

Chair
Cabinet

SHORT-TERM HOUSING RESPONSE IN CHRISTCHURCH

Proposal

- 1 This paper seeks agreement to a short-term housing response in Christchurch. The response will involve the Ministry of Social Development (MSD) contracting a non-government organisation (NGO) to provide short-term housing and wraparound support for households for up to eight weeks to help stabilise them before their transition into sustainable alternative housing.

Executive summary

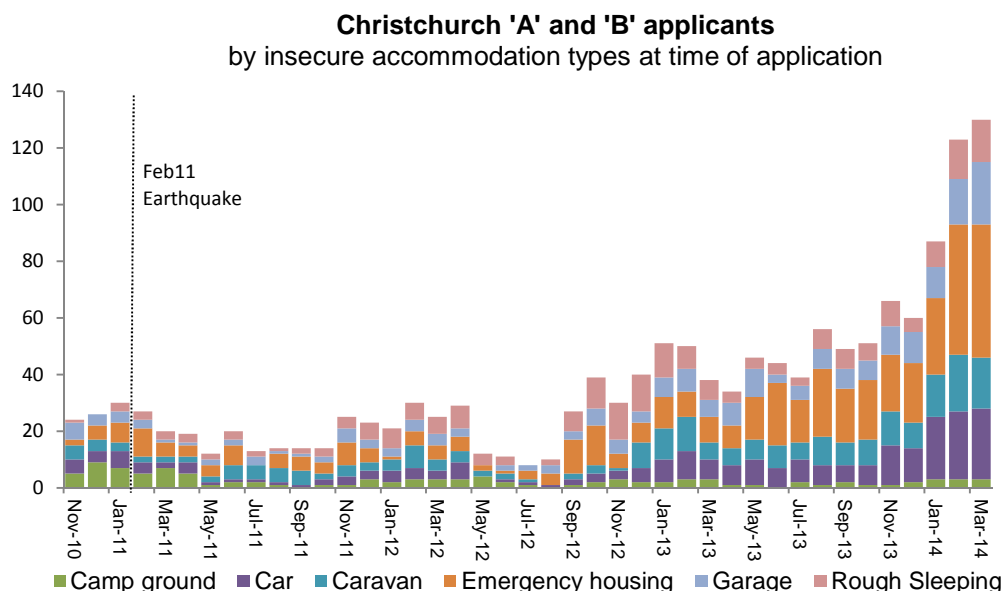
- 2 Evidence shows that there has been an increase in the number of people in Christchurch in insecure housing circumstances (rough sleeping, in parks, tents, garages, and in other unacceptable circumstances). The increase is because of pressure from the loss of low cost housing from the Canterbury earthquakes and demand from the influx of workers for the rebuild.
- 3 This paper seeks Cabinet's endorsement to a short-term housing response in Christchurch to address this issue. An NGO will be contracted to provide short-term accommodation for up to eight weeks and support services where appropriate. The purpose of this response is to provide personal and financial stability so that people get back onto their feet and into private rental or social housing.
- 4 Families are most in need for this response. Being in insecure housing circumstances is detrimental to families' overall wellbeing and is not a good start in life for children. The response will be for families with children and also single people requiring support (mental health, disability, or addiction) who have inadequate access to safe and secure housing (rough sleeping, in cars, caravans, garages, and tents). Different NGO responses for these cohorts are likely to be required (one for families and one for single people).
- 5 MSD will seek Requests for Proposals (RFP) from NGOs experienced in providing housing support to vulnerable groups. It is expected that the short-term housing response will be up and running by 1 September 2014. This short-term response will be delivered over two years to provide additional short-term housing services while Housing New Zealand Corporation (HNZC), the Christchurch City Council, and Community Housing Providers progress the rebuild and repair of social housing stock.
- 6 HNZC is planning to complete 700 new houses by December 2015. In addition, 100 damaged houses are to be repaired by December 2014 and a further 50 by December 2015. Given the significance of HNZC's rebuild and repair programme continuing at pace, I request that the Ministers of Finance, Canterbury Earthquake Recovery, Social Development, and Housing receive monthly updates from HNZC on the progress of their rebuild and repair programme.
- 7 Two options are presented for the accommodation for the short-term housing response. Either the Government continues to secure the accommodation (lease on two motels) or the NGO(s) secures the accommodation themselves. Any leased motel(s) will be head-leased by MSD to an appropriate NGO(s) to manage.

