

Options for Improving Social Housing in New Zealand: Lessons from Australia

New Zealand Council for Infrastructure Development report into social housing procurement models drawing on findings from a recent visit to Sydney and Melbourne.

Executive summary

House prices in New Zealand have risen sharply over the last decade, increasing the pressure on the provision of accommodation for those individuals and families outside the private real estate and property rental market. Social housing stock is currently dominated by Housing New Zealand's \$15 billion portfolio which is under significant pressure. Approximately \$1.7 billion is required to maintain and upgrade state-owned properties alone and some 2500 individuals and families are in immediate need of housing.¹ Accordingly the New Zealand Government has made it a priority to reconsider the way New Zealand finances and delivers social housing solutions.²

In May 2011, the New Zealand Council for Infrastructure Development (NZCID) and the Australian Trade Commission led a delegation of around 30 public and private sector social and community housing industry representatives to Australia. The purpose of the visit was to investigate alternative methods for delivering non-private housing stock which might be applicable to New Zealand.

The delegation looked at three different housing projects currently under development in Sydney and Melbourne, each of which was undertaken using a different procurement model. One project, underway in Carlton, Melbourne, involves the redevelopment of 192 public housing units. It is led by a developer who, under contract from the Victorian State government, won a competitive bid process to replace existing public housing stock with new units and deliver co-located private properties for sale to private purchasers.

A second model, underway in Kensington, Melbourne, also includes the redevelopment of public property with construction of a large number of co-located private apartments. Its principal point of difference to the Carlton model is that a not-for-profit community housing organisation provides on-going property and tenancy management services.

The third model is being applied in Bonnyrigg, Sydney. This project, the largest and most radical of the three, is a public-private partnership (PPP) between the New South Wales State government and a private consortium. It is a long term agreement for the consortium to design, build, finance and, where applicable, operate and maintain an 81 hectare housing development comprising social and private housing.

The delegation both visited and was briefed on the three models. This gave the group an opportunity to observe each of the projects in its current state as well as understand and assess the processes behind the projects. On the basis of the site visits and the background briefings, the delegation was asked to provide feedback to NZCID on their individual opinion and assessment of the success of the three models. Based on the aggregate of this feedback, NZCID identified the following key findings.

¹ Latest figures provided by Housing New Zealand.

² Growing Social Housing: Working with the Community Housing Sector, speech by Minister of Housing Phil Heatley, 29 June 2011.

In terms of the look and feel of the housing product and the sense of community, the Kensington project was universally identified by the group as the best outcome of the three. The strong performance of the community housing group leading that project was perceived to be critical to obtaining the kind of social outcomes desired by delegation representatives. A positive sense of community and integration with adjoining residents were highlighted by the group as critical success factors.

Conversely, the Carlton project was universally regarded as the least positive outcome of the three. While the project is still in its infancy, a feeling that social outcomes would not be obtained over the long term pervaded the group. Social housing was provided in a separate building which was divided by a concrete wall from the two private buildings. Although the social housing apartments were more spacious than the private apartments (to provide for disabled tenants) interior fittings were generally of a lower standard. There was a distinct “us and them” feel to this development. The Carlton project lacked the community integration of the Kensington development.

The observed outcome of the Bonnyrigg project was considered superior to Carlton but not as impressive as Kensington. Like the Carlton development, Bonnyrigg did not engender such a positive sense of community as Kensington but its commitment to revitalised housing and integrated, indistinguishable social and private housing were deemed beneficial.

In contrast to the delegation’s generally aligned perceptions of each of the estates, responses to the models for delivery were mixed. Both the Kensington and Bonnyrigg procurement models were widely considered to have potential value and application to New Zealand. The strength and weakness of the Bonnyrigg model as observed by the delegation lay in the long term nature of the agreement. This arrangement commits the consortium to providing a whole of life solution and ensures the value of their investment is to some extent tied to achieving positive social outcomes. Yet it also resulted in a contract which was felt to be excessively complex and not necessarily fairly balanced across the consortium partners.

