

**SUBMISSION FROM AFFORDABILITY OF HOUSING SUB-COMMITTEE
OF AUCKLAND CATHOLIC DIOCESE JUSTICE & PEACE COMMISSION
ON NEW ZEALAND PRODUCTIVITY COMMISSION ISSUES PAPER
“HOUSING AFFORDABILITY”**

Introduction

The Affordability of Housing Sub-Committee of the Auckland Catholic Diocese Justice & Peace Commission welcomes the release of the Productivity Commission's issues paper. The Committee endorses the recognition stated at the beginning of the paper that stability of the home environment is widely considered to be important for social cohesion and family stability.

The Committee has a strong commitment to addressing the issue of affordable housing for all New Zealanders. It is therefore glad to respond to the encouragement to submissions given on page 5 of the paper. This submission is not a comprehensive response but comments on a few issues of particular concern to the Committee.

Background Principles

The Committee takes its stance from long established principles found in:

- (a) Catholic Social Teaching;
- (b) The United Nations Universal Declaration of Human Rights.

Catholic Social Teaching

Three examples relevant to the topic of affordable housing are:

“The right to housing belongs not only to the individual as such, but also to the family, made up of several individuals. The family, as the basic cell of society, has a full right to housing adequate to its needs, so that it can develop a genuine domestic communion”.

Pope John Paul II, Message for Lent, 1957

“Shelter is one of our most fundamental needs. The dignity of each person requires that they live in an environment which provides stability and a sense of belonging. Lack of secure, adequate housing undermines family and personal stability and causes physical and mental illness”.

New Zealand Catholic Bishops' Conference, “Housing”, 1983

“If working people can be encouraged to look forward to obtaining a share in the land, the consequence will be that the gulf between vast wealth and sheer poverty will be bridged over, and the respective classes will be brought nearer to one another. A further consequence will result in the great abundance of the fruits of the earth. Men always work harder and more readily when they work on that which belongs to them ...”.

United Nations Declaration on Human Rights

"Everyone has the right to a standard of living adequate for the health and wellbeing of himself and of his family, including food, clothing, housing and medical care and necessary social services, and the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control"
(Article 25).

The Commission's Approach

Question 1

The Committee feels strongly that although it is necessary to examine the market as a whole, the main focus should be on affordability of housing as it impacts on lower income households. This is where the need is greatest in that the income margin for housing repayments makes family budgeting extremely difficult. The need is illustrated by the situation in, for example, South Auckland where only one new house is currently being built for every 14 new residents.

Government Assistance with Home Ownership (Page 18)

Question 17

The Committee's impression accords with the statement in box 1 referring to the report of the Housing Shareholders' Advisory Group, 2010 that Government programmes have a low take-up rate and are reaching only a small proportion of those who aspire to own a home. The programmes while well-intentioned have strict criteria that do not fully recognise:

- (a) The real cost of housing, especially in Auckland and other metropolitan areas; and
- (b) The inability of many families to service a mortgage at the level required.

The servicing of mortgages would be helped by making interest paid during, say, the first 5 years of home ownership tax deductible. Such a measure has been applied by NZ Governments in the past.

The Committee would like to see eligibility for the Government programmes extended so that they are available to a wider range of families.

The Committee is aware of local public/private projects that provide assistance with home ownership. One is the Hobsonville Land Co. project (refer Hobsonville Land Co. Responsibility Report 2009/10). This project includes some provision for first home buyers in conjunction with the Gateway Housing scheme.

The Committee is also aware that there are overseas programmes which could be applied in New Zealand. An example is co-operative housing in Canada. A copy of a paper describing this programme is attached.

Home Ownership Trend

Question 18

The decline in home ownership rates in New Zealand is a concern. New Zealand's level is now slightly below the OECD average, whereas once this country was a world leader in home ownership. The Committee feels that the key driver in the decline is the huge rise in house prices which make home ownership for a great many New Zealanders only a dream.

Urban Planning, Design & Land Use Policies

Question 37

The Committee considers there is evidence of land banking by some developers. This practice should be curtailed through tax disincentives so that more land can be released for housing. On the other hand, Government and local bodies should be encouraged to land bank for future housing construction by acquiring suitable land themselves, thereby reducing the scope for speculation in land values.

Developers could be required to set aside a certain percentage of land for affordable housing as, for example, in the Canadian model.

Performance of the Building & Construction Industry

Question 59

The Committee does feel that skill shortages in the housing and construction industry have contributed to rising prices and reduced affordability. An increase in the number of building construction workers might be achieved with employment tax incentives and re-training of semi-skilled personnel. The state could help by increasing state house construction during recessions in order to encourage skilled workers to stay in the housing industry.

A moratorium on price increases in land, materials, labour would kick-start the demand in the NZ housing construction industry.

The Role of Taxation

Question 70

The Committee feels that tax treatment of investment housing is unfair in relation to other income earning assets and that this has contributed to inflated demand and prices. Because there is no effective tax on the increase in value of investment property this has become an enormously popular investment. Other income earning assets are generally taxed.

The Committee strongly supports the idea of a capital gains tax, not only on grounds of fairness in taxation, but also because it would help to dampen down house price increases resulting from speculation. A recent report attributed half the house price increases over the past decade to the special tax treatment that landlords receive.

Relative Costs of Renting Versus Owning

Question 83

The Committee suspects that any apparent “preference” for renting is not a preference at all. The apparent desire to rent is actually substantially driven by the inability of many to afford housing that is too expensive on their low incomes.

Also relevant to this question is the level of wages. In the Committee’s view wages are generally too low. The minimum wage should be increased to at least \$15.00 per hour.

Question 87

Regrettably the availability of the Accommodation Supplement has enabled private land owners to charge higher rents and consequently benefit from them. The Committee feels that the funds paid by the Government by way of Accommodation Supplement would be better used to provide more state housing and state assisted affordable accommodation of various sizes to suit deserving families.

General Comment

There is without doubt a serious shortage of State/public housing in New Zealand. A recessionary period such as New Zealand has been experiencing for the last 2 to 3 years provides a good opportunity for the State to construct more housing. Not only would it provide affordable accommodation for more New Zealanders but it would provide work for unemployed construction industry tradespeople.