



**MINISTRY OF HOUSING
AND URBAN DEVELOPMENT**

Improving outcomes for Hastings whānau and communities

Initial plan for responding to housing and
urban development challenges in Hastings
District

June 2019



Purpose and background

1. This report sets out an initial cross-agency plan to respond to complex, inter-related housing and urban development challenges in Hastings District, and the impact of these on Hastings whānau and communities. The plan sets out short-term and medium-term objectives across seven areas, and indicates lead organisations for progressing each objective. Lead agencies are developing more detailed action plans for each objective.
2. The Ministry of Housing and Urban Development and Hastings District Council staff have led work to produce this initial plan over eight weeks in May-June 2019. The following organisations have contributed, and will be closely involved in further work and implementation: Ngāti Kahungunu, Te Taiwhenua O Heretaunga, Ministry of Social Development, Te Puni Kōkiri, Kāinga Ora – Homes and Communities¹, Hawke's Bay District Health Board, and the Department of Corrections.
3. The report will be provided to the Minister of Housing and Urban Development and Associate Ministers, also other Ministers with a portfolio interest. As specific projects to progress each objective are developed, they may require further decisions from Ministers, councillors and organisations, for example in relation to specific resource commitments.
4. Hawke's Bay has some of the highest housing need in New Zealand in relation to population size. In the first instance, due to short timeframes and existing relationships, this work has focused primarily on Hastings. However, agencies are conscious of the community connections between Napier and Hastings, and the need to take that into account in developing housing solutions. (For example, some Hastings whānau have been placed in emergency housing in Napier due to lack of options in Hastings). Pressure on housing in Hastings and Napier also has flow on impacts for the broader Hawke's Bay region.
5. This report is structured in three sections:
 - A. Hastings strategic context
 - B. Assessment of key housing and urban development issues in Hastings District. These issues interact, and collectively result in poor housing outcomes for households on lower incomes.
 - C. Integrated, system-wide plan to address these issues and improve housing outcomes for households on lower incomes.

¹ Formerly Housing New Zealand.

A. Hastings Strategic Context

6. Two regional strategies provide important context for housing issues in Hastings, and for the strong local leadership and collaboration required to address these issues.

Heretaunga Plains Urban Development Strategy

7. The Napier City Council, Hastings District Council and Hawke's Bay Regional Council have worked collaboratively since 2009 to produce the Heretaunga Plains Urban Development Strategy 2010 (HPUDS) and more recently to review the strategy in 2016-2017. The strategy takes a long-term integrated view of urban land-use and infrastructure.
8. The reviewed strategy was adopted in 2017, resulting in updated servicing provisions being incorporated into both the Long-term Plans for 2018-2028 and thirty-year infrastructure strategies.
9. The HPUDS approach to providing for projected growth is founded on a series of guiding principles relating to:
 - A growing and resilient economy
 - Providing for mana whenua values
 - Sustainable use of productive soil and water resources
 - Protecting the distinct urban identities of Napier and Hastings, and balanced supply between Napier and Hastings
 - Planned and affordable community and physical infrastructure
 - Quality living environments.
10. In implementing these principles, HPUDS seeks to achieve a compact development form that avoids compromising the versatile land resource as far as possible. This development form was settled on by the partner councils after consultations with stakeholders and the wider community. The strategy recognises that an increasing proportion of the residential growth will need to take place through intensification and redevelopment within existing residential and rural residential areas.
11. The strategy however, recognises these shifts will require changes in current housing preferences and supply approaches and it will take time for the community to make this transition. HPUDS therefore identifies specific areas for greenfields development out to 2045 as part of the desired settlement pattern. Defined growth areas in conjunction with intensification are considered to be more efficient and cost effective from an infrastructure and servicing perspective. This approach also ensures land use and infrastructure is co-ordinated, well planned, and avoids growth on the versatile land of the Heretaunga Plains as much as possible.
12. To help give effect to these principles and approaches, the Hastings District Council in 2017 also adopted a Comprehensive Medium Density Housing Strategy. This strategy promotes both greater uptake of more compact housing development as well as specific district plan provisions which encourage design-led comprehensive redevelopment.
13. In addition, the Hastings District Council has adopted District Plan changes to enable papakāinga development. The Council is also currently in the process of progressing further changes to improve housing affordability and availability in Hastings, specifically:
 - enabling upper floor living in the central business district
 - enabling employers of seasonal workers to build purpose-built accommodation on industrial/ sites and provide for a large number of Plains zoned sites.

Matariki Regional Economic Development Strategy

14. The Matariki Regional Economic Development Strategy has as its vision that every household and every whānau is actively engaged in, contributing to and benefiting from, a thriving Hawke's Bay economy. This is to be achieved by making Hawke's Bay New Zealand's most innovative region, the leading exporter of premium primary produce, and a hub for business growth.
15. This will be built around the following strategic directions:
 - Improve pathways to and through employment
 - Identify and support existing businesses wanting to grow
 - Promote greater innovation, productivity and agility
 - Become a beacon for investment, new business, and skilled migrants
 - Lead in the provision of resilient physical, community, and business infrastructure
 - Enhance visitor satisfaction and increase spend.
16. In addition to prosperity and employment growth, Matariki impacts on housing through the following key projects:
 - Project 1000 which links local people on benefits to 1000 new jobs
 - A coordinated approach to major infrastructure development projects
 - Timely implementation of the key strategic land transport initiatives
 - Regional and district plans that adopt coherent and consistent regulations.
17. Currently work is underway to plan and prepare a workforce to meet the industry growth needs of Hawke's Bay through realising the potential of local people and tangata whenua. The first focus area where workforce needs are to be assessed is in the infrastructure and construction sector, initially targeting upcoming major projects of Territorial and Local Authorities and the District Health Board.

B. Assessment of key housing issues in Hastings District

18. The diagram below shows the housing continuum, which is often used as a way of showing the range of different housing situations present in communities. Appendix 1 provides more detailed information about the number and nature of households in each part of the continuum in Hastings. Seasonal workers and tourists sit outside the continuum but are an important part of the story.
19. The continuum is useful as a framework for understanding the range of experiences within a community, and the interdependencies – pressure at one point on the continuum from one or more external factors typically flows over into other points. The continuum also illustrates the different points where local and central government, iwi and other providers of housing and social services can support whānau to maintain or improve their housing situation.



20. A range of complex and inter-related housing issues in Hastings District are putting pressure on whānau and communities. This has long-lasting negative social and economic consequences, particularly for tamariki. Māori and Pacific peoples are disproportionately affected, and Hastings now has some of the lowest homeownership rates for Māori and Pacific peoples in New Zealand.

21. Key issues in Hastings are:

- **The local economy is experiencing strong growth**, which is reflected in declining unemployment and growth in median household incomes. Climate and relatively lower costs mean Hawke's Bay is increasingly attractive for firms and households relocating from other parts of New Zealand, and **population growth has significantly exceeded optimistic projections**. This has contributed to increasing competition for housing, leading to increasing prices and rents.
- In particular, the horticulture industry is expanding significantly (and projected to continue doing so). There is **high reliance on seasonal workers**, including through the Recognised Seasonal Employer scheme, which is placing pressure on housing.
- **Construction of new housing has been focused on larger homes at the top end of the market**, reflecting increasing land and construction costs. This is consistent with a national trend over the past two decades. Hastings District Council and HUD estimate that to meet current housing need, there is a shortage of around 300 to 500 affordable houses (with a high proportion of those needing to be 1-2 bedroom). This does not take into account projected continuing population growth.
- There appears to be a shift towards **alternative uses of private rental housing** (including AirBnB and as accommodation for seasonal workers), reducing availability for long-term rental.
- Increasing competition for housing has led to **poor housing affordability and availability for households on lower incomes**. This is reflected in high demand for emergency, transitional and public housing, and also in high rates of overcrowding. In some cases, these households also have other characteristics which mean they are less attractive to private landlords (for example gang membership, poor credit history or not being in employment). Where households wish to live together across multiple generations, affordability and availability of larger housing is also a challenge.
- **The current situation has developed over a relatively short time period since around 2016** when a number of trends appear to have started converging. Due to

consistently low demand prior to this, Housing New Zealand disposed of around 200 public housing properties in Hastings between 2009 and 2015, significantly through sales to tenants and other buyers.

