

# SCOPE

*Contemporary Research Topics*

## Art & Design 27: Architecture

August 2024

Systems

<https://doi.org/10.34074/scop.1027021>

FUTURE EQUITY:  
DUNEDIN HOUSING

Campbell McNeill

Published by Otago Polytechnic Press.

CC-BY the authors;  
© illustrations: the artists or other copyright owners or as indicated.

## FUTURE EQUITY: DUNEDIN HOUSING

Campbell McNeill

Ōtepoti Dunedin, like many cities across the motu and overseas, has a housing issue. It is not a unique situation, but does take on local nuances which require local solutions. Te Kāhui Tika Tangata, the Human Rights Commission, has identified the inequities present in the Aotearoa New Zealand housing system and has aligned their inquiry, *Right to a Decent Home*, with the seven housing principles outlined by the United Nations.<sup>1</sup> This paper will review four of these principles – habitability, accessibility, security of tenure and affordability<sup>2</sup> – and discuss the role that Community Land Trusts (CLTs) might play as an alternative supply model aimed at addressing inequities within the housing system.

### THE PRINCIPLES

#### Habitability

To address habitability, we should expect that houses are warm, dry and healthy. However, prior to legislative change in 1978 which updated insulation standards, fewer than 20 percent of houses in Aotearoa New Zealand had ceiling and wall insulation. Considering that a significant portion of Ōtepoti Dunedin's existing housing stock was constructed prior to 1978, many households could be experiencing cold and damp living environments. Statistically, these conditions tend to affect Māori and Pacifica ethnicities disproportionately.<sup>3</sup>

#### Accessibility

Accessible housing meets all peoples' needs without discrimination. Although this principle includes affordability (see below), accessibility is commonly aligned with the principles of Universal Design, an element of inclusive design ideology that addresses issues of disability and 'ageing in place' strategies.<sup>4</sup> This is particularly relevant to Ōtepoti Dunedin as the over-65 population is the only group projected to significantly increase over the coming decades, with other age brackets either stabilised or gradually declining,<sup>5</sup> evidencing both an immediate and growing need for housing and cities which are accessible to all.

#### Security of tenure

This principle is defined by the ability of people to 'put down roots', integrating into communities and having the choice of whether to stay or move – whether owning or renting a house. Security of tenure enhances wellbeing, as well as removing barriers to accessing basic necessities such as work and education. In Aotearoa New Zealand, security of tenure is significantly worse for those unable to own their own house, with renters moving house an average of 5.9 times between 2013 and 2018, compared to house owners moving only 0.7 times in the same period.<sup>6</sup> Lack of security of tenure, coupled with declining rates of house ownership, contributes to the destabilisation of communities.

## Affordability

Affordability can be measured in several ways. The most common is through overburden rates, which measure gross household income against the cost of accessing a house – whether renting or by mortgage repayments. A widely accepted threshold for determining affordability is whether household costs are 30 percent or less of household income after tax. This measurement exposes the imbalance between wage inflation and housing cost inflation when tracking changes over time. In Ōtepoti Dunedin, mean household income inflation has seen a 38 percent increase over the decade from March 2013, whereas house value and rental price averages have increased by 117 percent and 68 percent respectively over the same period. This trend (which is not unique to Ōtepoti Dunedin) shows a widening gap between the cost of accessing housing and the ability to pay for it, locking in a grim financial future for many.

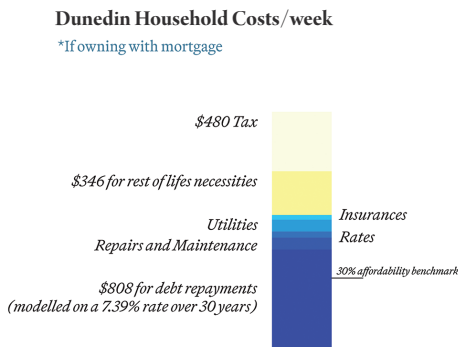


Figure 1. Diagram:  
Actual Household Costs /week in Dunedin  
based on average house prices if owning with mortgage.