The Kensington model was much simpler and apparently more successful. The model’s strength as widely identified by the group was positive, balanced and effective community support and leadership. How successful the project would be in the absence of this leadership was unclear as the kind of incentives and structures necessary to guarantee continued performance were not necessarily imbedded in the model.

The Carlton model failed to arouse any significant support for replication in New Zealand. In overall terms the group felt there was a high likelihood that the Carlton project would fail to meet expectations. Neither the structure of the agreement, nor the delivery of the project gave confidence that this model offered serious benefits to New Zealand. That said, the simplicity of the Carlton model may provide an appropriate template for smaller projects or projects with less complex objectives.

The Bonnyrigg project contained several innovations within the model of procurement itself, though the observed result disappointed many in the group. Nevertheless, some small alterations to the Bonnyrigg agreement may be sufficient to make this approach successful in New Zealand for larger state housing redevelopments.

The Kensington model was the preferred model as determined by the group based predominantly on observation of the end result. The community-led approach, with strong, dedicated, on-site management provided the best individual model for replication in New Zealand. It is possible, however, that a hybrid of the Bonnyrigg and Kensington procurement approaches could produce even better outcomes if the contract phase of the Bonnyrigg approach could be streamlined and led by a specialist housing organisation.

Introduction

New Zealand's housing sector can be broadly divided into three separate parts. Firstly, the private sector, which includes those properties 100% owned by private interests, including owner occupiers, investors, etc. At the other end of the spectrum there is the public housing sector, which is dominated by central government, but also comprises local government investments. A subset of public housing is state housing, which is defined here in relation to those properties 100% owned by Housing New Zealand on behalf of the Government. Finally, outside the public and private ownership models, is what will here be described as the community housing sector which, often in association with either central or local government or with private parties, owns, operates or manages housing stock in a not-for-profit capacity. Social housing is used here as an umbrella term for public and community housing.

The private sector accounts for the majority of housing stock in New Zealand, comprising over 90% of all houses. State houses number approximately 70,000, or around 5 per cent of all housing stock, and provide accommodation for around 200,000 New Zealanders. Community housing, the smallest of the three sectors, comprises less than 1 per cent of all housing.³ This paper looks at the public (particularly state) and community housing sectors and discusses options to improve the quality, scale and diversity of that housing stock.

Improving public and community housing is important for a number of reasons. Housing impacts across a number of social and cultural spheres, ultimately carrying consequences for economic performance and overall quality of living. Justice, education, health and numerous other outcomes can be positively or negatively impacted by changes in urban planning and the quality of housing stock. There is a growing recognition both here and overseas that lifting access to quality housing for those portions of the community unable to afford it achieves broader objectives than simple provision of and access to shelter.

Addressing insufficient access to quality housing is an immediate issue. The nascent state of the community housing sector and relatively minor role played by local government places the great majority of the housing responsibility on Housing New Zealand. It reports that around 2500 applicants for state housing are currently on its waiting list.⁴ In addition to this number, there are a number of residents in need of housing support, but who do not meet the criteria to qualify for state housing. Combining the four categories of applicants to Housing New Zealand property, there were approximately 8000 individuals and families applying for state housing as of 31 May 2011.⁵ There is thus an issue of insufficient supply in the State housing sector.

In addition, there is also an issue of sub-optimal stock distribution. In some areas of New Zealand demand is high for certain properties, such as four and five bedroom houses in Auckland. In others, particularly where there are high concentrations of elderly, smaller one bedroom units are necessary. Housing New Zealand estimates that up to one-third of its properties are in the wrong location or not providing an economic return.⁶ Improved distribution of appropriately sized housing stock is therefore also of high importance.