- There is **limited Community Housing Provider capacity** in Hastings (and Hawke's Bay more broadly), with CHPs currently providing fewer than 2 per cent of public housing tenancies and Housing New Zealand providing over 98 per cent. Expanding local CHP provision will require capacity building to ensure organisations are well prepared for the financial and social responsibilities associated with tenancy management and asset ownership.
- There are **high concentrations of social and economic deprivation and housing-related illness** in parts of Hastings, which are exacerbated by poor housing quality and lack of amenities. This is in part a result of decisions made several decades ago on the location of state housing and on urban design (for example the creation of Flaxmere as a geographically separated subdivision with limited community facilities and amenities). 'One stop shop' social services provision by local providers such as Te Tai Whenua O Heretaunga and others actively operate to reduce deprivation, but can only partly mitigate the impacts.
- There are a number of semi-rural Māori communities surrounding Hastings city with **large areas of unused whenua Māori under multiple ownership**. Many whānau that whakapapa to these communities moved to the high Māori population suburbs of Flaxmere and Camberley to take up employment in manufacturing with employers who have since downsized or closed - with intergenerational consequences for those whānau. Many of the historic barriers that prevented housing development in these hāpori (including Council zoning, district plan restrictions, lack of infrastructure, and finance) have now been removed, so there is an opportunity to proactively work with these communities to improve housing outcomes for Māori.
- **An ageing population and decreasing household size** – the proportion of the Hastings population aged over 65 is high relative to other parts of New Zealand, and is projected to continue increasing from 17 per cent in 2018 to over 25 per cent in 2033. An ageing population is one factor which has led to fewer households moving on from public housing to other housing, contributing to longer wait times for households on the Public Housing Register. This is a nationwide issue.

22. The sections below provide more detail on each issue.

Strong economic growth is positive, but has flow on impacts for housing

23. Hastings and parts of the wider Hawke's Bay continue to enjoy a strong economic performance. This is evidenced by Hawke's Bay being in top position in the ASB Bank Regional Economic Scoreboard for the last two quarters to March 2019. The region also leads the rest of New Zealand in growth in guest nights.
24. This economic prosperity has flow on effects for housing, particularly with high levels of inwards migration. Indications of the population influences from economic growth and downstream pressure on housing are highlighted in the table below.

Table 1: Impacts of economic growth in Hastings

| Hastings | Filled Jobs | % Increase | GDP per Capita | per cent Increase | Business Units Net Increase | New Business Unit Net Employees |
|----------|-------------|------------|----------------|-------------------|-----------------------------|---------------------------------|
| 2016 | 41,352 | 2.6% | \$54,145 | 4.4% | 114 | 60 |
| 2017 | 43,110 | 4.3% | \$56,292 | 7.1% | 222 | 380 |
| 2018 | 44,558 | 3.4% | \$58,271 | 6.5% | (24) | 360 |

Sources Infometrics, Ministry of Business innovation and Employment, Statistics New Zealand

25. There has been a steady increase each year in the number of filled jobs. Likewise there is a steady increase in Gross Domestic Product per Capita which is a useful measure of the standard of living and capacity to make purchases. There has been a net increase (business closures – business openings) of 312 new businesses over the last three years employing 800 people.

26. Migration and a buoyant local economy have seen estimates of population increase, rising sharply from 2015 and outstripping projections. A significant increase in 2017 added an extra 300 households over the 2000-2014 average, although in 2018 this fell back somewhat.

27. Associated with this was a greater proportion of home buyers originating from the Auckland region. From around 2015, Auckland buyers increased from 6 per cent to around 12 per cent of settled sales, which is broadly consistent with anecdotal information from property industry sources. This represents around an extra 120-130 buyers per year over pre-2014 levels. Buyers from Wellington and the rest of the North Island have remained stable at around 20 per cent by comparison.

Reliance on seasonal workers is high and projected to continue increasing, placing pressure on housing

28. Data provided by Immigration New Zealand for this report confirms local commentary that Recognised Seasonal Employer (RSE²) accommodation demand in Hawke’s Bay is having a significant impact on the local housing market (including private dwellings, hotels, motels, back packers, hostels and rural cottages). Across Hawke’s Bay the total approved bed numbers for RSE employees in 2018/19 is 4456 (source: Labour Inspectorate). Of these, 3,466 are located within the Hastings District, where the majority of the orchards are located.

29. Between March 2018 and 2019, RSE peak arrivals increased by 15 per cent and the projection is a further 22 per cent increase for the 2019/20 year, when it is anticipated that the demand for RSE employee beds in Hawke’s Bay will be 5385. Numbers required in the next decade are uncertain, but the demand for both permanent and seasonal workforces is likely to grow, and the ‘season’ is extending from harvest to include pruning, thinning and orchard maintenance. This results in growing pressure on the local housing market for both the total number of beds and therefore dwellings (either owned or rented), and for the number of months in each year that these beds/dwellings become unavailable for any other occupation.

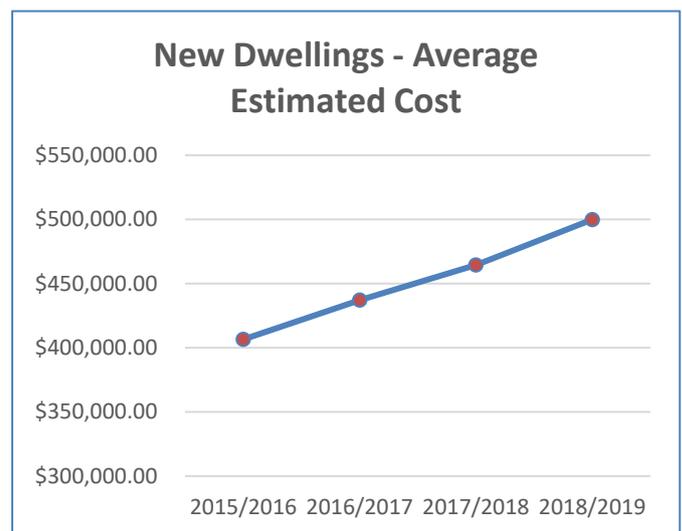
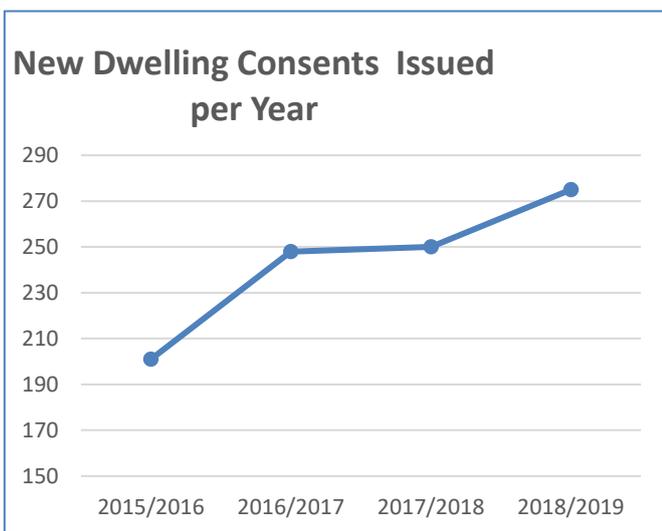
² The Recognised Seasonal Employer (RSE) scheme came into effect in April 2007. The policy allows the horticulture and viticulture industries to recruit workers from overseas for seasonal work when there are not enough New Zealand workers. <https://www.immigration.govt.nz/about-us/research-and-statistics/research-reports/recognised-seasonal-employer-rse-scheme>

- 30. Industry sources indicate that while orchards will eventually move to automation, for most orchards this is at least a decade away, and will require replanting of trees.
- 31. Further detailed work is needed on this issue. RSE employers are providing 3,123 beds in the 2018/19 year which indicates a significant commitment by the industry. However, most of these involve taking existing houses, motels, hotels, back packers, hostels and rural cottages from the existing ownership/rented market. The number of new purpose-built accommodation units for RSE employees is increasing this year, supported by local plan change initiatives approved by Hastings District Council. However, there is a remaining net deficit impact that will place further demand on the existing market.
- 32. There is an opportunity for RSE employers either directly or with partners to increase the number of purpose-built accommodation units, which tend to provide a more socially inclusive option with wider 'wraparound' services including transportation, recreation and some communal space. Hastings District Council considers that if more certainty can be provided for the next 5-10 years, employers are more likely to invest in purpose-built accommodation that adds to existing stock, and to support greater regulation (such as requiring employers to provide purpose-built accommodation).

Construction sector capacity is fully utilised in the short term... but residential building is concentrated at the high value end

- 33. The local Hastings building industry capacity to build new dwellings is constrained in the shorter term. An informal survey of businesses following a recent industry information/social evening at Hastings District Council clearly indicates that 'work books' are full for the next 6-12 months, but capacity grows when looking out 12 months to 24 months. This situation is supported by anecdotal comments from the industry and also the Council register of new dwelling consents issued, which is shown in the following graphs and table.