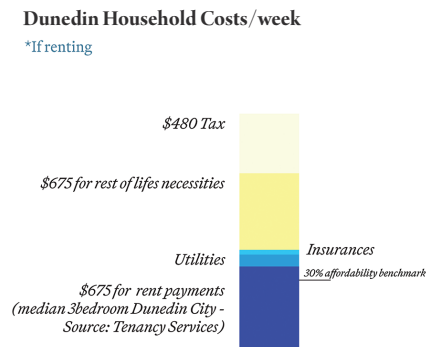


Figure 2. Diagram:  
Actual Household Costs /week in Dunedin  
based on average rental costs.

Reviewing the overburden rate in relation to the current mean household income in Ōtepoti Dunedin of \$101,010 per annum (gross), on a weekly basis a household would pay around \$480 in tax and \$577 in rents or debt repayments, in addition to repairs and maintenance, insurance, rates and utilities.<sup>7</sup> This leaves approximately \$865 for all of life's other necessities (food, education, travel, medical bills, etc.)

Based on statistical evidence as illustrated through the two graphs in Figures 1 and 2, it is clear that the average household in Ōtepoti Dunedin, and by extension Aotearoa New Zealand, is overburdened. Such low margins may drive households to turn off heating, tighten their grocery spend and avoid other necessary services. Although the evidence of household costs shows that the rental matrix has more marginal potential, this fails to consider security of tenure, where a household may find itself relocating more often, resulting in shifting economics around transit costs as well as inconsistency in access to utilities, education and work.

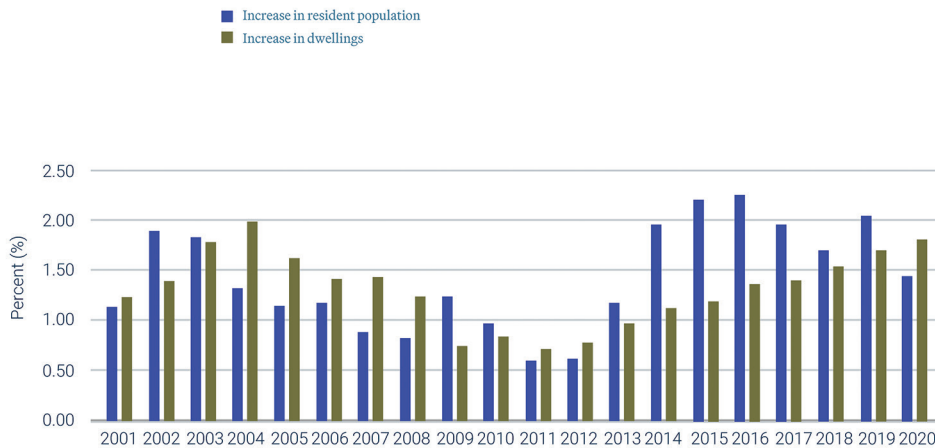
There are several historical and current factors impacting the affordability of housing in Aotearoa. In 2020, UN Special Rapporteur for housing, Leilani Farha, visited Aotearoa New Zealand to investigate what the UN described as the country's housing crisis. In Farha's view, a leading cause of this crisis was the shift of social housing into the private sector and a speculative housing market which seeks profits over an adequate and affordable housing supply.<sup>8</sup>

Looking beyond the effects of those who aggressively seek to turn a profit on the housing market, the system is inherently set up to treat housing as an asset class. When most people need to access a mortgage to purchase a house on a freehold title, it creates an uncomfortable relationship between debt liability and the desire for the housing market to keep on increasing in value to avoid a negative equity scenario – something to be avoided at all costs.

