

Submission to the Homelessness Inquiry

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1. Introduction

This submission has been prepared by the Centre for Research, Evaluation and Social Assessment Ltd (CRESA). It reflects many years of research experience in the housing sector and familiarity with housing research, policy and trends in New Zealand and overseas. The submission:

- Notes the multiple definitions of homelessness and that debates over those definitions can take attention away from addressing New Zealand's current and future housing problems.
- Comments on issues of prevalence and provides references to data and research indicating the persistence and spread of unmet housing need.
- Notes the deepening of unmet housing need and the likely emerging homelessness among older people in the future as well as among children in New Zealand.
- Highlights the public impacts of homelessness.
- Comments on some ways forward.

2. Homelessness – The Problem of Definitions

Homelessness is subject to a multiplicity of definitions, some of which are very narrowly defined. The multiplicity of those definitions and the desire to generate action through pointing to extreme conditions such as people living under bridges and in cars, actually presents a barrier to addressing housing need in New Zealand. The definition of homelessness becomes the focus of attention rather than the experience of being unable to access housing that provides security and living conditions that support people's productivity, their participation in their communities and the development of skills that allow them to develop and optimise economic and social independence throughout their lives.

The housing conditions that fail to deliver the outcomes important to both the future of individuals but also New Zealand's economic future embrace a wide range of experiences. Those experiences may or may not be referred to as homeless, but all engender private distress and profound social and economic problems as well as public liabilities and externalised costs. Those housing experiences include:

- Where the cost of housing means that a household cannot:
 - afford food, basic services and goods such as electricity, transport, and health care; and/or
 - maintain their tenancy, board, mortgage payment or other non-discretionary housing costs.
- Where individuals or families are sheltered on a temporary basis, either at the discretion of others or in structures not designed for long-term residence. Those situations include individuals or families:
 - In temporary accommodation such as emergency housing and night shelters.

- In accommodation that does not meet the performance standards required for permanent dwellings such as holiday structures such as camping ground units, motels and caravans.
- In structures such as wool sheds, fruit packing sheds, temporary offices, garages and any other structure that does not meet the performance requirements of residential dwellings at the time of build or through subsequent consented retrofitting, renovation or remodelling for residential purposes.
- Couch-surfing.
- Staying with kin, friends, acquaintances on a grace-and-favour basis with no contract or protection of tenure security or conditions of residence.
- Where individuals live on the street or in open spaces, shelter in facilities such public toilets, parking buildings, cars, bus shelters, bridges or derelict/condemned buildings.
- Where individuals, families or households are unable to rehouse appropriately before the loss of a previous dwelling.
- Where individuals have no reasonable alternative housing and:
 - Live in dwellings that present a danger to health and safety.
 - Live in dwellings which are unsuitable to meeting their care needs or reduce their independence and functionality.
 - Live in households which are used by others to:
 - Perpetrate or threaten violence and abuse against household members;
 - Sexually exploit dependents, young people or non-consenting adults;
 - Deal in, use or manufacture illicit drugs.

Some individuals and households are confronted by a multitude of these problems. For some, one or more of these problems, is a temporary and short-lived experience. Others face these problems either repeatedly or persistently.

3. Issues of Prevalence

It is often said that the prevalence of these problems is difficult to establish. However, establishing prevalence of these problems is more about the choices we make around data collection, data management (including how we choose to collect and save administrative data) and the barriers which are institutionally erected (sometimes purposefully and sometimes not) to identifying them and the people affected by homelessness.

For instance, it is well established that housing waiting lists for public housing have been shaped by perceptions of likely access to public housing rather than housing need. Where Housing New Zealand persistently signals that no housing is available, people are less likely to register themselves as in housing need. Those tendencies are exacerbated by allocation prioritisation and processes that effectively remove people off waiting lists.¹

Community housing providers typically do not keep waiting lists. Community housing providers are hesitant to generate waiting lists if they have no ability to address the needs of people presenting. Access to community housing stock is constrained by:

- Limits on stock expansion reflecting:

¹ James, B., and K. Saville-Smith, 2006, *Stakeholder Perspectives and Experiences in Housing and Affordability in Nelson, Tasman and Marlborough* Wellington, Centre for Housing Research Aotearoa New Zealand Saville-Smith, K and James, B., 2006 *Public Perspectives on Housing and Affordability in Nelson, Tasman and Marlborough* Wellington, Centre for Housing Research Aotearoa New Zealand.