Figure 2: new dwelling consents issued per year
Figure 3: new dwellings – average estimated cost



Housing affordability and availability are poor for households on lower incomes, and homeownership rates for Māori and Pacific peoples have significantly decreased

34. Hastings has lower average incomes and higher rates of benefit receipt than New Zealand as a whole. This affects housing affordability.
35. For Hastings District the share of renter households with below average incomes after rent has decreased from 78.7 per cent in March 2012 to 70.4 per cent in March 2018. However, this is still significantly higher (ie worse) than the national figure of 59.0 per cent. Source: Housing Affordability Measure, Ministry of Business, Innovation and Employment).
36. For Hastings District the share of renters who would have below average incomes if they bought a lower quartile house after paying their mortgage, rates and insurance (HAM Buy) was decreasing from March 2010 through to March 2016, where it was 81.7 per cent. It then began tracking upwards again, reaching 85.0 per cent in March 2018. The Hastings overall trend is similar to the national trend, but higher, with the national figure for March 2018 sitting at 80.0 per cent.
37. Between the 1986 and 2013 censuses, homeownership rates in Hastings declined across all ethnic groups, but much more significantly for those identifying as Māori and Pacific peoples, as shown in the table below. The 2013 homeownership rates for Māori and Pacific peoples are among the lowest in New Zealand.

Table 2: Change in homeownership rates 1986-2013, Hastings District

| | Homeownership rate 1986 census | Homeownership rate 2013 census |
|-----------------|---|---|
| Māori | 57.3per cent | 40.1per cent |
| Pacific peoples | 55.2per cent | 29.8per cent |
| European | 79.5per cent | 72.6per cent |

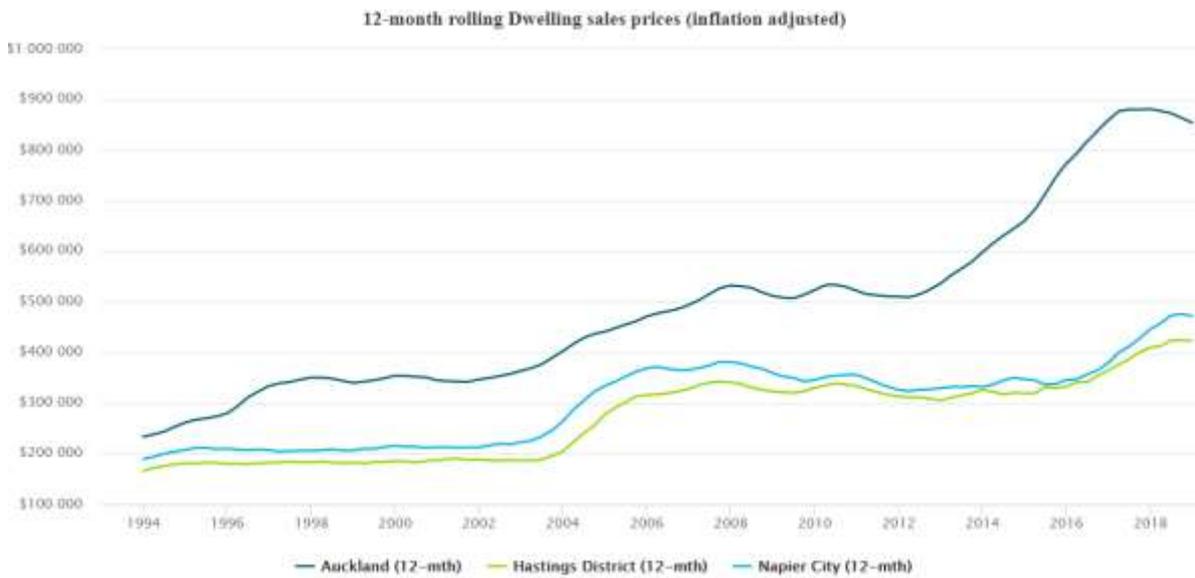
Source: Statistics New Zealand:

http://m.stats.govt.nz/browse_for_stats/people_and_communities/housing/changing-maori-pacific-housing-tenure.aspx

Although house prices have increased, first home buyers are still active in Hastings (but less so than investors)

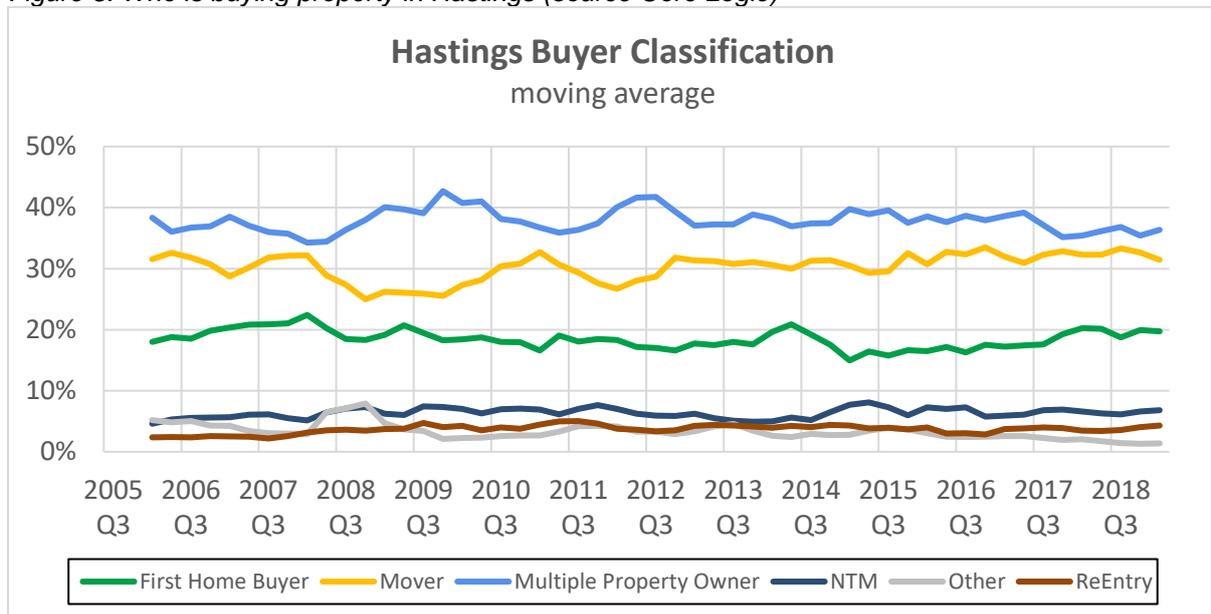
38. Between December 2013-December 2018, median inflation-adjusted house sales prices in Hastings increased by 30 per cent from \$326,000 to \$423,000. This compares to 43 per cent for Auckland. The increase in Napier (shown for comparison) has been similar to that in Hastings. (12 month rolling average. Source: Urban Development Capacity dashboard, Ministry of Business, Innovation and Employment).

Figure 4: 12 month rolling dwelling sales prices (inflation-adjusted)



39. As shown in the graph below, multiple property owners (a proxy for investors) and movers (people selling one house and buying another) make up the largest proportion of those buying property in Hastings (source: Core Logic data provided to the Ministry of Housing and Urban Development).

Figure 5: Who is buying property in Hastings (source Core Logic)



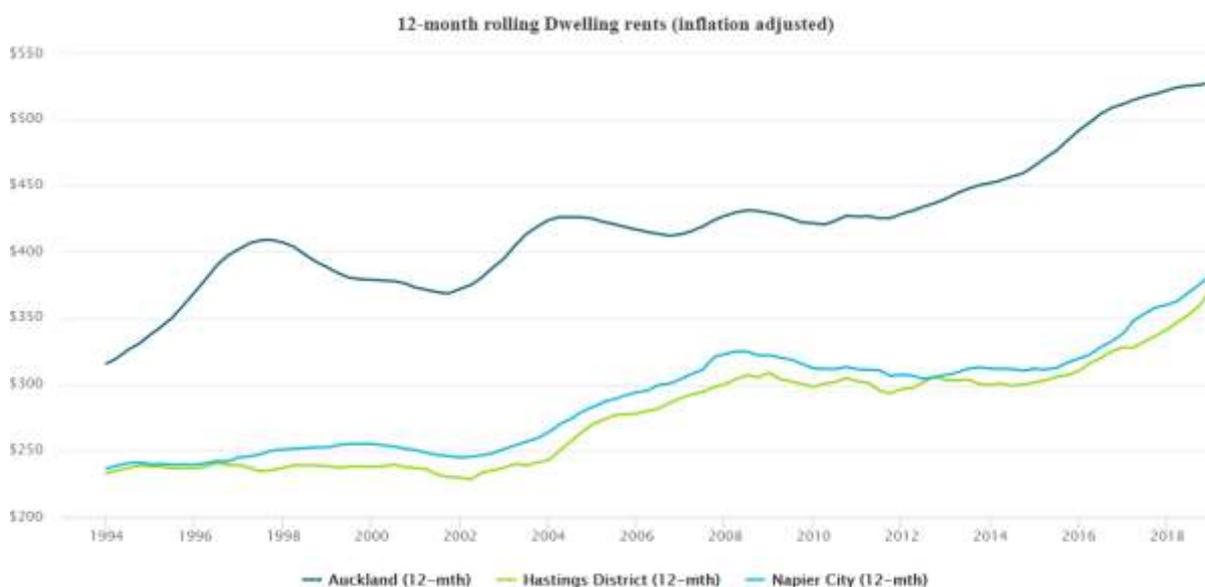
NTM = new to market, but not first home buyer