- 8 I seek agreement to total funding of up to \$6.5 million over 2014/15 and 2015/16, through a new multi category appropriation with the mix of operating and capital to be confirmed. Operating funding would come from the between-Budget contingency. Capital would come from the Christchurch Housing Accord contingency. The option of leasing two motels currently identified is estimated to cost approximately \$2.7 million, in which case excess funding would be returned to the Crown.
- 9 I direct MSD to report to the Ministers of Finance, Canterbury Earthquake Recovery, Housing and myself on the implementation and progress of the housing response. I also seek agreement for delegated authority (along with the Ministers of Finance, Canterbury Earthquake Recovery and Housing) to make decisions on the design and implementation of this response.
- 10 I intend to report back to Cabinet by 31 January 2016 with an assessment of whether there is a continuing need for this short-term housing response given the progress with the rebuild and repair of housing stock.

Background

People in inadequate housing circumstances has increased significantly in Christchurch

- 11 Data shows an increase in insecure housing among those applying for HNZC housing (see below). The number of applicants for HNZC housing living in insecure housing (rough sleeping, camping grounds, cars, caravans, emergency housing, and garages) increased from 23 per month on average prior to October 2012 to 54 in the second half of 2013. In March 2014, the number of people in insecure housing waiting for HNZC housing increased to 130 households.¹



- 12 In addition, Census data shows that the number of people living in temporary dwellings (dwellings in motor camps, mobile dwellings, and improvised dwellings or shelter) has

¹ To better understand the type and extent of people in insecure housing circumstances in New Zealand, MSD is commissioning data on it as part of the Housing Assistance Reform programme. In the interim, data from the social housing register can be used as a proxy for trends. This dataset does not necessarily represent a count of people in insecure housing circumstances, as not all apply for social housing.

increased in greater Christchurch by around 50 per cent between 2006 and 2013. One parent families living with others have the highest rates of overcrowding in greater Christchurch, making up 30 per cent of all crowded households. Crowding increased the most for pre-schoolers and people aged 30-34 years of age.²

- 13 Alongside the data, anecdotal evidence from NGOs confirms that there is a growing number of people sleeping on streets, in parks, cars, tents, garages, or improvised dwellings, people 'stuck' in emergency housing or health facilities and people remaining in family violence situations because they cannot find alternative accommodation. A number of NGOs have reported that the number of rough sleepers in Christchurch has increased from approximately 30 in winter 2013 to 100 in winter 2014.
- 14 Work and Income frontline in Christchurch has also noticed an increase in people in insecure housing circumstances. There are seven Work and Income services centres in the metropolitan Christchurch area and at least once a week they are housing families in motels for three-five days at a time, while emergency housing solutions are sought.
- 15 The increase in people in inadequate housing circumstances is driven by:
 - the earthquake-related loss of social housing and low cost private rental supply
 - increased pressure on the private rental market from the influx of workers for the rebuild.
- 16 An immediate short-term housing solution is required for those rough sleeping, in cars, caravans, garages and tents who have inadequate access to safe and secure housing. Families, particularly sole parent headed families, are seen as in the most need.

There are existing emergency and transitional housing responses

- 17 Emergency housing sits within a broader housing continuum which spans having nil or inadequate housing, such as rough sleeping, in cars and caravans to long-term sustainable housing (see continuum below).



- 18 Emergency housing is provided by NGOs (such as night shelters, refuges) for short durations of a few days, a week or perhaps a fortnight, until people find other options. Typically, rent is not usually required as it is not a tenancy and as such, they are not eligible for Accommodation Supplement.
- 19 Transitional housing refers to housing of a longer duration (up to six months) from which people can stabilise their short-term housing and support needs, learn to live independently and then move to a more permanent housing solution. Households often pay rent and can receive Accommodation Supplement, if eligible.