- The withdrawal of government capital funding programmes. It should be noted that the very few current community housing providers that have a large stock and access to capital investment due to that stock have been largely those which accumulated stocks during the period prior to the disbandment of the Housing Corporation of New Zealand (HNZC), and the disposal of its treasury function and lending portfolio. HNZC made significant investments in community housing through a variety of instruments including 3 percent loans and underwriting long term credit streams for periods in excess of 20 years.
- Uncertainties around charitable and tax status that have burdened the community housing sector for a number of years and, in particular, risks to charitable status associated with intermediate tenure and shared ownership programmes.
- High house prices and inability to build during down turns in the building cycle because of uncertain access to capital.
- Low turnover within the community housing stock due to the lack of appropriate housing alternatives.²

Most community housing providers typically report, however, a growing number of inquiries for assistance. This is also the experience of community information and service providers.³ Those inquiries for assistance are driven by:

- Unaffordable rental.
- Loss of accommodation through landlord-initiated termination, e.g. sale of property.
- Inability to find suitable accommodation.
- Living in overcrowded conditions.
- Relationship breakdown or death of a partner.
- Domestic violence.
- Unsafe accommodation due to violence, drug use and so forth.
- Job loss.

A few government agencies have sought to establish indicators related to what can be variously described as homelessness, housing need and housing stress. However, some of the most obvious

² Saville-Smith, K., Fraser, R., and N. Saville-Smith, 2014, *Community Housing Provision*, Wellington, CHA.

³ Mitchell, I., 2015, *Can Work, Cannot Afford to Buy: The Intermediate Housing Market.*, BRANZ External Research Report LR0484; Saville-Smith, K., Fraser, R., and N. Saville-Smith, 2014, *Community Housing Provision*, Wellington, CHA. Harris, R., 2015 *Invisible in the SuperCity*, The Salvation Army Social Policy and Parliamentary Unit; CAB *Spotlight on homelessness*, November 2015; Public Policy & Research and CRESA, 2010, *Children's Housing Futures* Centre for Housing Research Aotearoa New Zealand, Wellington. www.chranz.co.nz; James, B., 2007, *Children's and Young People's Housing Experiences: Issues and Scoping Paper*. Centre for Housing Research Aotearoa New Zealand. www.chranz.co.nz; James, B., and K. Saville-Smith, 2006, *Stakeholder Perspectives and Experiences in Housing and Affordability in Nelson, Tasman and Marlborough* Wellington, Centre for Housing Research Aotearoa New Zealand Saville-Smith, K and James, B., 2006 *Public Perspectives on Housing and Affordability in Nelson, Tasman and Marlborough* Wellington, Centre for Housing Research Aotearoa New Zealand; Darroch Ltd, 2010, *Auckland Region Housing Market Assessment Volume 1: Main Report* Wellington, Centre for Housing Research Aotearoa New Zealand. See also the research reviewed in CRESA and Public Policy & Research 2009, *Older People's Housing Futures in 2050: Three Scenarios for an Ageing Society*, Wellington, Centre for Housing Research Aotearoa New Zealand and Saville-Smith, K., 2013, *Housing Assets: A Paper for the 2013 Review of Retirement Income*, Prepared for the Commission for Financial Literacy and Retirement Income, <http://www.cffc.org.nz/assets/Documents/RI-Review-2013-Housing-Assets-and-Retirement-Income.pdf>.

analysis of housing problems could be undertaken and reported transparently using a range of existing administrative data, particularly data around Accommodation Supplement use and the need to access discretionary benefits, payments, loans and allowances through the social security system. Similarly, data collected through health needs assessment is rarely explored in relation to housing need. Indeed, some instruments such as the INTERAI assessment used to assess older people's service needs by District Health Boards do not even collect information regarding the tenure status of the assessed older person. This is the case, despite the fact that tenure is well established as a key factor in housing security and, to a lesser extent, dwelling condition and exposure to non-discretionary housing costs.