40. The number of people purchasing their first home in Hastings (and the proportion of all purchasers who are first home buyers) has remained quite constant over the last few years despite rising house prices. However, the median price paid by a first home buyer in 2018 (\$407,000) was 50 per cent higher than in 2014 (\$250,000).

Inflation-adjusted average rents have increased sharply since 2016 and rental supply has decreased relative to population

41. Between December 2013-December 2018, average inflation-adjusted weekly rents in Hastings increased by 24 per cent, from \$300 to \$372, compared to a 17per cent increase in Auckland. Napier is also shown for comparison. (Geometric mean, 12 month rolling average. Source: Urban Development Capacity dashboard, Ministry of Business, Innovation and Employment). The increase is sharpest since 2016 – prior to this, rents had been relatively static since 2008.

Figure 6: 12 month rolling dwelling sales rents (inflation-adjusted)



42. Around 6,100 households in Hastings receive Accommodation Supplement (primarily for private rental rather than as owner occupiers).
43. The term 'intermediate housing market' is used to describe households who are in the private rental market, with at least one member in paid employment, who cannot afford to buy a lower-quartile priced house under standard banking criteria. Absent any change in circumstances, these households are likely to be renting for life.
44. According to a BRANZ report, in Hastings, around 5,400 households were in this situation in 2018 (just under 50 per cent of all working private renters). This compares to 29 per cent in Gisborne, 73 per cent in Auckland and 62 per cent in the Bay of Plenty. The number of households in the intermediate housing market in Hastings decreased between 2006-2013, but has since risen again.³
45. The Ministry of Business, Innovation and Employment uses data on rental bonds as the best proxy data available for supply of rental properties. There are some limitations to this data. In Hastings over 2014 to 2016, the supply of private rental properties had been growing at around 5 per cent per year. However, since 2017, the supply of rentals appears to have plateaued and potentially declined slightly overall. This trend also occurred in Napier, in contrast to Auckland and to New Zealand as a whole.

³ BRANZ ER 37 (2019). What's happened in the intermediate housing market since 2015?
https://www.branz.co.nz/cms_show_download.php?id=68c6c0b5d04de76c36b71e36b86eb0926a2df53b

46. Data limitations make it difficult to accurately identify cause and effect, but reduced growth in the supply of rental properties appears to correlate with increased number of AirBnB listings in Hastings, and with increased demand for accommodation for seasonal workers.
47. An overview of Airbnb listings in Hastings showed a total of 718 active listings in 2019. Of these 536 were “entire place” (75 per cent), and 178 were private rooms (25 per cent) with a very small proportion of shared rooms (4). The “entire place” properties represent around 17 houses per 1000 dwellings. However, it is unclear what proportion of AirBnB listings were already used as holiday homes rather than previously available as long-term rentals (as there were around 2000 unoccupied homes at the time of the 2013 census).
48. Interest.co.nz tracks rental yields over time in suburbs with high proportions of private rental properties.⁴ According to this data, Flaxmere has consistently had one of the highest rental yields in the country (8.2 per cent in March 2019, down from a high of 9.9 per cent in September 2017). In contrast, Taradale (the only suburb listed in Napier City) has an estimated yield of 5 per cent, Waitara has an estimated yield of 7.6 per cent and much of Auckland has estimated yields under 4 per cent.
49. Anecdotally, a small number of landlords own a large number of private rental properties in Flaxmere.⁵ A tight rental market with a small number of providers can exacerbate tenants’ unwillingness to raise issues such as housing quality or tenancy agreement conditions with landlords or the Tenancy Tribunal, for fear of being ‘blacklisted’ by landlords or property management companies and being unable to find accommodation in future.

The Ready to Rent programme has been successful but further success is likely to be limited by supply

50. A limited supply of rental properties increases competition, meaning that households who are seen as less attractive or higher risk tenants are less likely to be able to find a rental property. These may be, for example, tenants who are young parents, in receipt of a main benefit, or have no credit or tenancy history.
51. Since 2017, Hawke’s Bay District Health Board has funded a programme called “Ready to Rent” which aims to reduce perceived risk to landlords of first-time tenants, by providing information about tenants’ and landlords’ rights and responsibilities. The programme, delivered by Budget First, consists of two-day courses run each month alternating between Napier and Hastings. Participants receive “Ready to Rent” certification, which they are able to provide to potential landlords in support of a tenancy application.
52. The programme is supported by the local Property Investors Association and has been successful in improving participants’ ability to access and sustain private market tenancies. 75 per cent of those completing the programme identify as Māori. A similar programme has now been launched in Auckland.
53. For this work, the group considered potentially extending Ready to Rent. The current provider advises that there would be demand for the programme to be extended by

⁴ <https://www.interest.co.nz/saving/rental-yield-indicator>

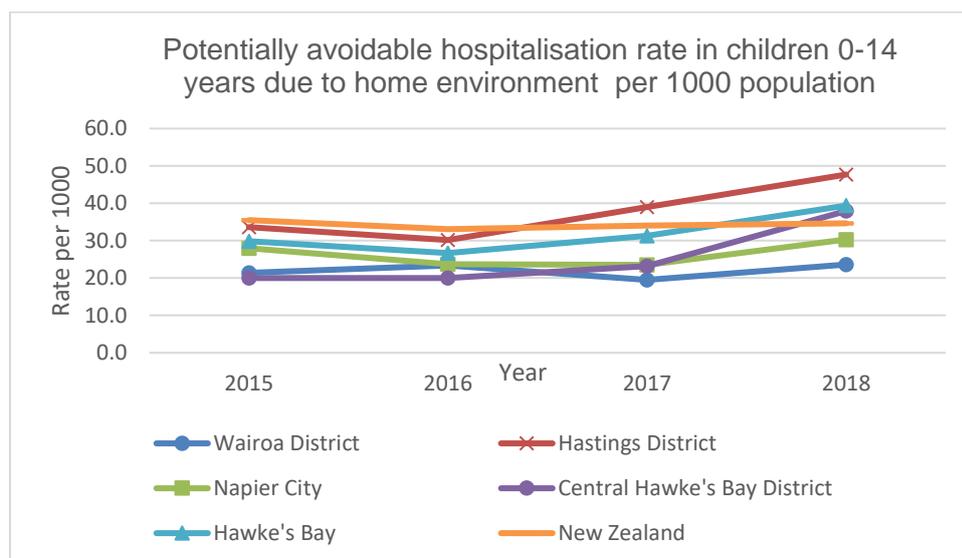
⁵ Currently tenancy bond data does not enable this to be verified.

providing monthly courses in each centre. However, due to an ongoing lack of rental properties, there is a risk that more training in the short term would simply increase the number of trained people who remain unable to find a rental property. Expansion of the programme is therefore not proposed at this stage.

Parts of Hastings experience high levels of deprivation and worsening rates of housing-related illness in children

54. 29 per cent of people in Hastings District are living in areas with the highest levels of deprivation. (Source: New Zealand Index of Multiple Deprivation). In Hastings District, 11.4 per cent of the population was living in crowded households in 2013 (census). Crowded housing is experienced more by Māori, Pacific and Asian households.
55. 25 per cent of Hawke's Bay 0-4 year olds (and 40 per cent of tamariki Māori aged 0-4) live in a household receiving a main benefit compared with 18 per cent nationally. Māori and Pacific infants continue to have significantly higher rates of housing-related illness than European infants. (Source: Hawke's Bay DHB 2018 Health Equity Report).
56. A method for measuring the impact of the home environment and crowding on children's health in terms of hospitalizations has been proposed by researchers at the Otago School of Medicine⁶. By combining hospital stays due to causes that are linked to crowding as well as potentially avoidable hospitalisations partially attributable to the home environment (PAHHE), a total measure of housing-related illness in children under 15 years can be determined. In Hastings District the number of children under 15 who have been hospitalized with these conditions has gone from 653 in 2016 to 994 in 2018.
57. When adjusted for population, it is evident that the rate of these hospitalizations in Hastings is now well above the rate for New Zealand. In Hastings prior to 2016, the rate had been decreasing and was 38.8 per thousand, slightly below the New Zealand average. However, since 2016 the rate has increased significantly to 55.8 per thousand.