This mechanism is explained at a systemic level by Elham Bahmanteymouri, who refers to the “commodification of the problem,” whereby scarcity of affordable housing plays a role in inflating asset value. Bahmanteymouri describes this as a hegemonic condition,<sup>9</sup> suggesting that the market is inherently flawed in that no property investor or developer will ever supply enough housing to meet demand due to the destabilising effect this would have on asset value and its relationship with debt. Furthermore, it is not just the house which rises in value; the land it sits on also escalates, based on infrastructure and planning policy constraints. More broadly, as Figure 3 shows, supply and demand are out of balance when comparing the growth in population and new dwellings,<sup>10</sup> a situation which further inflates housing prices.<sup>11</sup>

## Annual Growth in Residents and Dwellings

2001 - 2020



Data: Stats NZ, Spotlight on Housing Te Tapeke, Royal Society Te Apārangi

Figure 3. Diagram: NZ Population Growth and Growth in Residential Dwellings.

## RESPONDING TO THE CHALLENGE

Various policies, subsidies and supply models have been developed in Aotearoa New Zealand in an attempt to respond to this dilemma. Models of supply are typically characterised as a binary between the private market (rental or ownership) and social or community housing. Looking more widely, there are a variety of existing development models which sit along a housing continuum, offering more equitable and sustainable outcomes through utilising alternative governance, ownership and management solutions.<sup>12</sup>

Alternative supply models are gaining traction in Aotearoa New Zealand, including cooperatives,<sup>13</sup> co-housing,<sup>14</sup> papakāinga<sup>15</sup> and Community Land Trusts (CLTs). CLTs are non-profit organisations that manage land on behalf of a community, allowing residents to purchase houses on the land in a leasehold arrangement. Importantly, the land is held in trust, ensuring that housing remains affordable over time because the cost of houses is not affected by rising land prices. It is important to note that CLTs, and other alternative supply models, are not intended to replace the traditional housing supply model whereby people build equity through acquiring housing assets. Rather, they sit in parallel, easing the pressures of the market by providing a diversity of options that are cost-controlled into the future, and building community resilience through the development of sustainable housing infrastructure.

Supply and maintenance of habitable standards for housing in a CLT's portfolio can occur in a variety of ways. In new developments, CLTs can ensure quality through the acquisition of land suitable for housing. Policy can be built into the organisational structure of a Trust to pursue best-practice building solutions, ensuring healthy, energy-efficient houses with minimum spatial requirements. When considering existing housing, CLTs can embark on renovation and upgrade programmes and require residents to participate in maintenance initiatives, thus building a strong educational component into a Trust's relationship with its community and encouraging self-management and custodianship.

Accessibility issues can be met through the utilisation of Universal Design standards (such as the Lifemark Design Standards), and achieving a fit-for-purpose outcome for residents can emerge from understanding the demands of a local area, as well as working in partnership with residents to establish a needs-based assessment on a project-by-project basis.

The remaining two principles – security of tenure and affordability – are where CLTs excel. By separating land ownership from housing, CLTs ensure that homeowners have a secure place to live, even if they face financial difficulties. The leasehold model removes the capital cost associated with land and establishes a very long-term leasehold arrangement. For example, the Kāinga Tuatahi Papakāinga model pioneered by Ngāti Whātua Ōrākei has a 150-year leasehold arrangement.<sup>16</sup> This approach encourages long-term community resilience and supports residents in building connections within their neighbourhoods.

The graph in Figure 4 presents a comparative analysis of the cost of delivering a three-bedroom house and land package<sup>17</sup> on the outskirts of Ōtepoti Dunedin in the traditional market against the CLT model.

Comparing the two models, in the first place the CLT house is cheaper due to the not-for-profit nature of the CLT entity. Instead of a typical developer's margin, a Trust only needs to retain a small percentage of capital to recycle into additional housing. In terms of marketing, housing delivery in the CLT model is based on a needs assessment and a waitlist, eliminating the need to promote the property (excluding the cost of a conveyancer to transfer the title). Construction costs can be broadly attributed to the quality of the house, the material and product selection, the simplicity of construction and the mode of delivery. With CLTs committed to exceeding New Zealand Building Code standards, the focus falls on the quantity, and size, of houses being provided. Sensible spatial planning and working with building partners to pursue simple, efficient and economical construction methodologies could bring costs down between 10 and 20 percent.

