



# **Housing Affordability Inquiry**

30 April 2012

## **Focus Group Evaluation of the Housing Affordability Enquiry**

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## Preface

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## Introduction

The following report sets out feedback on the Housing Affordability Inquiry from a focus group held in Auckland on 30 April 2011.

The objective of the focus group was to provide feedback on the overall performance of the Inquiry, with reference to the key dimensions of the Commission's performance measures for Inquiries:

- The focus of the Inquiry report (the significance of the issues covered, whether they were covered in sufficient depth, and the relevance of information sourced and people engaged with)
- Satisfaction with the process management for the Inquiry
- The quality of the analysis of information and the quality of findings and recommendations
- The quality and effectiveness of the Commission's engagement in completing the Inquiry
- The effectiveness of delivering of message, as evidence in the Inquiry reports and supporting material (summary reports and "cut-to-the-chase" summaries)

The focus group comprised of a small group of representative participants in the Inquiry, selected by the Commission. A full list of participants is attached.

## Right Focus

Overall, the feedback was very positive about the focus of the Inquiry. There was a strong sense from the focus group that the Inquiry had depth and was robust in its use of information and analysis. The focus group considered the report provided a thorough stock-take of the industry.

More specific points are discussed below.

### Framing the Issue

Focus group participants debated the way the affordability problem was defined. The following observations were offered:

- Affordability is one of the four points of tension in the housing sector (the four being affordability, quality, productivity and sustainability). A discussion on the interplay between these tensions and how they relate to affordability could have added value to the inquiry.
- The analytical lens, either investment or consumption, on affordability is important. It was not entirely clear which angle the Inquiry started from, and whether a shift in balance between these factors may be a significant explanatory variable to explain affordability concerns. For example, more consideration of whether 'investment' factors explain higher housing values and contribute to unaffordable prices for housing consumers would have been useful.
- The Inquiry framework appears to be predominately microeconomic in nature, and it may have ignored some of the complexities of urban development, including the spatial and infrastructure planning aspects. For example, one comment made was that "economics does not address spatial relationships".

### Context

The focus group praised the Inquiry for situating the housing affordability debate in the context of New Zealand's social fabric, family cohesion and individual wellbeing. However, explaining other important contextual elements could have added richness:

- The link between housing affordability, the wider macroeconomic context and it's importance to New Zealand's overall productivity is not addressed fully.
- The Inquiry did not set out how house affordability sits within the rest of the Productivity Commission's work programme. How does it link with recent work on the ports and how does it link with the Commission's over-arching plan for research?

### **Particular Emphasis**

The focus group commented that social and community housing was covered in great detail, with the research on social housing in New Zealand probably the best done to date. It was suggested that the Inquiry's Terms of Reference might not have required the Commission to treat the subject in such detail. However, the focus group commended the Commission for doing so.

### **Gaps**

The depth of coverage on the issues identified by the Inquiry was generally very good, (particularly on the social housing aspects as mentioned above).

However, it was suggested several important areas could have been addressed more thoroughly:

- Tax incentives were generally ignored by the report, despite tax incentives arguably creating a significant bias toward investment in housing. Previous work could have been drawn on to discuss this issue, such as the Tax Working Group report.
- Bank lending is skewed toward mortgage lending compared to other forms of lending, and a discussion on the impact on housing affordability would have been welcomed.
- International comparisons and different models could have been discussed or explored further to see if other models may offer useful lessons for housing affordability New Zealand. For example, and an extreme one, in some European countries a more centrally planned economy directs economic development to regions where housing is more affordable.

## Good Process Management

The general feedback was that the Commission managed the Inquiry process very well. The focus group was particularly complimentary about the willingness of the Commission to meet with interested groups while the Inquiry was underway.