Figure 7: Potentially Avoidable Hospitalisation rate in children 0 to 14 years due to home environment



⁶ Oliver J, Foster T, Kvalsvig A, et al. Arch Dis Child. 2018;103:327–334.

Flaxmere illustrates how urban design decisions have long lasting consequences for communities

58. The Flaxmere subdivision was originally intended as a middle-class suburb, and the eastern end of the suburb (built first) still reflects this today. The area was selected mainly because it was the only significant tract of poorer quality land close to Hastings and the developing Omaha Road employment area. The construction of the first homes commenced in 1967.
59. However, by the mid-seventies, Flaxmere was starting to become less desirable for the middle market, with significant state housing investments occurring and private buyers preferring the Havelock North lower slopes and Napier (Taradale and Greenmeadows).
60. By the mid-eighties Flaxmere's growth (in the western end) was dominated by cross-lease sections, with many purchases funded through capitalised Family Benefits to build smaller new homes. A shortage of alternative land options in the rest of Hastings led to infill housing on cross-lease sections and medium density redevelopment of two-three sections, or larger sites where these existed. Many of these homes are now in relatively poor condition, and households in this area experience some of the highest levels of deprivation in New Zealand.
61. Waingakau is a project in Flaxmere by Te Taiwhenua o Heretaunga (TToH). TToH is a non-profit iwi mandated health and wellbeing organisation. They have set up a development entity to deliver 124 affordable homes to whanau. Overlaying the 124 homes will be multiple pathways to home ownership including supported rent, market rent, rent to buy, supported ownership and full ownership. 10 per cent of the homes will be blind tenure social homes. This provides opportunities for whanau in all parts of the housing continuum.
62. Alongside multiple pathways to ownership financial capability training and wrap around support services will be provided by TToH. The emphasis of the project is to create a community using placemaking as a guiding principle, this is not just about building homes. Stage 1A build is underway and all 6 homes have been pre-sold. Homes will be released in stages of 6 to ensure that the market will not be flooded. There is a waiting list for the next stages.
63. 51 of the homes will be stand-alone 3 and 4 bedroom homes. The remaining 73 homes are split across 4 co-housing villages, each with a common house and shared community land. A body corporate structure and unit title will sit over the top. The homes in these co-housing villages are 1 to 3.5 bedrooms in size ensuring the opportunities for a mixture of young to old, single people to families.
64. The community will also include other placemaking features such as a food forest, community gardens, bbq areas, sports court, playgrounds, and community hub.

Tenant reluctance to raise housing quality issues limits government's ability to act

65. Hawke's Bay District Health Board operates a Child Healthy Housing Programme (Healthy Homes Initiative - HHI) which has helped over 1400 families to improve their health and the health of their homes (rental or owned).
66. The programme accepts referrals for families with children meeting Ministry of Health HHI criteria. Families are assessed for housing need and a housing plan is completed. A range of interventions may be identified including education, assistance with heating and insulation, provision of beds and curtains and advocacy on behalf of tenants with landlords. The Ministry of Health does not fund interventions, with the programme premised on these being delivered by other agencies and through philanthropic donations.
67. With increased demand for assistance, changes to the EECA insulation programme and increasing waiting lists for public housing, the gap between housing intervention requirements and available solutions is widening. The establishment of a housing sustainability trust based on a social enterprise model as has occurred in other regions could help to close that gap.
68. The DHB continues to invest in targeted funding assistance for insulation although this is under review. The DHB is also currently funding Habitat for Humanity to undertake housing condition assessments and to provide minor repairs. Habitat for Humanity provides an option for more major repairs to be funded through low interest loans.
69. While tenants are generally happy to receive assistance with minor repairs there has been reluctance on the part of tenants for assessment results to be passed on to the landlord, or for a request for repairs to be made. This is because in a tight rental market, some tenants fear having their tenancy terminated, or having the rent increased if they raise issues about property condition. This is a significant barrier to improving poor quality rental properties.
70. The Ministry of Business, Innovation and Employment is able to take up serious property condition issues directly with landlords, but only with tenant consent, or - if the tenant does not consent - in a way that does not identify the tenant. The HHI programme has developed a pathway for identifying landlords with multiple poor-quality homes to the MBIE compliance team.

The public housing register in Hastings was relatively low and stable prior to late 2016, but has since more than doubled

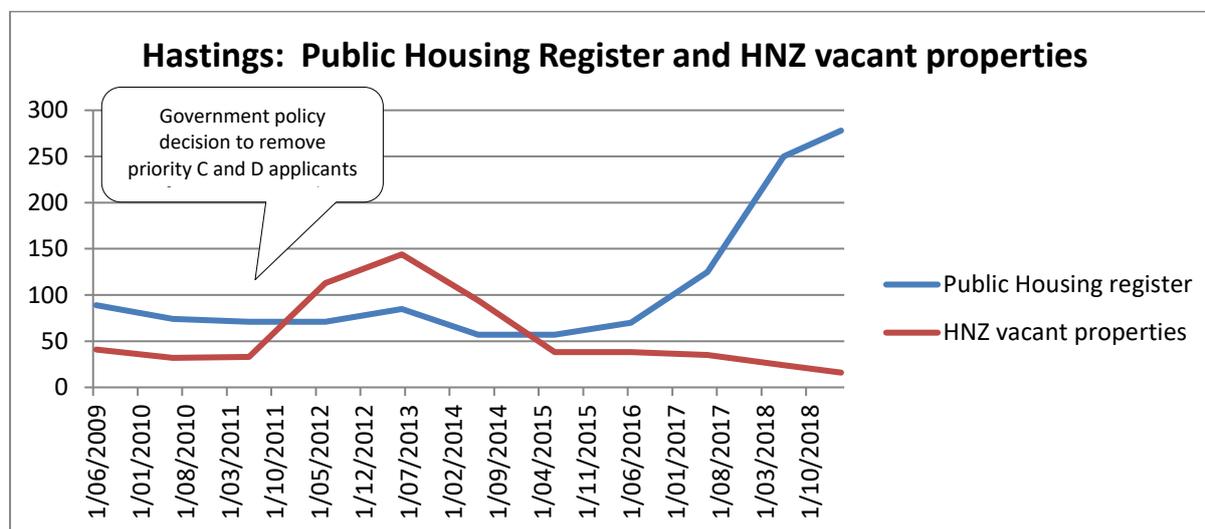
71. Public housing is provided by Housing New Zealand (now Kāinga Ora - Homes and Communities) and a range of Community Housing Providers. Tenants pay an income-related rent (typically 25 per cent of household income) with the remainder of rent paid by government through the Income Related Rent Subsidy. The Ministry of Social Development assesses eligibility and priority for public housing and administers the Public Housing Register.
72. Local authorities including the Hastings District Council also provide some rental housing targeted to people aged over 60 on lower incomes. This is distinct from public housing funded by central government, as the councils are not funded through Income Related Rent Subsidy. (See paragraphs 88-90).
73. The Public Housing Register is made up of two components:

- the Transfer Register, for households who are already in public housing, but have an approved reason for needing to move to a different property. In Hastings, around 30 households are on the Transfer Register.
- the Housing Register, for households on the 'waitlist' for public housing.

74. 278 households were on the Housing Register in Hastings District as at 31 March 2019, up from 228 in March 2018 and 104 in March 2017. As shown in the graph below, prior to late 2016 the register was fairly stable at around 50-80 households. Over two-thirds of households on the register have a main applicant who identifies as Māori.

75. 86 per cent of households on the register are assessed as 'priority A' (as at 31 March 2019). Priority A are households with a severe and persistent housing need that needs to be addressed immediately. This is similar to other regional centres. The proportion of households who are assessed as priority A has steadily increased over the last two years, as has the group with very high scores within priority A.

Figure 8: Public Housing Register and Housing New Zealand vacant properties



76. Approximately 35 per cent of households (around 100 households) on the register in Hastings District are single adults, similar to the national average. There is a fairly even split between males and females. Fewer than 10 single adult households are aged under 24 or over 65, with the remainder split relatively evenly across the 25 to 64 age groups.