While regulatory costs are largely identical between the two approaches,<sup>18</sup> consultant costs can be reduced using standardised plans with a geographical focus, resulting in work only needing to be done to site the projects. As already mentioned, leasehold tenure results in a removal of the capital costs associated with the land. This model assumes that the land has been donated to the Trust, and a small margin is shown to represent the cost of leasing. Finally, finance for delivering housing through CLTs can be sourced from Impact Investment Funds<sup>19</sup> (instead of through bank debt), with the benefits of below-market interest rates.

The above comparison demonstrates a nearly 50 percent reduction in cost between the two supply models. While at current market interest rates the CLT model house still fails to meet the 30 percent overburden test, which would require the price to sit at around \$335,000, it is accessible to a larger portion of society than the traditional market model house we started with at \$980,000 (see figure 4, above).

Depending on the model of tenure adopted, it is clear that affordable housing delivery can be achieved either through the CLT model or through alternative approaches such as shared equity schemes, income-related rental subsidies, government housing delivery funds or inclusionary zoning. Inclusionary zoning is a mechanism whereby local regulation requires new market developers to contribute a percentage of new development in the form of land, finance or housing supply for affordable outcomes.<sup>20</sup> The example considered here is a standalone house on

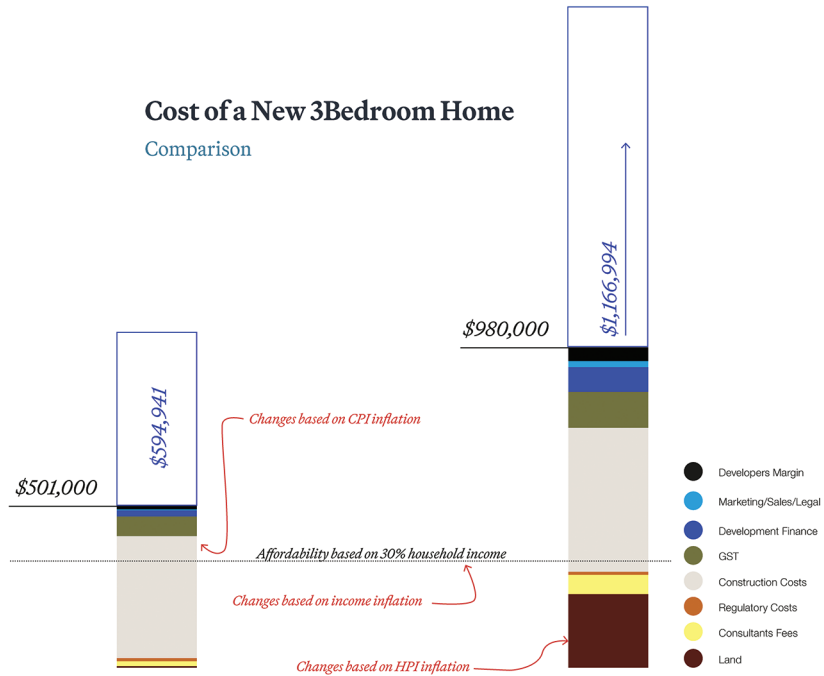


Figure 4. Diagram: Comparison of costs for a New 3bedroom Home from Market and Community Land Trust.

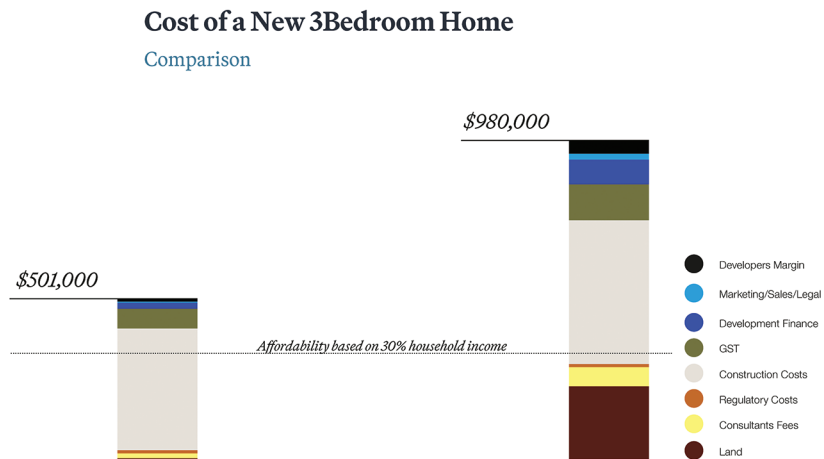


Figure 5. Diagram: Cost Variables Over Time.