A combination of more and redistributed housing will go some way to alleviating pressure on state housing stock, but it will not solve issues in their entirety. Another broad issue relates to the quality of stock. Housing New Zealand estimates that spend of approximately \$1.7 billion is required to address the backlog of maintenance

³ Latest figures provided by Housing New Zealand.

⁴ Latest figures provided by Housing New Zealand.

⁵ Growing Social Housing: Working with the Community Housing Sector, speech by Minister of Housing Phil Heatley, 29 June 2011.

⁶ Housing New Zealand, Asset Management Strategy: A Ten Year View 2010-2019, p. 3.

work required for state housing and bring existing stock up to new standards.⁷ Many properties require improved heating or lack amenities such as adequate fencing.

In recognition of pressures on state housing, the Government is considering alternative approaches to delivery of social housing more generally. Minister for Housing Phil Heatley has indicated that the Government wishes to make better use of third parties in the provision of housing⁸ and has demonstrated interest in a wide range of options including expansion of community housing organisations and public-private partnerships.

New Zealand's relative inexperience with alternative delivery approaches in housing has focused attention on overseas approaches and particular interest has been directed towards Australia. A number of different models and mechanisms have been employed there to progress social housing objectives, some of which may be applicable to the New Zealand situation.

In response to growing interest in the Australian experience, the New Zealand Council for Infrastructure Development and Australian Trade Commission led a delegation of around 30 private and community housing sector representatives as well as public officials to Sydney and Melbourne in May-June 2011. The objective of the visit was to obtain a better understanding of different models used to procure social housing and determine whether these models might be applicable in the New Zealand context.

The three projects investigated and visited were:

- The Carlton Housing Redevelopment, Melbourne
- The Kensington Redevelopment, Melbourne
- The Bonnyrigg public-private partnership project, Sydney

This report looks at all three initiatives and provides a broad overview of the relative merits of each project. It represents NZCID's views based on feedback provided but does not purport to represent the views of the delegation as a whole or individual delegates.

⁷ Latest figures provided by Housing New Zealand.

⁸ Phil Heatley, Address to Community Housing Aotearoa, 22 March 2011.

Outsourcing Model: Carlton

The Carlton Housing Redevelopment is a three site seven hectare redevelopment of State-owned housing in Carlton, Melbourne. It involves the replacement of 192 public housing flats with 246 public apartments, 542 market apartments, a 136 bed aged care facility and 180 independent living units. The new properties will largely be apartments suitable for city fringe, high density living. The project is scheduled for completion in 2017 and will have an end value of around A\$300 million.



Project structure

The Carlton model is a design and construct contract between the State of Victoria and the Living Carlton consortium (comprised of Australand, Citta Property Group and St Hilliers) to redevelop the three Carlton sites. An additional feature to the model is that the consortium has the ability to construct and sell a number of units on the private market. The objective of the State is ultimately therefore to lower the cost of providing social housing by making better use of existing public land, with an auxiliary goal to address social issues commonly associated with concentrations of public housing. The objective of the private partner is to deliver the units demanded by the State, securing that cashflow, while maximising the value of land and property available for private housing.

Payments to the consortium from the State are made in stages, requiring some use of debt, though not the long term debt financing of some other procurement models (notably PPPs). The concomitant delivery of social and private housing helps sustain additional consistency of cash flow for the consortium.

The innovation and strength of this project is not as much in the structure of the contract as in an explicit commitment to sustainability, liveability and master planning. Private and social housing has been developed on the same site in an attempt to achieve better overall social outcomes, strong community engagement has been pursued and parks, gardens, rain harvesting, better use of light and other design innovations have all been prioritised through the project.

Outcome

The Carlton project was seen by the majority of the NZ delegation as the least desirable of the three visited. Architectural and broader design practices did not lend themselves to long term value appreciation in the view of the group. The size and layout of apartments suggested limited application to target markets. Social housing apartments were spacious to provide for the needs of disabled persons but utilitarian in design and layout. The private apartments were of a much higher standard of finish but much more compact in design.