² Goodyear, R (2014). Housing in greater Christchurch after the earthquakes: Trends in housing from the Census of Population and Dwellings 1991–2013. Available from www.stats.govt.nz.

- 20 Both emergency and transitional housing involve some forms of wraparound support, including:
- advocacy services
 - budgeting advice
 - counselling and support services (mental health, drug and alcohol, gambling, violence)
 - support for victims of violent crime, particularly domestic violence.
- 21 Most existing emergency or transitional housing providers are funded to supply a particular output or service and funding provided by MSD is usually contributory.

A short-term housing operating model is proposed

- 22 I propose that a social development approach be taken to address this issue. The objective of the response is to provide personal, financial, and housing stability to households so they can get back on their feet as quickly as possible and enter sustainable private rental or social housing.
- 23 This approach would involve MSD contracting a NGO(s) best placed to provide short-term support for housing needs in Christchurch. NGOs are at the forefront of providing support for people with insecure housing and are best placed to undertake any short-term housing response. There are a number of providers operating in Christchurch who could provide a response with short-term housing and services.
- 24 My proposed response is a hybrid model between an emergency housing and transitional housing response. The duration of this model is typically longer than emergency housing, but, given the unique situation in Christchurch, this is required. However, like the emergency housing model, households will not be required to pay rent. This model ensures that where people can move on quickly they are supported to do so and supported with wraparound services, where appropriate.
- 25 Key features of the response include:
- a focus on families and single people requiring support (such as mental health or addiction services)
 - a focus on those most in need in insecure housing circumstances (rough sleeping, in cars, caravans, garages, and tents)
 - if a household is assessed as eligible for social housing, they will stay on the register with continued priority
 - households will not pay rent, but will be required to contribute to a personal savings plan to assist with financial stability
 - MSD to contract a NGO(s) to provide short-term accommodation for up to eight weeks with wraparound support, where appropriate, for the priority and target groups.
- 26 Further detail on the model is provided below.

The focus will be on families and single people requiring support

- 27 The focus should be on those who need it the most. My main concern is around the needs of families with children who cannot access housing due to a shortage of social and affordable housing options.
- 28 It is unacceptable to me that families with young children are rough sleeping, in cars, caravans, un-insulated garages, and tents. It is detrimental to these families' health and overall wellbeing and negatively affects children's growth and development. For these reasons alone, an urgent response is needed to help these families.
- 29 There are also single people sleeping in their cars who may require additional support for mental health, disabilities, or addiction. The current providers of these types of support services are reporting that they have reached capacity and they have been turning people away.
- 30 As at June 2014, 572 applicants for Christchurch were on the social housing register, with families requiring two or more bedrooms being the biggest group of those in need (399 applicants). Out of the 572, 130 applicants are in insecure housing circumstances (rough sleeping, camping grounds, cars, caravans, emergency housing, and garages).

If a household is assessed as eligible for social housing, they will stay on the register with continued priority

- 31 MSD will refer households to NGO(s) from the social housing register who fit both the target (families with children or single people) and priority groups (rough sleeping, in cars, caravans, garages, and tents).
- 32 MSD will also refer people to the NGO(s) when they present at Work and Income with an urgent housing need. Households will also be assessed for social housing.
- 33 Households can also self-refer to the NGO(s). There will be the expectation that the NGO(s) prioritises entry to those referred by MSD. The NGO(s) will choose who they place into the accommodation and may undertake their own screening beforehand.
- 34 If the household is assessed as eligible for social housing, their priority rating will remain the same while they are living in the short term housing, unless they become ineligible for social housing due to changing circumstances.

Households will not pay rent and MSD will assess households for assistance

- 35 As the proposed approach is only for short-term housing, households will not have a tenancy agreement or be asked to pay rent and will not receive Accommodation Supplement. This means that households can move onto more sustainable housing quickly and allows flexibility because there will not be any notice periods required.
- 36 This arrangement is different from transitional housing responses, usually for longer term stays, where MSD does pay Accommodation Supplement for accommodation costs.
- 37 Households will, however, be required to contribute to a personal savings plan (in lieu of rent) to assist in providing financial stability for the household when they move.
- 38 MSD will assess households for assistance (Advances of Benefit, Special Needs Grants or Recoverable Assistance for bonds, furniture and other additional costs) for their move into social housing or private rent housing.