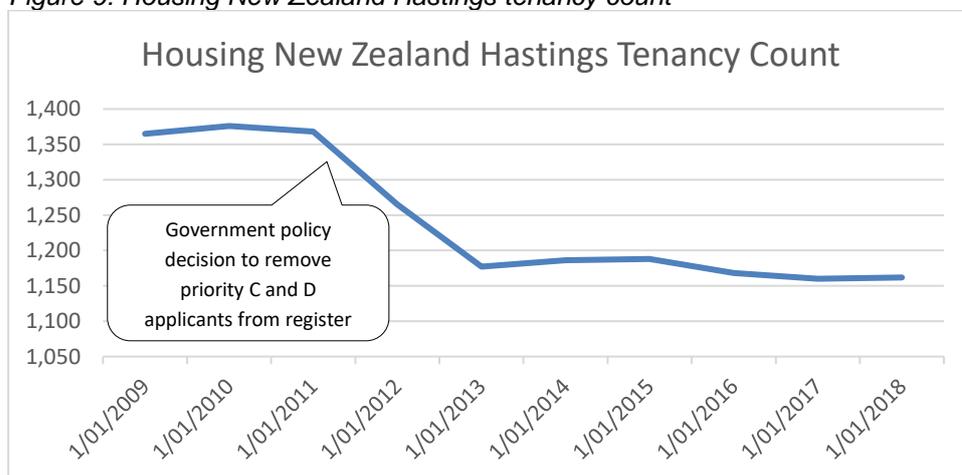
77. At the time they were placed on the register, the largest group of single adult households were living in private rental, followed by boarding, temporarily sharing with friends or family, or in emergency housing. A small proportion of single adult households require a property with more than one bedroom, due to needing space for a caregiver or medical equipment, or having children living at the property part of the time.

78. A further 40 per cent of households on the register (around 130 households) are single adults (primarily female) with children. This is also similar to the national average. Around two thirds require a two-bedroom property, and a further 27 per cent require a three-bedroom property, with a small proportion of households needing four or more bedrooms. The current living conditions for single adult households with children are broadly similar to single adult households, with more boarding and fewer in private rental.

Public housing tenancies have declined over the past decade, reflecting low need prior to late 2016/early 2017 and changes in government policy

79. As at 31 March 2019, there were 1,182 public housing tenancies in Hastings, almost all with Housing New Zealand. A tenancy represents a household. This is a decrease of around 200 tenancies over the past decade as shown in the graph below. (Note that the graph does not include a small number of CHP tenancies in Hastings since 2015 i.e. the total number of public housing tenancies has stayed relatively stable since 2013 at around 1180).⁷
80. The decrease reflects consistently low demand for public housing prior to 2017, which led Housing New Zealand to dispose of around 200 empty properties between 2009-2015, through sales to HNZ tenants or other buyers. A government policy decision in 2011 to remove priority C and D clients from the Public Housing Register is likely to have contributed to the low demand.

Figure 9: Housing New Zealand Hastings tenancy count



81. As at March 2019, there were 16 vacant Housing New Zealand properties in Hastings, of which seven were under repair, and a further six were to be demolished.⁸ Housing New Zealand has a portfolio service performance measure of having 98 per cent of homes occupied at any point in time (which is currently exceeded in Hastings). A small number of houses will always be vacant at any point for short periods due to maintenance, refurbishment or time between a tenancy ending and a new tenant moving in.
82. The Ministry of Housing and Urban Development's Public Housing Plan published in August 2018⁹ sets out plans to increase the supply of public housing across New Zealand. This includes a focus on regional New Zealand, in contrast to previous additional supply being primarily concentrated in Auckland, where need was highest.

⁷ There are 76 CHP tenancies across the whole East Coast region as at 31 March 2019 (including Gisborne).

⁸ <https://www.hnzc.co.nz/assets/Publications/Research/Housing-Statistics-Vacant-Properties/March-2019/Vacant-Stock-TLA-March-2019.pdf> Of the seven properties which were under repair in March, six are now tenanted and one is now classed as a long-term vacancy due to methamphetamine contamination.

⁹ <https://www.hud.govt.nz/assets/Community-and-Public-Housing/Increasing-Public-Housing/Public-Housing-Plan/dd7ef6758d/Public-Housing-Plan-2018-2022.pdf> p43

83. Under the plan, 120 additional public houses are planned in Hastings by 2022, primarily one and two bedroom properties. Of these, as at June 2019, Housing New Zealand had confirmed a net 76 new homes to be built.¹⁰

The public housing population is ageing and increasingly unlikely to move out of public housing

84. The age make-up of public housing tenants is generally older than households on the register, with 20 per cent of primary tenants aged over 65 and a further 20 per cent aged 55-64. Compared to households on the register, there are fewer children in public housing tenancies. Two thirds of primary tenants identify as Māori.
85. Tenants aged over 65 have an average length of tenancy of close to 20 years, and tenants aged 55-64 have an average tenancy length of around 12 years. The circumstances and income of these tenants are unlikely to change, meaning that their likelihood of moving from public housing is low. This is consistent with a national trend of ageing of public housing tenants. Combined with decreasing housing affordability, this has led to decreasing numbers of tenants moving from public housing (and consequently to longer wait times for households on the register).

The waitlist for Hastings District Council pensioner housing has also increased significantly

86. Hastings District Council owns 220 Senior Housing Units spread across nine complexes. These are rental units aimed at tenants aged 55 plus who are on limited incomes (under \$29,500 for a single person, and under \$45,000 for a couple).
87. The units are currently running at 100 per cent occupancy, with a further 101 people on a waiting list. In the last 12 months only 26 of the 220 units have had a change in tenants, which means those on the waiting list will have approximately a four year wait. The demand for these units has increased in recent years due in part to New Zealand's aging population, and in part to the decline in housing ownership.
88. Hastings District Council's Senior Housing stock is old, and is nearing its use-by date. The units are not built to modern standards. However, Council have been renewing/updating each unit as they become vacant, in line with Healthy Home Standards (including heating, decorating, extractor fans and wet floors in bathrooms).

Emergency and transitional housing is a stopgap response for whānau on the register

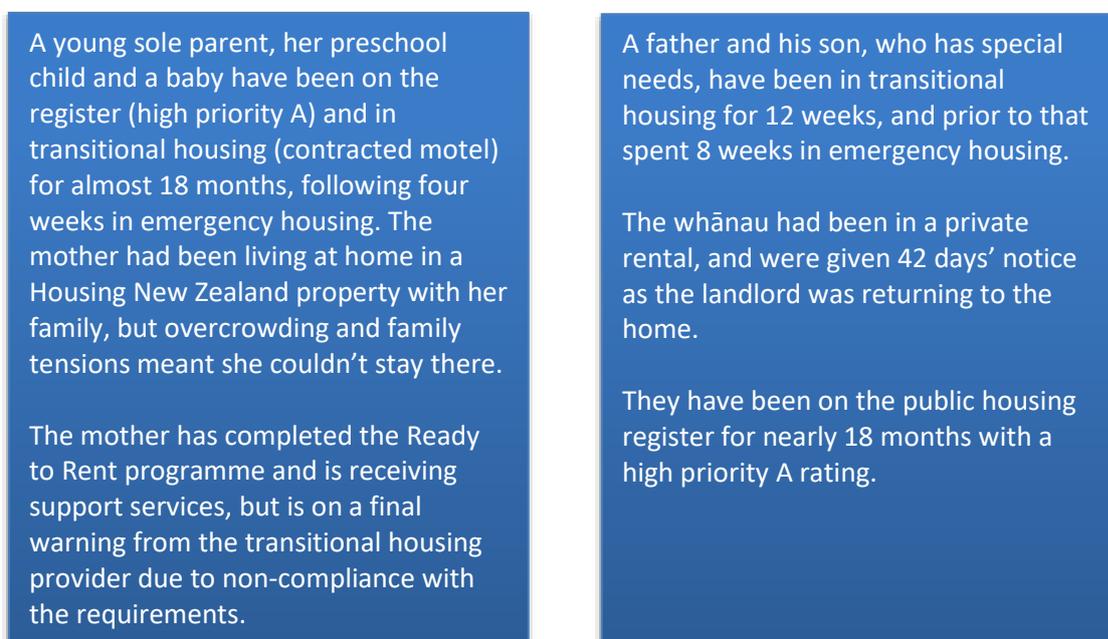
89. Since late 2016, the Ministry of Social Development has paid Emergency Housing Special Needs Grants to households who have a severe and immediate housing need, and no alternative options for accommodation. Grants are generally paid for accommodation in a motel for up to 7 days, and must then be reapplied for. Grants are usually paid on a non-recoverable basis (i.e. the household does not have to repay the cost), but can be made recoverable in some circumstances.
90. If a transitional housing place is available, MSD will place a household in transitional housing (where wraparound support services are provided) rather than a motel. There

¹⁰ <https://www.hnzc.co.nz/housing-developments-and-programmes/our-developments/housing-developments/> The net figure of 76 takes into account demolitions (with the gross figure of new properties being 113). These properties are at various stages between planning and construction as at 28 June 2019.

are 83 transitional housing places in Hastings, which are either contracted motels or standalone houses. Transitional housing is run by social service providers such as Emerge and Te Taiwhenua O Heretaunga and funded through MSD. Households pay up to 25 per cent of their income in rent (as for public housing), with the remainder paid to providers by government.