While participants felt they were engaged in the process during the analysis stage, there was a strong sense from the focus group that there was a degree of disconnect between the process of framing the issues, preparing the analysis and findings and the process following the release of the report:

- The Commission could have drawn upon the expertise and experience of interested groups to frame the problem during the Terms of Reference phase.
- There was a general lack of understanding on how the Productivity Commission finalised the recommendations and of the Commission's process post-publishing:
  - Several participants had wanted to discuss the final report with the Commission, but either did not know how to engage, or were advised by the Commission that there would be no post-report dialogue.
  - The Inquiry could have benefited from a more nuanced media strategy, for example follow-up presentations.
  - Concerns were raised that the Inquiry could be left to "sit on the shelf".

The Commission enforced its deadlines rigorously. At times this proved a challenge for participants. However, overall this was seen as a positive and a sign of strong process management.

## High Quality Work

The analysis was generally well thought out, insightful and the findings provide a good basis to stimulate policy debate on housing affordability.

The main observations from the focus group include:

- The analysis was based primarily on existing evidence and data. While the Inquiry did a good job of pulling the evidence together and drawing valid conclusions, the Commission could have gone further by doing its own primary research to 'break new ground'.
- The data in the housing sector is patchy and drawing comparisons is difficult. However, in some cases where data was presented, arguments were not advanced. For example:
  - The economies of scale explanation for building costs could have been tested more thoroughly across different categories of cost.
  - The discussion on economies of scale could have been further advanced by looking at what can be done to improve economies of scale in the housing sector (i.e. productivity only increases if intensification increases).
- The analysis and the findings did not quite flow through into the recommendations in some cases. For example:
  - The Inquiry came up with good ideas on the RMA and best practice. However, the RMA in its current form does not allow one to take account of affordable housing specifically. Recommendations could have been made to address RMA issues.
  - The Inquiry found that community housing was under capitalised and that additional investment was required for the community housing sector to become a major provider. However, the final recommendations were silent on this point.
- In general, the participants were comfortable with the findings and recommendations, but:
  - The biggest areas of productivity gain were not clearly articulated. A prioritised list of recommendations may have been a good way to identify where the biggest wins and 'low hanging fruit' are to be found.
  - Large quantities of work have been "left on the table" for the Productivity Joint Venture for further development. There is a risk if this particular initiative falters.

## Effective Engagement

The focus group was very complimentary about the overall quality of the engagement with the Commission. In particular, they felt that they had received a good hearing, and that the Commission was fully engaged with the industry.

Additional comments included:

- Group discussions provide a valuable form of engagement in addition to bilateral engagement. Participants would be keen for more group discussions in the future; broader group/cross-sectorial engagement would also build momentum behind the work of the Commission and the end report, and could be a vehicle for encouraging implementation of the report's recommendations
- The Commission was very responsive when areas were identified as requiring more work. For example, the Commission recognised that Māori housing needed more work, and was quick to engage in an open consultation programme.
- The Commission was open, responsive and provided information in a timely manner. For example, Submissions were posted on the website quickly and the disclosure about who was submitting was very useful.

## Clear Delivery of Message

The focus group agreed that the message was delivered effectively:

- The report was logically structured and easy to follow.
- The tiered approach to reporting (full report, summary reports and “cut-to-the-chase” summaries) would cater to all levels of interest in the Inquiry.
- The documents presented well, including good use of diagrams and language that was easy for the lay person to follow.
- As mentioned above, the message delivery could be further enhanced with the Commission going out to providing follow-up presentations.

## Overall Performance

The Focus Group complimented the Commission on the quality of the Inquiry. The report is a valuable contribution to the development of the sector, containing a great deal of valuable analysis. The Commission's engagement was excellent, and the emphasis on social housing was welcomed.

## Participants

Michael Reid	Local Government New Zealand
Blair Nelson	Fletcher Building
Pieter Burghout	Construction Industry Council & BRANZ
David McCartney	Community Housing Aotearoa
David Brosnan	Department of Building and Housing
Alan Johnson	Salvation Army & Chair of Community Housing Aotearoa

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