the outskirts of Ōtepoti Dunedin. There are benefits in medium to higher density housing where the economy of scale reduces build and infrastructure costs and shares them across a larger number of properties. Adding mortgage costs for a purchaser to access these houses,<sup>21</sup> it is apparent that the true lifecycle cost has a gap which is further exacerbated.

Returning to the context of wage inflation as compared to housing price inflation (HPI) – which stand at 38 percent and 117 percent respectively in the Dunedin area – it's hard to see how wage growth will keep up with market housing prices into the future, based on historical trends. This is where the control of land cost inflation (LCI) is important to the model of a CLT; instead of LCI being uncontrolled, it is anchored to a variable such as the Consumer Price Index (CPI). We see a smaller margin of growth imbalance when comparing wage inflation to CPI inflation, which stood at 4.1 percent and 5.6 percent, respectively, in the year ending September 2023. This result suggests the potential to utilise a mechanism which controls capital gains, giving hope that a housing model anchored to CPI might offer an attainable notion of affordability in perpetuity.

## FUTURE EQUITY

CLTs often go beyond the delivery of housing to provide community and commercial developments which respond to the needs of the city where clients reside. They play a crucial role in equitable city-making by providing access to basic amenities; building thriving neighbourhoods which are defined through the participation of the communities they serve; and ensuring a respect for cultural diversity and inclusion while providing fit-for-purpose outcomes. A key aspect of their function is to take private gain out of the economics of property development and replace it with community gain. This is already being played out through initiatives in Aotearoa New Zealand such as the Waikato Community Lands Trust and, from 2023, the Ōtepoti Futures Trust in Ōtepoti Dunedin.

The Ōtepoti Futures Trust has recently begun its journey toward a more equitable city. Evidence of local support for its purpose and goals was seen when the Otago Pioneer Women's Memorial Association gifted its hall in Moray Place to the Trust. This act of generosity underlines the possibility of people driving change within their own communities and gives hope that an increase in housing options, and community assets, is both possible and able to be driven by the specific needs and aspirations of people and place. The health and wellbeing – in the broadest sense of the term – of our communities depends on initiatives such as this.<sup>22</sup>

**Campbell McNeill** – “I see architecture as an opportunity to deliver better outcomes for cities and meaningful housing at scale. My work crosses practice and academia: designing, developing and facilitating urban developments, whilst also educating the next generation of architectural designers. I know that by working in partnership with others, it's possible to undertake transformational change, and deliver regenerative places for everyone.”