MSD will contract an NGO to provide short-term housing with wraparound support

- 39 NGOs are best placed to undertake any short-term housing response. There are a number of them currently operating on the ground in Christchurch providing responses to people in insecure housing circumstances.
- 40 I propose that MSD contract a provider with experience in supporting vulnerable individuals and families to:
- prioritise entry into the service for households who are identified from the MSD housing register as living in insecure conditions (rough sleeping, in cars, caravans, garages, and tents)
 - provide appropriate accommodation for an average household stay of up to eight weeks
 - prepare an individualised transition plan for each household to achieve improved financial stability and assist in accessing sustainable housing that matches their need
 - ensure households contribute to a personal savings plan (in lieu of rent) to assist in providing stability
 - be up and running by 1 September.
- 41 The contract will be needed for up to two years while HNZZ progress their rebuild and repair programme. The housing response will be fully funded by Government paying for both the accommodation and the wraparound services. This is a significant financial investment and needs to be done in a transparent manner.
- 42 Based on advice from NGOs, at least 40 households need to be housed at any one time. A multi-provider approach could be taken, with one NGO providing support to families with children and another NGO supporting single people who require support. While MSD will refer households to the NGO(s), NGOs will decide who is placed into the accommodation depending on the right fit to the property, neighbours and any support services offered.
- 43 There is a need for a fast paced response, and I know MSD can use its existing relationships and contractual arrangements with providers to get this up and running quickly.
- 44 MSD will seek Requests for Proposals (RFP) from current NGOs operating in Christchurch. There are up to 30 NGOs in Christchurch who currently offer support and services for people without access to safe and secure homes. A panel of primary local representatives will assess the RFP to ensure that any selected solution has local support.
- 45 There are two options for the RFP in terms of the accommodation:
- Government secures accommodation and head leases it to the NGO:
 - **Pros:** Government is close to finalising accommodation (motel(s)) and the response could be up and running quickly.
 - **Cons:** It potentially limits innovative solutions from NGOs as they will have to respond to the RFP with the lease model in mind.
 - NGO(s) propose accommodation in RFP and secures accommodation themselves still funded by the Crown:

- **Pros:** Allows NGOs to be innovative in what services they can provide and accommodation models they might propose.
- **Cons:** It could potentially take longer to set up depending on the solution suggested by the NGO(s).

This is a temporary solution until more supply comes on board

- 46 The short-term housing response is a temporary solution until more supply comes on board. Supply is critical to ensuring that people are not living in insecure housing circumstances because of a lack of available options.
- 47 I expect that this solution will only be required for up to 18 months to two years while work is undertaken to rebuild and repair the social housing stock that was lost during the earthquakes.
- HNZC is planning to complete 700 new houses by December 2015. In addition, 100 damaged houses are to be repaired by December 2014 and a further 50 by December 2015.
 - NGOs funded via the Social Housing Fund will have 156 new houses by 2015/16, with 20 to be completed in June/July 2014 and another 40 by December 2014.
 - Christchurch City Council (CCC) aim to repair 204 of their closed units by June 2016.
- 48 Given the significance of HNZC's rebuild and repair programme continuing at pace, I request that the Ministers of Finance, Housing, Social Development, and Canterbury Earthquake Recovery receive monthly updates from HNZC on the progress of their programme.