The project engendered a strong sense of separation rather than integration because although both social and private housing units were co-located each was self-contained. Common spaces existed, but in at least one noticeable instance were segregated by a two to three metre concrete wall. There was no evident “sense of place” or community.

Conclusion

The attempt through the Living Carlton project has been to lift the quality of public housing by renewing stock and broadening objectives rather than changing the substance of the delivery model. There is no evidence that the Carlton project has initiated a radically new approach to delivering social housing. Consequently, there is no indication that outcomes will be substantially different. The general impression of the delegation was that in the long term this development will suffer similar issues to the stock it is replacing.

There is no apparently strong community group or organisation leading progress and no evidence that the structure of the arrangement itself will incentivise private owners and public tenants to develop the community over time. A common impression among representatives was that investors, rather than owner-occupiers, would consequently purchase available stock. The delegation viewed the Carlton project as an infrastructure-dominant approach which did not seek to impact underlying issues commonly linked to public housing developments.

Community Housing Model: Kensington

The Kensington Redevelopment project is a ten stage revitalisation of public housing in central Melbourne. It involves renovation of the existing 221 public housing units, construction of a further 200 and delivery of around 500 new private homes. The type of accommodation replaced is large multi-story apartment living. Both new social and new private dwellings are smaller town house and 2-4 story apartment developments. Work began in 2002 and is nearing completion.

Project structure

The Kensington Redevelopment involves two principal parties working in collaboration with the Victoria State government. Becton is the developer and Urban Communities a dedicated, specialist not-for-profit site management company. The role of Urban Communities distinguishes the Kensington model from both the Carlton and Bonnyrigg projects – Urban Communities is the lead organisation with Becton operating in a much more construction-focused capacity.

Urban Communities is responsible for all business services on the site, including public housing management, private rental real estate, private housing management (body corporate), and facilities management of the grounds and common areas. The focus of Urban Communities is explicitly on community building, personalised support and customer service, but the organisation also maintains a strong commercial imperative. Urban Communities also had some control over which tenants were accepted onto the estate.

Members of the delegation liked the simplicity of the Kensington arrangement. The prominent role of the community housing partner was viewed as beneficial and more likely to result in more positive social outcomes. However, one Australian public sector agency representative involved in the project expressed concern about the high relative cost of sustaining the Urban Communities social support framework. This raises the possibility that in time governmental support and subsidy for the provision of this service might be withdrawn, thereby undermining the value of this component of the model.

Outcome

The delegation was impressed by the Kensington site. Aesthetically it represented a significant improvement on both the Carlton and Bonnyrigg projects. Housing was attractive and the entire development created a stronger sense of community and liveability. All respondents preferred the outcome of the Kensington project.

Noted by the group as an especially positive aspect was the successful integration of public and private housing. Although two of three large, distinct public housing apartment blocks were retained (and remained 100 per cent public housing), new social housing units on the Kensington site were designed to be indistinguishable from private units. This was interpreted by the group as a significant step towards reducing social issues and engendering a more inclusive community.

Also of interest in terms of the economic success of the project is the continued viability of the Urban Communities portfolio. Less than 1 per cent of the 392 existing public housing tenants were in arrears in 2010, property values were consistent with market growth, there were no evictions and 100 per cent occupancy rates. Thus, there was no evidence that private housing sales, values or quality was undermined by the proximity of public and community housing.

An additional development positively viewed by delegates was the commitment to using local labour on the estate. Members of the Kensington community were employed in a number of different roles, helping to create a sense of inclusion and ownership.

Conclusion

The Kensington project was universally judged by delegation respondents to be the best example of a public housing redevelopment of the three examined. The principal driver for this was the look, feel and impressions gathered by the delegation on site. But also of high importance was the perceived performance of Urban Communities management. The delegation met with the management team and was evidently impressed by the balance of commercial realism and social vision. Kensington leadership was viewed as principled, driven and effective.