91. 1,265 Emergency Housing Special Needs Grants were paid to households in Hastings in the year ending March 2019, similar to the year ending March 2018. The number of households receiving grants is fewer than the total number of grants, as a high proportion of households continue to be unable to find alternative accommodation beyond the seven-day period. Consequently grants are often reapproved.
92. In the month of March 2019, 37 households received a total of 85 grants for emergency housing. 40 per cent were for 1 to 2 weeks duration, a further 34 per cent were for between 3-8 weeks, and 17 per cent were for 13 weeks or longer. Households who receive grants for an extended period typically have complex social or health needs or require a large property due to household size.
93. The total number of people (as distinct from households) accommodated in motels or transitional housing fluctuates. As at 12 June 2019, there were 61 adults and 81 children accommodated in motels in Hastings (Emergency Housing Special Needs Grants) and 160 adults and 206 children in transitional housing.
94. The two case studies below are representative of whānau in Hastings who are unable to find permanent accommodation.

Figure 10: Case studies of whānau who have spent long periods in temporary housing



Housing First as a response to chronic homelessness is under development in Napier/Hastings

95. Housing First is a proven, internationally recognised approach to house and support homeless people with multiple, high and complex needs. Housing First recognises it is much easier for people to address complex issues such as mental health problems and addiction once they are housed. The approach is to provide housing quickly, then offer tailored support for as long as it's needed to help people stay housed and address the issues that led to their homelessness.
96. Evidence shows that this model has been especially effective in helping homeless people with high and complex needs to stay housed and lead healthier, safer lives.
97. Additional government funding has been made available for an expansion of the Housing First programme into the Hawke's Bay and other areas with high rates of chronic homelessness. Following engagement in the Hawke's Bay, a draft proposal has been received from a collective of providers to provide Housing First services in Napier/Hastings and negotiations to progress delivery are underway.

Public housing funding settings are being reviewed to address constraints

98. There have been significant changes to policy settings for public housing over the last decade. The focus has been on increasing public housing supply of the right size and configuration and in the right location through a diversity of Community Housing Providers (CHPs) in addition to Housing New Zealand (HNZ). Recently policy has also focused on sustaining tenancies and ensuring tenants are able to stay in a public house for as long as they need it.
99. In Hastings, there are currently a very small number of public housing places provided by CHPs, who are typically capital-constrained. Some CHPs also offer other housing and/or social services, such as affordable rental (not government-subsidised).
100. Public housing is funded through the Income Related Rent Subsidy (paid to providers) and Income Related Rent paid by tenants (around 25 per cent of household income). Providers have been able to access an operating supplement subsidy in Auckland (paid as a percentage on top of market rent, reflecting that market rent is insufficient for the costs of new supply) since 2015. In 2018, availability of this subsidy was extended nationwide. Upfront funding has also been available for CHPs in some circumstances.
101. The Minister of Housing and Urban Development has commissioned a review of funding settings for public and transitional housing, with initial advice expected to be provided in late 2019.
102. Funding settings need to be reviewed as current settings (IRRS and the operating supplement) are not sufficient to bring on new supply of affordable, suitable housing. In the urban areas, this is in large part due to constraints in the urban development system in terms of constrained land and construction capacity. HNZ and CHPs face these same market constraints in providing public and affordable housing options.
103. In regional New Zealand, high development costs and low rental return makes it challenging to supply new housing while meeting HNZ's return on investment metric. This is primarily due to three factors:
 - Construction costs and whole of life capital and maintenance costs are largely the same throughout the country; however, market rental rates are much lower in the regions.

- It is substantially less economic (or not economic) to release surplus land to subsidise build cost in the regions due to low land values. Therefore, there is greater reliance on rents as the funding source to meet upfront costs and/or to service debt raised to finance new development.
- Intensifying existing HNZ land in the regions can be restricted by district plan provisions, such as minimum section size. Hastings does encourage intensification through its comprehensive residential development provisions, which require resource consent to ensure that good design outcomes are achieved. Examples of this type of development are underway for HNZ properties in Oliphant and Campbell Streets, and Council initiatives in Flaxmere. However in other regions it may be more cost effective to invest in new build opportunities rather than to demolish and rebuild for little intensification gain.
- In Hastings acquiring new land is costly as greenfield development is constrained by the need to avoid the versatile land that surrounds the City, and as a result the price point for this land is high.

Growth in retirement villages has the potential to release some existing housing

104. A specific report on the retirement sector was commissioned for the HPUDS Review which noted the growth potential for this sector.¹¹ In Hastings, retirement village operators have received consent in 2018-19 to build an additional 355 units/care beds. This will represent an increase of around 35 per cent on existing retirement village offerings. In Napier an additional 507 units/care beds have been consented (approximately a 100 per cent increase).

105. While providing the opportunity for the release of some existing housing stock, the growth in retirement villages is also likely to create additional pressure in terms of construction sector capacity. It is unclear what balance village operators anticipate between local Hawke's Bay residents moving into retirement villages (and selling existing homes) versus retirees moving in from other locations such as Auckland.

C: Plan to address housing issues in Hastings

We have identified aspirational housing outcomes for Hastings

106. Through taking a place-based approach to housing and urban development challenges in Hastings, we are aiming to achieve thriving whānau and communities where:

Everyone has access to a stable, healthy, affordable home, with access to education, employment, amenities and services that meet their needs.

Māori, whānau, hapū and iwi are empowered to realise their housing aspirations

The right incentives and settings are in place so that housing/ accommodation supply adjusts to meet changing demand over time.

This is important to ensure that solutions are sustainable.

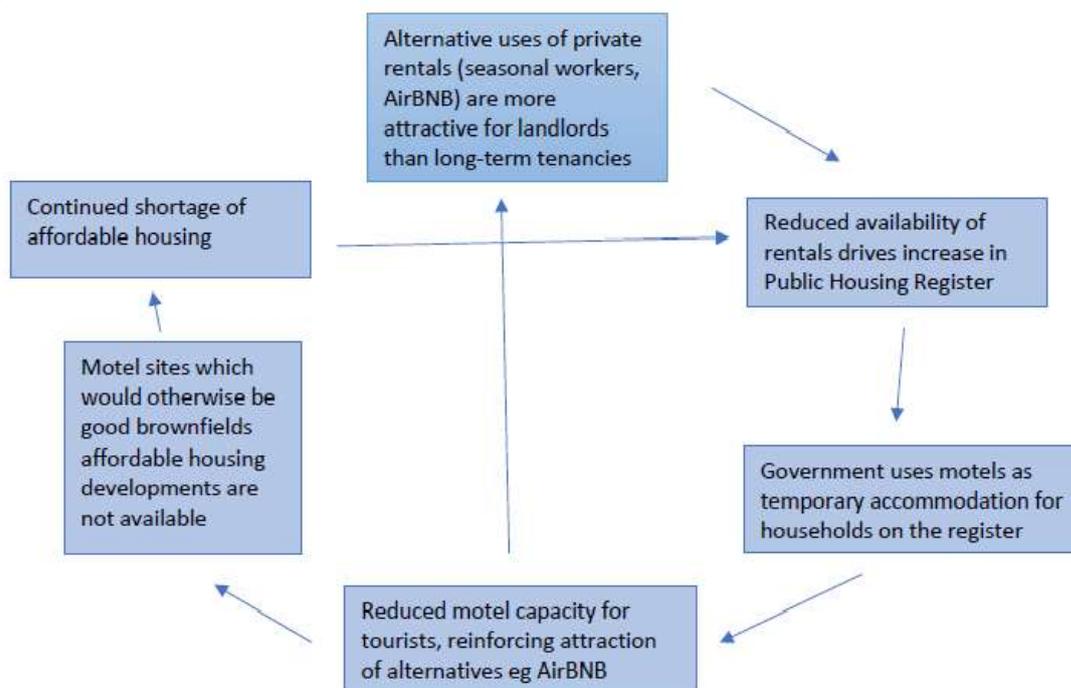
¹¹ <https://www.hpuds.co.nz/assets/Document-Library/Reports/Stage-2-Reports/HPUDS-2016-Review-Stage-2-Report-Retirement-sector-housing-demand-forecasts-By-EMS-Ltd.pdf>