There are some risks and implications to the approach

- 49 One of the main risks is that if affordable supply does not come on board, households will not be able to move out within the eight week timeframe and would need to stay longer. We already know that NGOs in Christchurch are facing considerably longer timeframes to transition people into social or private rental housing because of the lack of affordable supply.
- 50 Currently some individuals and families are 'stuck' in emergency or transitional housing or in hospitals. Because this response focuses on people most in need (rough sleeping, in cars, caravans, garages and tents), the problem being experienced and voiced by NGOs of people 'stuck' may not necessarily be addressed by this solution. It may, however, relieve some of the pressure on these NGOs.
- 51 There is also the risk of displacement for people currently residing in the accommodation that is used for this response. MSD will work through this issue once the accommodation options are clearer.
- 52 Given that the social housing register is being used as a proxy for measuring insecure housing circumstances, this data is like to represent lowest estimates only, as many people considered in these circumstances may not have applied for social housing and are therefore not counted in MSD's data.
- 53 We know that there are also similar housing problems in Auckland. There is a risk that the proposed response in Christchurch will be seen as setting a precedent for other parts of New

Zealand. It is important that this response be understood as a time-limited proposal to manage current issues in Christchurch.

Consultation

54 This paper has been prepared by the Ministry of Social Development. The Ministry of Business, Innovation and Employment and the Treasury have been consulted on the proposals in the paper.

Financial implications

55 There are two options for the accommodation:

- Government could secure the accommodation and head lease the property (likely a motel(s)) to the NGO(s) for up to two years.
- The NGO(s) could come up with their own accommodation solution via the RFP still funded by the Crown.

56 Indicative costs (sourced from the Ministry of Business, Innovation and Employment) for the options to lease a motel(s) are as attached as Appendix 1.

57 The estimated cost of pursuing the options outlined in this paper would require \$6.5 million in operating and capital costs over 2014/15 and 2015/16 as follows:

	\$m – increase/(decrease)				
Vote Social Development Minister of Social Development	2014/15	2015/16	2016/17	2017/18	2018/19 & Out-years
Multi-Category Expense and Capital Expenditure: Short-term Housing in Canterbury MCA					
Non-Departmental Output Expense: Short-term Housing in Canterbury Output Expenses	2.000	0.500	-	-	-
Non-departmental Capital Expenditure: Short-term Housing in Canterbury Capital Expenses	4.000	-	-	-	-
Total Operating	2.000	0.500	-	-	-
Total Capital	4.000	-	-	-	-

- 58 The option of leasing two motels is estimated to cost approximately \$2.7 million, in which case excess funding would be returned to the Crown.
- 59 Capital costs will be funded through the Christchurch Housing Accord Fund which was set up in Budget 2014 to support the supply of temporary and affordable housing. One of the priorities for the Christchurch Housing Accord is more equitable outcomes for low income households. Although the short-term housing will not increase the total supply of housing in Canterbury it will support more equitable outcomes for some of the most vulnerable households through ensuring that they can secure short-term housing.
- 60 When the Christchurch Housing Accord Fund was set up, Cabinet agreed that it be set aside as a (capital) contingency item, that corresponding funding for it be set aside in the between-Budget spending contingency and that it be submitted to the appropriate Cabinet committee with a business case for consideration at a later stage [CAB Min (14) 13/8(15) refers]. I propose that, in this instance, a business case to proceed is not required.
- 61 Operating costs will be met from the between-Budget operating contingency established as part of Budget 2014.
- 62 The proposed changes to appropriations for 2014/15 above will be included in the 2014/15 Supplementary Estimates and, in the interim, the increase will be met from Imprest Supply.
- 63 MSD would include funding for wraparound services as part of the contract with the NGO. The RFP will provide the costs for these services. As an indication, MSD estimate that this would be up to \$1 million for two years.

Human rights implications

- 64 The proposal in this paper is consistent with the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993.

Legislative implications

- 65 There are no immediate legislative implications arising from this paper.

Regulatory impact and compliance cost statement

- 66 A regulatory impact analysis is not required, as no regulatory changes are proposed.

Gender implications

- 67 The proposal may impact positively on women, particularly sole parents, and their dependants as they are seen as one of the cohorts most in need.

Disability perspective

- 68 The proposal may impact positively on people with disabilities who require short-term accommodation and wraparound support.

Publicity

- 69 No formal publicity for this response is planned.