The strong leadership qualities of the Urban Communities team no doubt plays a critical role in the overall success of the project, but exactly how critical cannot be determined at this stage. Heavy dependence rests on the ability of Urban Communities to maintain the success of the overall development and whether that organisation has the resource and capability to do so over the long term is yet to be determined.



PPP Model: Bonnyrigg

The Bonnyrigg project is a public private partnership (PPP) to replace 833 social housing units in the suburb of Bonnyrigg, western Sydney. Over 2000 new homes will be delivered across a large 81 hectare site including 699 social housing units and 1531 private homes (30/70 mix of social to private). The type of housing on the Bonnyrigg estate differs from the two Melbourne examples. Houses are generally large, stand alone units with individual gardens and car ports to suit suburban living. Redevelopment of the site began in 2007, is estimated to take 15 years and will cost A\$733 million.

Project structure

The Bonnyrigg PPP is a contract between Housing New South Wales and what is now known as Newleaf Communities (comprised of Becton, Westpac, Spotless and the St George Community Housing Association). It involves the use of private finance to fund construction of all housing on the estate as well as the maintenance of public housing and general community facilities for 30 years. It commits the private sector consortium to a long term performance-based contract and is much more complex than either the Carlton or Kensington models. It is also the first attempt in Australia to use a PPP to deliver social housing.

Payments from the New South Wales government are made monthly and spread throughout the term of the contract, rather than in lump sums following stage completions, and are contingent upon the private party meeting certain levels of service. This approach is designed to leverage the known benefits of PPPs, specifically around risk transfer, payments for performance rather than assets and whole of life approach. In addition to a conventional infrastructure PPP, the private consortium is able to supplement its income with (and consequently also shares the risk on) sales of private properties.

The Bonnyrigg project is led by the banking partner, Westpac, who with Becton each committed 50 per cent equity to the project. The community housing association, St George, is a sub-contractor to the facilities maintenance partner Spotless. The intent of the approach is that the commitment to a long term agreement will incentivise the private partner to drive social outcomes both to meet its obligations under the agreement and to maintain the value of private properties on the estate.

Delegates in general liked the formal structure of the Bonnyrigg model. The attempt to obtain long-term commitment of the private sector for the provision of social housing was welcomed as was the employment of a not-for-profit community housing organisation to interface with residents. A noted benefit of this approach was the linking of payments to the private consortium on the basis of performance. Abatements for failing to meet contractual requirements were viewed as a positive aspect. The potential for this type of combined social and commercial approach to result in a sustained lift in the quality of housing provided and improved community integration over the long term was acknowledged.

However, in practice the structure exhibited some weaknesses. St George, the community housing agency, appeared to have little control over the project. Since they did not have sufficient balance sheet resources to take an equity stake at the time that the deal was put together, St George is contracted to Spotless to undertake tenancy management and lead community development within the consortium. In essence, St George acts as the face of the consortium to the community and is exposed to all of the challenges that this presents. While its participation is highly valued by other consortium members, St George has found the income gained from its services to be less than the cost of providing those services.

The delegation was also concerned by the complexity of the contract. The contract agreement itself was identified as an over 2600 page document prescribing the role of the private partner. The timeframes and costs involved to develop this agreement, as well as the perceived limitation it placed on innovation and flexibility were noted by respondents. The view of the group was that this level of specificity was undesirable and that for a housing PPP to be viable in New Zealand a simpler agreement is required.

Outcome

Delegate member impressions of the Bonnyrigg housing product were mixed, though all respondents preferred the Bonnyrigg experience to Carlton. Many of the houses were architecturally attractive on a standalone basis, but some representatives were critical of the large housing structures relative to the size of individual sections; the “cheek by jowl” nature of the land development; and that architectural design practices did not blend well together. Representatives noted a lack of community connection and perceived a degree of isolation within the estate that was not evident in Kensington.