The lack of attention to matters of housing and evidence within the government sector is indicated by the closure of the Centre for Housing Research Aotearoa New Zealand (CHRANZ) and any commitment to an independent funding stream directed to housing. Notably the National Science Challenge Building Better Homes Towns and Cities is directed to building and infrastructure, *not* to the function, dynamics, and implications of housing markets and the meeting of current and future housing needs.

4. Housing Need, Deepening Divides, New and Old Vulnerabilities

What is clear, is that there are a number of indicators that housing markets are currently not meeting housing needs. Those indicators are in addition to the raft of individual cases that come to media attention. There are also a number of factors and dynamics that suggest that New Zealand can expect a deepening of the gap between those who can meet their housing needs in their local housing market, those marginal to meeting their housing needs, and those who simply cannot. Those indicators are:

- Rapidly falling rates of dwellings in owner occupation.
- Declining rates of mortgage-free owner occupation.
- A rapidly increasing intermediate housing market.
- Increased house prices relative to incomes.
- Reduced rent yields where high house prices prevail.
- Increased proportions of households in temporary private dwellings.
- Increased reliance on the rental market including older people and children.
- High levels of churn and tenure insecurity in the rental sector.
- Housing dissatisfaction and housing stress.
- The falling proportion of new builds in the low cost quartiles.⁴

These are societal wide trends. In addition, there is considerable evidence of persistent and longstanding pockets of homelessness. For instance, already vulnerable young people, including single mothers, young refugees and asylum seekers, abused and neglected young people, young people with mental health and/or addictions and young people involved in offending, are especially burdened by poor housing responses. A 2008 national survey of service providers found that about 30.4% of at-risk and vulnerable young people receiving services are in unsafe and insecure housing. That represented approximately 14,500 – 20,000 12-24 year olds at the

⁴ New Zealand Productivity Commission, 2012, *Housing Affordability*; Saville-Smith, K., Fraser, R., and N. Saville-Smith, 2014, *Community Housing Provision*, Wellington, CHA;

time.⁵ Disabled people and people with mental health problems are also vulnerable to various forms of homelessness.⁶

The Burden of Homelessness and the Life Cycle

Since the early 1990s, New Zealand has as its main instrument of housing assistance the Accommodation Supplement. This has four important characteristics:

1. It is a demand-side benefit which is untied without any requirement placed on landlords as to around the conditions of tenancy security or dwelling condition over and above the very limited protections provided under residential tenancies legislation.
2. It is calibrated according to rental caps.
3. It only subsidises a portion of unaffordable rent *within* the rental cap and none at all above that rental cap. That is, *a priori*, all those that receive the Accommodation Supplement still have unaffordable housing costs even after receipt.
4. Only people paying rent or mortgages receive assistance by way of the Accommodation Supplement. By definition, housing assistance is not delivered to a range of other people in housing need because they are unable to access a rental dwelling or mortgage finance.

Both children and older people are physiologically, psychologically and socially susceptible to the negative impacts of homelessness and poor housing conditions. Research here and overseas demonstrate that homelessness can have profound negative impacts on children's life chances. The comparatively high living standards, despite relatively low incomes, of today's older people as a population reflects the investments made through housing assistance such as income-related rents and mortgages in the post-war period along with policies such as capitalisation of family benefits.⁷ Those policies, combined with direct investment in housing supply in the rental stock, were the platform of housing assistance until the early 1990s when the untied Accommodation Supplement was introduced.

The impact of those earlier policies are evident in the high home ownership levels which for 60-64 year olds peaked in 1991 at 87 percent of older people in that cohort and which still sustains higher levels of home ownership among current cohorts of older people. Since the introduction of the Accommodation Supplement as the major instrument of housing assistance, the household/housing interface in New Zealand has changed substantially. This is reflected in the falling rate of home ownership. This has some immediate and longer term implications:

1. The immediate impact is the increased proportion of children being reared in the rental market without any substantial review of the protections and conditions that frame the delivery of rental housing. In 2013, 43.1 percent of children aged under 15 years were living in dwellings that were not owned. For Māori and Pacific children, the proportions are very high with 61.5% of Māori children and 71.6% of Pacific children in rented dwellings.⁸ The negative

⁵ Saville-Smith, K., James, B., Warren, J., and R. Fraser, 2008, *Access to Safe and Secure Housing for At Risk and Vulnerable Young People*. Wellington, CHРАНZ.