To address the issues for low income households, we need to take a system-wide approach

107. The issues which affect lower income households are all interrelated. For example:
- landlords can receive a higher rental return from housing multiple seasonal workers and/or renting a property out for short-term tourist stays (for example through AirBNB), than from a long-term residential tenancy.
 - This reduces landlord incentives to provide private rentals, resulting in more households seeking public housing.
 - While waiting on the register, households are often temporarily accommodated in motels (either through a Emergency Housing Special Needs Grant or through motels which are wholly or partly contracted to MSD for transitional housing.)
 - Use of motels for emergency/transitional housing (and also for seasonal workers) reduces the capacity of motel accommodation available for tourists, reinforcing AirBNB as an alternative.
 - Older motel sites which would be prime locations for brownfields affordable housing development are not available for redevelopment because they are being used for emergency/transitional housing and seasonal workers.

108. The diagram below illustrates this.

Figure 11: Interrelated issues which affect lower income households



109. Because of the interconnections and flow-on impacts, it is important to tackle the issues which affect lower income households in a coherent, integrated way right across the system. The plan outlined in this section therefore focuses on intervening at different points across the system and taking into account flow-on impacts.

110. Housing cannot be considered in isolation. Transportation remains a barrier to employment and service access for many families in housing need. The Hawke's Bay District Health Board considers that transport service and cycling infrastructure

enhancement in high housing need areas could amplify the effectiveness of housing solutions.

To start addressing the issues in Hastings, we have identified six key strategies

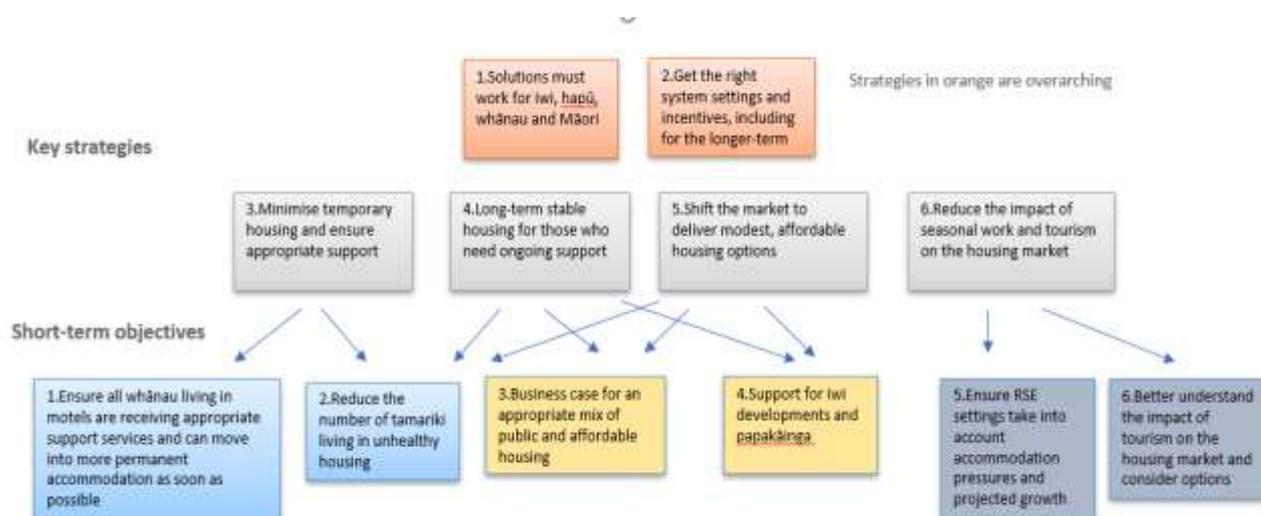
111. To start addressing the issues in Hastings, we have identified six key strategies, of which two are overarching:

- Recognise that solutions must work for iwi, hapū, whānau and Māori
- Across the system, ensure that local and central government policy and regulatory settings provide the right incentives for housing supply and demand to adjust over time, and are future-focused.

112. The other four strategies are more specific, and flow through to the short and medium-term objectives identified on the next page (shown in the diagram below).

- Minimise the use of temporary housing solutions such as motels¹² and ensure that those in temporary housing are receiving appropriate support services to address their needs.
- Deliver long-term stable housing for those who need ongoing support.
- Shift the market to deliver modest, affordable housing rental and ownership options with appropriate typologies for the demographics in Hastings
- Reduce the impact of seasonal work and tourism on the housing market.

Figure 12: Key strategies flow through into short-term objectives



113. Strong local leadership and a commitment to collaboration (locally and with central government) will also be critical.

114. These strategies lead to the specific short-term and medium-term objectives shown in the table below. Some actions can be progressed immediately, while others require further work and will have a lag time (for example building affordable housing). Because of the lag time, it is important that these actions also start now.

¹² Except for short-term workers and tourists

115. Long-term objectives (four years and beyond) are broadly similar to the medium-term objectives articulated below, with an additional focus on ensuring that settings are right, and future-focused.

Table 3: Hastings short-term and medium-term objectives

| Short-term objectives (next 12 months) | Medium-term objectives (next 1-3 years) |
|--|--|
| <p>1. Ensure that all whānau living in motels and other temporary accommodation are receiving appropriate support services and are supported to move into more permanent accommodation as soon as possible.</p> <p>Lead: Ministry of Housing and Urban Development (HUD) and Ministry of Social Development</p> | <p>Minimise the number of whānau (especially with tamariki) who are living in motels and other temporary accommodation, and the time they spend there.</p> |
| <p>2. Agree a plan to deliver an appropriate mix of public and affordable housing, taking into account opportunities for demonstration projects for medium-density. This could potentially include options for submarket rental and progressive homeownership.</p> <p>Lead: HUD, Housing New Zealand, Hastings District Council</p> | <p>There is a sustainable supply of public housing that is well matched to those who need it. Appropriate affordable housing developments are delivered, with good uptake.</p> |
| <p>3. Provide a clear pathway for support for iwi housing developments (such as Waingākau in Flaxmere) and papakāinga</p> <p>Lead: Te Puni Kōkiri (TPK) and HUD, with Te Taiwhenua o Heretaunga and Ngāti Kahungunu</p> | <p>Increase in the volume of iwi and papakāinga developments delivered and homeownership opportunities for whānau</p> |
| <p>4. Reduce the number of tamariki living in unhealthy housing</p> <p>Lead: Hawke's Bay District Health Board, with Housing New Zealand, TPK</p> | <p>Reduce the number of tamariki living in unhealthy housing, and support whānau to maintain housing to healthy standards</p> |
| <p>5. Ensure Recognised Seasonal Employer (RSE) scheme policy and operational settings take into account accommodation pressures and projected industry growth</p> <p>Lead: Hastings District Council, MBIE (Immigration), HUD</p> | <p>All RSE workers are accommodated in purpose-built accommodation</p> |
| <p>6. Better understand the impact of tourism on accommodation/housing need and consider options to address this</p> <p>Lead: Hastings District Council</p> | <p>Tourism contributes to a strong local economy, without placing significant pressure on housing.</p> |

116. There will be some trade-offs which will need to be considered as more detailed decisions are made (by Ministers, Housing New Zealand's Board, and Hastings District Council). For example, there are potentially trade-offs between speed of delivery of additional housing versus ideal location in terms of access to services and amenities, or managing concentration of deprivation in communities.

117. Construction sector capacity is a constraint which will need to be taken into account.

Next steps

118. There are four phases to this work:

- Phase 1: identification of issues, understanding system drivers and high-level response plan to Ministers: May/June 2019
- Phase 2: refining the short term response plan: July-October 2019
- Phase 3A: delivery of the short-term initiatives and monitoring progress: October 2019-mid 2020
- Phase 3B: development of a medium-term plan, linking with local government planning processes: from February 2020
- Phase 4: Implementing the medium-term plan; ongoing monitoring of progress

119. The Governance group will determine appropriate resourcing governance arrangements for the next phase of this work, from July 2019. The group will continue to meet regularly to monitor delivery against milestones indicated in the action plans, and will report regularly to Ministers and the Hastings District Council on progress.

Appendices

1. Living situations of Hastings households (June 2019)