While Bonnyrigg represented perhaps the most successful attempt to physically integrate social and private housing (the free-standing style of property enabled social and private housing to coexist side-by-side), some members of the group felt that this approach was lacking the level of community support necessary to ensure long-term societal integration.

A number of members of the delegation did however emphasise the early stage of development at Bonnyrigg and the impact that this may have had on group impressions. Less than ten per cent of the project had been completed at the time of the visit and part of that which was complete was for sale or not yet occupied. Had the development been at a stage comparable with Kensington, with well-established communities and populated streets and facilities, a different if not directly comparable experience may have resulted.

Conclusion

The Bonnyrigg model elicited a mixed response from the delegation. The potential of the PPP model to deliver improved housing outcomes was widely acknowledged but, equally, the potential was not seen as being fully realised. Several reasons emerged as to why an otherwise promising model may have apparently failed to deliver the type of development delegates had expected.

Firstly, a number of respondents identified the difference in housing type and setting as a potential reason for their preference. That is, the type of housing delivered at the Bonnyrigg site seemed to conflict with differing preconceptions of what constitutes quality housing. Whether or not this conflict arose from project execution or a different perspective on a mixed housing development is difficult to determine. It is possible that existing New Zealand conceptions of suburban social accommodation are unrealistic or inappropriate for the Bonnyrigg location and mix of residents. Secondly, it is also possible that the end result is closely aligned to Housing New South Wales' anticipated objective. The Bonnyrigg project is still in the early stages of development and as the community develops much greater progress may be observed than is apparent today.

Subjective cultural considerations aside, the inferior role of the community housing / tenancy management entity within the consortium, high costs associated with contractual processes and bidding and long term commitment were identified as issues. It was also clear that a Bonnyrigg approach would only be feasible for larger projects. The overall feeling was that the community housing partner must be given a stronger role in the consortium, contracts simplified, bidding costs reduced and better flexibility built into long term arrangements in order for a housing PPP to be considered viable in New Zealand.

Application to New Zealand

Delegate members were asked for their feedback on which aspects of the models and what key learnings in general could be applicable to New Zealand. They were also asked to identify what obstacles they perceived that could affect implementation.

Critical factors

An initial and foundational assumption of the group was that the development of large estates for social housing exacerbates issues within economically and socially disadvantaged communities and leads to much larger problems across wider society. A second assumption was that co-location with private housing could overcome many of the issues associated with public housing estates. The question confronting delegates was thus how public and community housing could be integrated with private housing developments to enhance positive social outcomes, without conflicting with private housing objectives and expectations. The Australian experience demonstrated that this was possible, and could be achieved with greater or lesser success depending on the project's structure.

On the basis of these assumptions, the most pronounced learning recognised by respondents related to the importance of partnerships. In the first instance, such partnerships relate to the efficacy with which the public sector combines with the private sector. Delegates highlighted the need for trust between public and private sector parties and a willingness to work together. It was observed that in Australia the public sector understood that the private sector had to operate profitably. The private sector, equally, understood that in order to maximise and maintain the value of its investment, social outcomes were more important over the long term than cost cutting in the short term. The willingness of both these parties to communicate effectively and compromise to reach mutually beneficial outcomes determined the overall success of the projects.

In the second instance, the partnership between a not-for-profit community housing organisation and public and private parties was of equal importance. Group members acknowledged that simple housing stock replacement was not sufficient to overcome social challenges. Particular emphasis was placed on the criticality of an on-site, place-specific dedicated community housing entity to manage tenancy services on the estate. This organisation formed a vital link between the private sector, which represented developers as well as home owners and investors, and the local community, comprising a large number of social housing tenants. At the same time the community housing organisation needed to be an implementation agency for public policy and a voice for the community, as well as a commercially viable business underpinning the value of local investment. Empowering the community housing partner to balance these objectives was viewed by the group as a determining factor in the success of social housing developments.