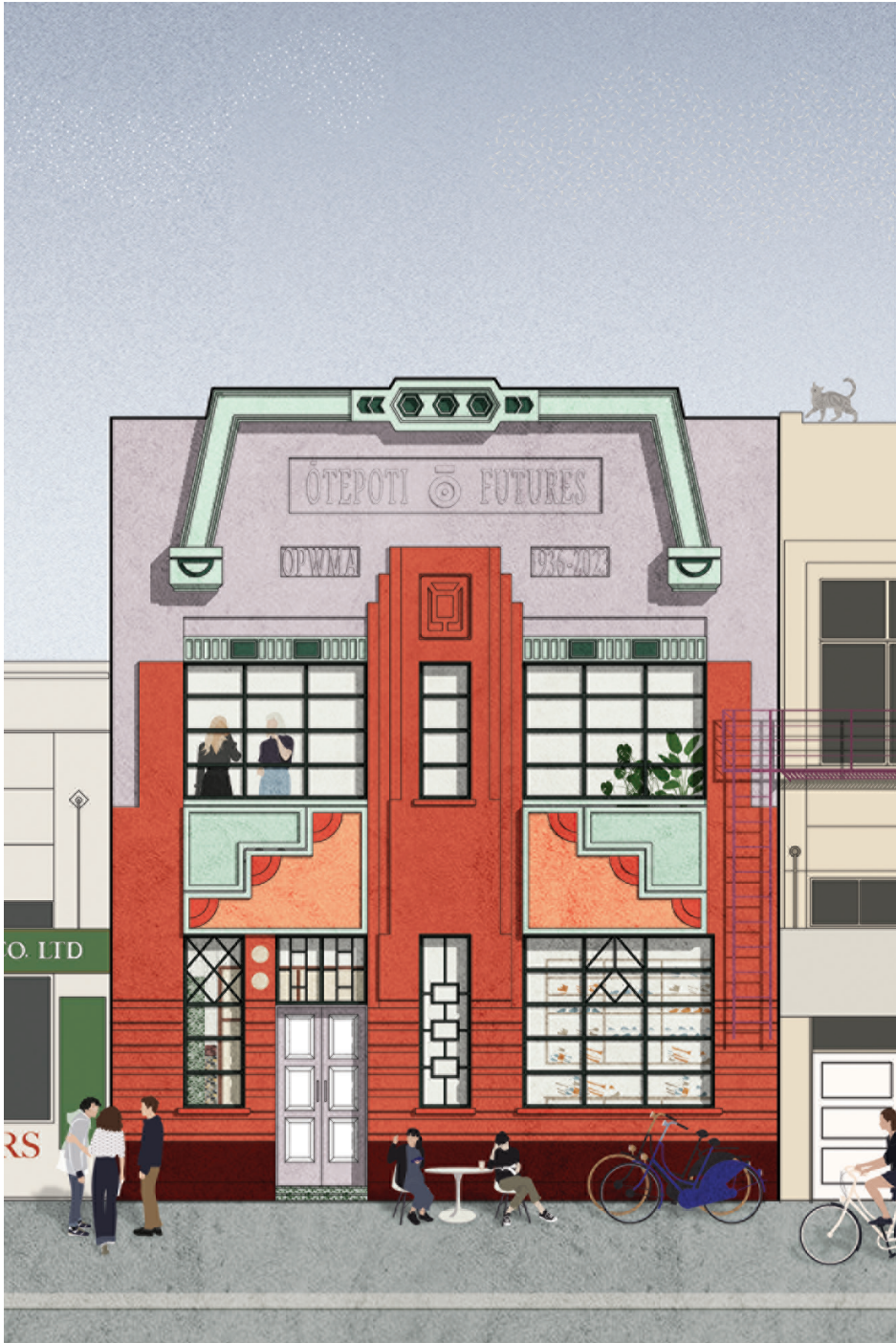


Figure 6. Visual of Design for Hall Redevelopment at 362 Moray Place.