⁶ See for instance Cohen, Carl, I. 1999, Ageing and Homelessness, *The Gerontologist*, Vol. 39, No 1, 5-14; Crane, Maureen & Warnes, Anthony, M. 2000, Evictions and Prolonged Homelessness, *Housing Studies*, Vol. 15, No. 5, 757-773; Hecht, Laura & Coyle, Bonita, 2001, A Comparison of Older and Younger Adult Emergency Shelter Seekers in Bakersfield, California, *The American Behavioural Scientist*; Sept, 45:1

⁷ CRESA and Public Policy & Research 2009, *Older People's Housing Futures in 2050: Three Scenarios for an Ageing Society*, Wellington, Centre for Housing Research Aotearoa New Zealand.

⁸ Statistics New Zealand, 2016. *Changes in home-ownership patterns 1986–2013: Focus on Māori and Pacific people*, www.stats.govt.nz

impacts for children's life chances of being raised in poor rental conditions is well established here and overseas.⁹

2. There are longer term impacts arising from New Zealand's ageing population and the growing proportion of older people in rental dwellings.

Considerable commentary has been directed to the conditions of children and their vulnerability to homelessness. That issue will almost undoubtedly be the subject of other submissions and is the subject of a range of research. What is less recognised is that rates of older homelessness are likely to rise as the baby boomer generation ages, especially where the availability of low cost housing remains low.¹⁰ First time homelessness in later life is noted as increasing in the USA, Australia and England.¹¹ Although this has not yet been systematically explored in New Zealand, the dynamics that trigger first time homelessness are emerging here. Those dynamics include higher debt among older people and increased dependence on the rental market, especially a rental market destabilised by high house prices and low returns. The burden of homelessness on older people can be profound and include:

- Fear, intimidation, violence and abuse including from younger homeless.
- Homeless people in their 50s and 60s experience physical, brain and mental health usually associated with much older people such as functional and mobility impairment, falls, frailty, cognitive impairment and urinary incontinence. In addition, they may have difficulties with the tasks of daily living.
- Services are often unable to meet the complex needs of homeless older people. Some older people who become homeless for the first time in later life will be able to manage in affordable, independent or low-supported housing, while those who have been homeless for long periods may require housing with high levels of support and care.

Both higher proportions of renters and of homelessness can be expected to present new challenges and demands for aged residential care and the funding models used to forecast and project aged residential care costs in the future.

5. Personal Distress, Public Problem

Homelessness undoubtedly generates personal distress. This submission does not focus on that dimension of housing market failure. There are many organisations and individuals that can convey the on-going distress associated with homelessness from their day to day involvement with people burdened by it. Instead we want to note from a research perspective that the range of significant housing problems referred to in this submission have four critical characteristics:

- **Housing problems are public problems.** The costs of homelessness, poor housing and unmet housing need are externalised and often hidden. Those costs fall on other government sectors, particularly health, education and justice, as well as the viability and productivity of local communities, cities and settlements.

⁹ See James, B., 2007, *Children's and Young People's Housing Experiences: Issues and Scoping Paper*. Centre for Housing Research Aotearoa New Zealand for a review.

¹⁰ Johnson, A., 2015, *Homeless Baby Boomers Housing poorer baby boomers in their retirement*, Auckland, Social Policy and Parliamentary Unit, The Salvation Army; Lee, C. *et al.*, 2016, Residential Patterns in Older Homeless Adults: Results of a Cluster Analysis, *Social Science & Medicine*, 153, 131-140.

¹¹ Crane, M. and Joly, L. 2014 Older homeless people: Increasing Numbers and Changing Needs, *Reviews in Clinical Gerontology*, Volume 24, Issue 04, 255-268; Lee, C. *et al.*, 2016 Residential Patterns in Older Homeless Adults: Results of a Cluster Analysis, *Social Science & Medicine*, 153, 131-140; Petersen, M. *et al.*, 2014 *Preventing First Time Homelessness amongst Older Australians*. AHURI Final Report No.222. Melbourne: Australian Housing and Urban Research Institute.