In addition to partnerships, a second critical factor to achieving broad social and economic housing objectives was resourcing. Specifically, to progress any type of social housing initiative the public sector must be willing to commit resources. Public finance, bonuses, land or some other incentive was identified by the delegation as necessary to drive the project forward and must be supported by regulation and wider policy. Without some degree of intervention, the market is unlikely to progress the complex social objectives of the public sector. All three Australian projects leveraged different public resources to obtain the outcomes desired.

Perhaps the most accessible public resource as observed was land. By allowing developers to use public land to deliver private housing, the cost of social housing provision could be reduced. The optimum ratio of social housing to private as observed was 30/70, although the most preferred project, the Kensington redevelopment, is expected to deliver a 50/50 ratio over the entire estate (because two existing social housing multi-story blocks

were retained as part of the development). This 30/70 ratio was understood in Australia to facilitate the best balance of retaining property values and meeting social objectives.

It should be noted that in the Australian examples visited, no net increase in social or public housing was achieved, in part because the new housing was provided to replace existing high rise buildings that had previously been at a higher density. In the New Zealand context because of the low density of state housing there may be considerable potential to increase the supply of state housing through more intensified housing development.

Underlying the delivery of each of the visited projects was a strong culture of community engagement and public consultation. Public agencies and, subsequently, community housing organisations rigorously engaged affected communities, sought their input and responded effectively to their concerns. Additional associated measures have since been implemented such as employing members from the local community in various roles around the estate. The use of affected community knowledge and genuine recognition of their needs and desires was noted by the group.

Finally, respondents observed that clarity of objectives was important to the success of a mixed housing development. Before proceeding with a project, public agencies involved need to understand what they hope to achieve and how. The method of procurement should be selected on the basis that it promotes overall objectives, not, for example, because it provides the cheapest outcome. Delegation members also highlighted the clarity of both economic and social objectives observed on the Australian projects. There appeared to be a strong understanding that in order to meet social objectives projects must be economically sustainable; the private sector must be capable of operating profitably and so must community housing partners if they are to promote social goals.

Challenges

Respondents considered there to be both the need and the opportunity to employ aspects of particularly the Bonnyrigg and Kensington projects in New Zealand. However, they also identified a number of issues which would need to be addressed.

The first such issue widely identified as a potential constraint in New Zealand was the Resource Management Act 1991. Given the social stigma often associated with social housing development, the RMA was perceived by some respondents as likely to slow development processes requiring broad community consent to the point where they become unattractive to private investors and developers. The cost that RMA processes were expected to add and risk of project interruption or failure further reduces the potential for housing redevelopment in established communities.

Whilst it is unclear what impact the RMA would have on New Zealand developments similar to Kensington or Bonnyrigg, it was suggested by some delegates that a framework and consistent basis for conducting Housing Market Assessments at the local government level would be a significant step toward comprehensive community engagement. Such Housing Market Assessments would identify gaps between market supply and local housing need, assisting to quantify what types of housing are needed, and what needs remain unmet. In addition, delegates reported that clarifying the incentives, if any, that local governments in New Zealand have the authority to implement to support development by the private sector and community housing sector would be beneficial. The second stage of the RMA reforms being administered by the Ministry for the Environment is addressing some of these key questions.

For larger projects, overcoming challenges resulting from the RMA may be possible through the Environmental Protection Agency (EPA). If these projects can be shown to meet the criteria of “nationally significant

infrastructure”, resolving concerns through the EPA could hasten decision making and improve certainty for affected parties. Where projects do not meet criteria necessary for referral to the EPA, effective community engagement will be required. The Bonnyrigg project provides a working example of comprehensive public engagement and may provide some insight into garnering wide community support.

A second issue is New Zealand's smaller resource base. Australia is a much wealthier country per person and with a significantly larger population is able to leverage additional resources to effect policy. The consolidation of taxation and legislative powers in one institution in New Zealand versus two in Australia (i.e. state and federal government) does, however, provide a degree of flexibility in which the drivers and levers of change can be applied more effectively at a nationwide level. Nonetheless, given the current fiscal environment it is likely that the ability for significant funds to be made available for state housing renewal or new stock will remain limited, leaving the most likely resource at the disposal of the Government as land.