- 1 Te Kāhui Tika Tangata Human Rights Commission, *Right to a Decent Home*, <https://tikatangata.org.nz/human-rights-in-aotearoa/right-to-housing> (accessed 9 April 2024).
- 2 Access to services, facilities and infrastructure, access to location and respect for cultural diversity will be discussed throughout the essay.
- 3 Bin Su and Lian Wu, "Occupants' Health and their Living Conditions of Remote Indigenous Communities in New Zealand," *International Journal of Environmental Research and Public Health*, 17:22 (2020), 8340, doi:10.3390/ijerph17228340; "Stop Building Unhealthy Houses," *Scoop*, 13 May 2021, <https://www.scoop.co.nz/stories/GE2105/S00064/stop-building-unhealthy-houses.htm>; University of Otago, Wellington, "Damp Homes Play Big Part in Respiratory Infections," *Health Research Council of New Zealand*, last modified 15 August 2019, <https://www.hrc.govt.nz/news-and-events/damp-houses-play-big-part-respiratory-infections>.
- 4 Universal Design is used to shape environments can be accessed, understood and used to the greatest extent possible by all people regardless of age, size, ability or disability.
- 5 Dunedin City Council, *Significant Forecasting Assumptions | Mataapae Ōhaka Nui*, last modified 3 April 2023, <https://www.dunedin.govt.nz/council/annual-and-long-term-plans/10-year-plan-2021-2031/section-4/significant-forecasting-assumptions>; DCC, 2020 post Covid-19 growth projections.
- 6 Stats NZ Tātauranga Aotearoa, *The State of Housing in Aotearoa New Zealand*, last modified 15 December 2020, <https://www.stats.govt.nz/infographics/the-state-of-housing-in-aotearoa-new-zealand/>.
- 7 Although the inclusion of utilities within the 30% overburden measurement is not universal, it is included here on the basis that energy is needed to access an adequate and functioning house. Either way, the numbers are worsening.
- 8 Eva Corlett, "UN Special Rapporteur Calls on NZ for Bold Human-rights Approach to Housing Crisis," *RNZ*, last modified 19 February 2020, <https://www.rnz.co.nz/news/national/409900/un-special-rapporteur-calls-on-nz-for-bold-human-rights-approach-to-housing-crisis>.
- 9 Elham Bahmanteymouri, Michael Rehm and Fred Astle, "Can We Ever Solve Aotearoa's Housing Crisis?," *University of Auckland*, last modified 16 May 2022, <https://www.auckland.ac.nz/en/news/2022/05/16/taking-issue-housing-crisis-ingenio.html>.
- 10 Philippa Howden-Chapman et al., *Spotlight on Housing – Te Tāpeke: Fair Futures in Aotearoa*, Royal Society Te Apārangi, 19 October 2021, <https://issuu.com/royalsocietynz/docs/spotlight-on-housing-te-tapeke-digital>.
- 11 Population growth is determined by many factors, with significant shifts occurring due to net migration.
- 12 Natalie Allen, Meredith Dale and G O'Donnell, *The Future of Urbanism in New Zealand and Some Lessons from Europe*. The Urban Advisory, 2019.
- 13 There are a variety of cooperatives ranging from rental and limited equity to equity cooperatives. In Christchurch, the Peterborough Cooperative is an example of one model – see <https://peterborough.nz/>.
- 14 Toiora High Street Co-housing Project is a local example in Ōtepoti Dunedin.
- 15 An example of papakāinga is Ngāti Whātua Ōrākei Whai Rawa – see <https://www.ngatiwhatuorakeiwhairawa.com/land-property/papak%C4%81inga/> (accessed 15 April 2024).
- 16 Ibid.: While papakāinga housing is distinctly different from Community Land Trust models, especially culturally, the leasehold structure is very similar, and both will benefit from increased awareness by the property industry and new models of finance and legal structures which will evolve over time.
- 17 G.J. Gardner: Homes, *Otago House & Land Packages*, <https://www.gjgardner.co.nz/franchises/otago/listings> (accessed 15 April 2024).
- 18 With standardised plans, a multi-proof consent can be granted for the design, requiring only siting and infrastructure consents if needed. Theoretically, this should save further price reductions.
- 19 The Centre for Social Impact and the Ākina Foundation, *Impact Investment – Part One: An Introduction to Impact Investing*, 2017, <https://www.foundationnorth.org.nz/downloads/assets/319/Impact%20Investment%20-%20Part%20One:%20An%20introduction%20to%20impact%20investing> (accessed 15 April 2024).
- 20 Inclusionary zoning is currently in the final stages of hearings in the Queenstown Lakes District, where a recommendation should be provided to council soon.
- 21 Modelled at 7.39% over 30 years, as per the earlier example.
- 22 The People's Project in Hamilton has recently run a Housing First programme. "Over five years, hospitalisations fell by 44 percent, the number of nights spent at mental health units reduced by 63 percent, and there were 43 percent fewer criminal charges. Meanwhile, incomes grew, as did the number of months people paid tax." Lauren Crimp, "Housing Programme Leads to 'Impressive' Long-term Change in Health and Wellbeing," *RNZ*, 18 April 2024, <https://www.rnz.co.nz/news/national/514618/housing-programme-leads-to-impressive-long-term-change-in-health-and-wellbeing#:~:text=Over%20five%20years%2C%20hospitalisations%20fell,of%20months%20people%20paid%20tax>.