- **Homelessness and poor housing constitute prime examples of moral hazard.** That is, the impacts of decisions which generate or contribute to homelessness, or leave homelessness unresolved, fall on those who were not engaged in those decisions. This is most starkly evident when dealing with the homelessness of children but the outcomes associated with specific market and policy settings, as well as organisational decisions, fall on families and individuals who have little leverage in housing markets and little influence on institutional settings.
- **Unmet housing need has impacts across scale and over time.** Housing stress as a child has long term implications for that child's physiological, social and economic outcomes as an adult. Patterns of housing access of a population cohort in the past threads through succeeding generations. Why do the 85 year and older population have high proportions in owner occupation in the 2013 census than 85 year olds and older in the 2000 census? Because many of the former were in the population that benefitted from policies which effectively forged a public-private partnership between successive governments and families to meet housing needs and allow accumulated housing wealth to 'kick-start' successive generations. It is that public-private partnership that has been broken and there is every indication that this could have long-term, inter-generational effects.
- **Unmet housing need, falling home ownership and reliance on a loosely managed rental market are likely to have spillover effects in other contexts, especially as the population ages and inter-generational transfers decrease.** Those contexts may include increasing pressure on:
 - Income support and superannuation to maintain living standards as older people have less ability to manage housing costs.
 - Costs of in-home care. Australian data suggest that home modifications can reduce in-home care costs, but both New Zealand experience and experience overseas shows significant resistance to home modifications in private rental dwellings.¹²
 - Residential care funding with:
 - the potential that tenants will move more quickly to subsidised residential care than owner occupiers; and
 - reduced fiscal clawback from asset testing reflecting:
 - higher levels of debt among older owner occupiers
 - a higher proportion of older people without housing assets either because they are tenants or in license to occupiers.

6. Ways Forward

There is no easy resolution to the dynamics that have generated New Zealand's housing environment and the wedge of unmet housing need evident in homelessness and housing stress. The breaking of the private-public partnership between government and households around owner occupation evident in the post-war period until the 1990s has meant pressure on the rental market. Those who were persistently marginal to home ownership have found themselves squeezed in a rental market unable to meet the demand of those now unable to enter home

¹² Bridge, C., Phibbs, P., Kendig, H., Mathews, M and B. Cooper, 2008. *The costs and benefits of using private housing as the 'home base' for care for older people: secondary data analysis*. AHURI, Sydney; Saville-Smith, K., B. James, R. Fraser, B. Ryan and S. Travaglia (2007) *Housing and Disability: Future Proofing New Zealand's Housing Stock for an Inclusive Society* Wellington, Centre for Housing Research Aotearoa New Zealand.

ownership. Capital investments into growing the community sector have declined consistently since the 1980s and are now virtually non-existent. Overseas experience suggests that the ability to access Income Related Rent subsidies among some housing providers is unlikely to generate a significant supply-side response, particularly when the building industry is focused on upper quartile cost housing and the Christchurch re-build. Indeed, arguably the community housing sector can act as a vehicle for cost-effectively meeting housing needs for the most vulnerable with well-priced new builds while also retaining building industry capacity and capability during the downward portion of the building cycle. That can only be achieved with a clear public strategy of long-term capital investment, stock transfers, and careful targeting of housing providers.

Rebuilding housing access requires a multi-pronged strategy that recognises that homelessness arises out of systemic failures. There is a need to:

- Re-balance and re-emphasise the use-value of housing;
- Recognise that rising house prices are not a universal good and not all owner occupiers benefit from them;
- Develop productive partnerships between:
 - households and government in the owner occupation and intermediate tenure developments such as shared ownership which realise the co-payment potential of households;
 - government and the community sector through effective capital investment;
- Review the operation of the rental market and tenancies to promote good landlord-tenant relations delivering both sustainable returns to landlords and secure, affordable and appropriately performing tenancies to tenants.
- Activity ensure compliance in the rental market with housing standards and the requirements of the Residential Tenancies Act.
- Increase the tenure security and condition of rental housing subject to government subsidy either by way of Income Related Rent or the Accommodation Supplement subsidies by continuing regulation of Community Housing Organisations and transforming the Accommodation Supplement into a tied benefit.
- Value against outcomes of the around \$1.9 billion expended annually through the Accommodation Supplement must be evaluated along with options to generate improved and sustained housing outcomes over the next thirty years.