addition, it seems unlikely that such a scheme would be taken up if it only voluntary, a point emphasized in the cited South Australian example of rental quality guidelines, where inspectors have the power to control rents until non-compliant property has been repaired (p. 186).<sup>14</sup> The Commission is overlooking a substantial body of evidence on the efficacy of self-regulation.
2. **On the importance of health to housing affordability:** The Commission acknowledges that "housing plays a central role in individual and community health, family stability and social wellbeing" (p.2) and that inadequate or unaffordable housing leads to poor health and higher demands on the welfare system (p.3). While the recommendation that Statistics New Zealand consider collecting more information on housing stock and consumer satisfaction (p.206) is certainly a start, the Commission makes no case for a commitment to improve the quality of housing, despite the international evidence that the state has an important role in providing housing directly to the most vulnerable groups, and in subsidizing housing to contain housing

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<sup>11</sup> Howden-Chapman, P., Ruthe, C. & Crichton, S. Habitable houses: lessons learned? In *The Leaky Building Crisis: Understanding the issues*. Wellington, Thomson Reuters, 2011, 303-315.

<sup>12</sup> Research undertaken by Dr Sarah Bierre in our research group of Tenancy Tribunal decisions in 2010, *A reasonable state of repair: what tenants can expect from the enforcement of housing law in New Zealand*, has shown that even when The Tenancy Board releases tenants from their tenancy, because of the poor condition of the flats, there is no order requiring the landlords to remediate their properties and there are examples of flats promptly listed without improvement. "Few tenure protections, coupled with uncertain outcomes in the tenancy tribunal, split incentives for housing improvements and no consistent requirement for remedy to properties with inherent defects mean there is little protection to ensure tenants are able to rent even minimally acceptable housing."

<sup>13</sup> Keall M, Baker M, Howden-Chapman P, Cunningham M, Ormandy D. Assessing health-related aspects of housing quality. *Journal of Epidemiology and Community Health* 2010;64(9):765-71.

<sup>14</sup> See also international comparisons in Howden-Chapman, Ruthe, Crichton, op cit.

costs for low income groups. No discussion of housing affordability is complete without acknowledging the importance of the condition of housing, which has a major impact on total housing costs.

3. **On the dispersal of affordable housing throughout a city:** The lengthy chapter on urban planning makes no reference to the important issue of the physical placement of affordable housing (p.82-108). Residential segregation occurs when people are driven out of city centres to the peripheries or regions, where there are fewer services, and cheaper housing, but greater costs. The recommendation regarding a “less constrained” attitude of the releasing of land for development (p. 82) is worrying: certain constraints such as the reserving of land for, and explicit requirements on developers for the allocation of a certain proportion of a development as, affordable housing throughout a city would ensure adequate provision of services and assist community cohesion.

Moreover, the Commission makes no acknowledgement of the problem of the need to mitigate climate change, which necessitates for a developed country such as New Zealand an 80-95% cut in carbon emissions by 2050, according to the UNFCCC. Moreover, New Zealand has recently committed to the Durban Platform which states that “climate change represents an urgent and potentially irreversible threat to human societies and the planet and thus requires to be urgently addressed by all”. Development of greenfield sites, rather than infill housing, will build in longer commuting distances and higher carbon emissions.<sup>15</sup>

## Conclusion

Acknowledgement of the importance for health outcomes of affordable and healthy housing is not sufficient to actually improve the quality or availability of affordable housing. The Draft Report on Housing Affordability makes no substantive recommendations about improving housing quality, ensuring adequate distribution of affordable and healthy housing, nor any acknowledgement of the well-known negative externalities from encouraging or permitting urban sprawl.

We therefore:

- 1) refer the Commission back to the recommendations and research experience contained in our earlier submission on its Issues Paper;
- 2) recommend the Commission undertake further research on the wider health, social and environmental implications of (a) insufficient provision of quality affordable housing, and (b) ongoing peripheral urban development.

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<sup>15</sup> Ewing R, Bartholomew K, Winkelman S, Walters J, Chen D, with Barbara McCann and David Goldberg. *Growing Cooler: The Evidence of Urban Development and Climate Change*. Washington: Urban Land Institute, 2007.

We are happy to provide any papers referenced in this submission, which we have not already provided to the Commission.

Elinor Chisholm

Doctoral candidate

Philippa Howden-Chapman

Professor, Director,

*He Kāinga Oranga*/Housing and Health Research Programme

NZ Centre for Sustainable Cities

Department of Public Health

University of Otago, Wellington

[www.healthyhousing.org.nz](http://www.healthyhousing.org.nz)

[www.sustainablecities.org.nz](http://www.sustainablecities.org.nz)