A third issue raised by respondents concerned local skills and knowledge. Having not pursued developments of the kinds visited in Australia, delegates noted that human resources may be as scarce as financial. Whilst New Zealand has strong capability in the area of property development and facilities management, there is no experience in the combined delivery of development, community support, and facilities maintenance. Use of overseas knowledge and skills through the procurement and contract phase will be required if New Zealand is to build off past experience rather than recommit mistakes. The proximity of Australia and perceived willingness to cooperate should facilitate this knowledge transfer over time.

Community Housing delegates indicated the potential to pool both their human and financial resources around specific projects. Community Housing Aotearoa, the umbrella body for the community housing sector and a delegate on the visit, reported that by the end of 2011 the first wave of Community Housing providers will be accredited via self-regulatory standards. Given the stated importance of a regulatory framework by various hosts from both New South Wales and Victoria, this is seen as a timely initiative, offering a level of assurance to government and potential private partners regarding the organisational and commercial resilience of New Zealand community housing organisations.

A final challenge yet to be resolved and noted by the delegation regarded the willingness of parties involved in housing in New Zealand to work together. Respondents observed a generally high degree of trust between the public, private and community housing partners in Australia and questioned whether this level of mutual understanding exists in New Zealand. In particular, it was noted that Housing New Zealand would need to revise its practice towards working at a more inclusive level with community housing organisations if a Kensington model, for example, is to proceed. Likewise, for a long term PPP to meet expectations, a functioning, cooperative relationship between the public sponsor and the private parties is essential.

Conclusion

Members of the delegation that visited the Carlton, Kensington and Bonnyrigg redevelopment projects in Melbourne and Sydney expressed strong support for replicating the Kensington project in New Zealand. Some representatives evinced reservation about the Bonnyrigg project, but with criticism mainly directed at the perceived outcome on the estate. The structure of the PPP itself was viewed as potentially effective if the role of the community housing partner could be enhanced. Very little support was received for the Carlton model.

Although the Kensington project was preferred, it is important to note that this development was significantly more advanced than either of the other two. Kensington is scheduled for completion later this year and already enjoys established communities and a management system which has had time to adjust and adapt to its unique situation.

By comparison the Carlton project will not be completed in full for another six years and Bonnyrigg around a decade. Combined with teething problems, the fact that neither of their respective communities have had time to settle, evolve or grow could explain why these developments were not viewed as positively by the delegation. In this respect it is too early to judge with certainty the outcome of the Bonnyrigg and Carlton projects.

Broad lack of support for the Carlton model and its perceived effect suggests that this project can be discounted as an appropriate model for replication in New Zealand until it can be revisited at a more advanced stage. The Bonnyrigg model, however, may represent a viable option for consideration in New Zealand over the near term. The delegation would view a simpler contract, lower procurement costs and a stronger community housing partner as important variances to the Bonnyrigg model.

With these changes the delegation felt the opportunity for a Bonnyrigg-type proposal in New Zealand could be superior to that seen in Australia. One project in particular stood out. The large number of state-owned Housing New Zealand units in the Tamaki area of Auckland, the low density of these units and local and central government willingness to redevelop this part of Auckland makes it a strong candidate for New Zealand's first housing PPP (contingent upon rigorous assessment of procurement options).

The majority of other housing developments were considered by the delegation to be unsuitable for a large-scale PPP, principally on the basis that this model better suits large housing redevelopments not generally required in New Zealand. However, Housing New Zealand has indicated it intends to consider PPPs (and other procurement models) for housing redevelopments of all sizes. The delegation felt that some approximation of the Kensington project should be considered for housing redevelopments in New Zealand. This model appeared clear, commercially sustainable and effective at promoting desirable social objectives.