Recommendations

70 It is recommended that Cabinet:

- 1 **note** that there has been an increase in people living in insecure housing circumstances in Christchurch, including rough sleeping, in cars, caravans, and tents
- 2 **agree** to a short-term housing response in Christchurch with the following key features:
 - 2.1 a focus on families and single people requiring support
 - 2.2 a focus on those most in need in insecure housing circumstances (rough sleeping, in cars, caravans, garages, and tents)
 - 2.3 if a household is assessed as eligible for social housing, they will stay on the register with continued priority unless they become ineligible for social housing due to changing circumstances
 - 2.4 households will not pay rent, but will be required to contribute to a personal savings plan to enable financial stability
 - 2.5 MSD to contract a NGO(s) to provide short-term accommodation for up to eight weeks with wraparound support for the priority and target groups
- 3 **agree** to the Ministry of Social Development seeking Requests for Proposals from current non-government organisations operating in Christchurch who offer support for people without access to safe and secure homes

EITHER

- 4 **agree** to continue with the Government securing the motel(s) with the non-government organisation(s) becoming the leaseholder

OR

- 5 **agree** that the non-government organisations look at a range of options for accommodation and services and secure it themselves funded by the Crown
- 6 **note** that it may take longer for the non-government organisations to secure the accommodation themselves
- 7 **agree** that any motel leased by the Ministry of Social Development be head-leased to an appropriate non-government organisation(s)
- 8 **note** that this short-term housing supply will be needed for at least 18 months until Housing New Zealand Corporation properties and properties currently funded through the Social Housing Fund become available
- 9 **direct** Housing New Zealand Corporation to provide monthly reports on the progress of their rebuild and repair programme to the Ministers of Finance, Canterbury Earthquake Recovery, Social Development, and Housing
- 10 **direct** officials from the Ministry of Social Development to report to the Ministers of Finance, Canterbury Earthquake Recovery, Social Development, and Housing and on the implementation and progress of the short-term response

- 11 **delegate authority** to the Ministers of Finance, Canterbury Earthquake Recovery, Social Development, and Housing to make decisions on the implementation and purchase or lease of accommodation for the short-term response
- 12 **direct** the Minister of Social Development, in consultation with the Minister of Finance, the Minister for Canterbury Earthquake Recovery and the Minister of Housing, to report back on the continued need for short-term housing by 31 January 2016 with an assessment of whether the response is still required given the progress with the rebuild and repair of housing stock
- 13 **note** that the Minister of Finance has agreed to establish a new multi-category appropriation to facilitate an increased supply of short-term housing for households housing who are eligible
- 14 **agree** that the overarching purpose for this appropriation is to achieve the outcome of an increased supply of short-term housing for households in Canterbury during the period of the Canterbury Rebuild
- 15 **note** that the Minister of Social Development will be the responsible Minister for this multi-category appropriation and the names, types and scope statements are as follows:

Category Name	Category Type	Scope Statement
Short-term Housing in Canterbury Operating Expenses	Non-departmental Output Expense	This category is limited to activities relating to the provision of short-term housing in Canterbury for households who are eligible for short-term housing.
Short-term Housing in Canterbury Capital Expenses	Non-departmental Capital Expenditure	This category is limited to activities relating to the provision of short-term housing in Canterbury for households who are eligible for short-term housing.

- 16 **agree** to increase expenditure to provide for costs associated with the new multi-category appropriation described in recommendations 13-15 above, with the following impacts on the operating balance and debt:

	\$m – increase/(decrease)				
Vote Social Development	2014/15	2015/16	2016/17	2017/18	2018/19 & Outyears
Operating Balance Impact	2.000	0.500	-	-	-
Debt Impact	4.000	-	-	-	-
No Impact		-	-	-	-
Total	6.000	0.500	-	-	-

- 17 **approve** the following changes to appropriations to provide for the new multi-category appropriation described in recommendations 14-16 above:

	\$m – increase/(decrease)				
Vote Social Development Minister of Social Development	2014/15	2015/16	2016/17	2017/18	2018/19 & Out- years
Multi-Category Expense and Capital Expenditure: Short-term Housing in Canterbury MCA					
Non-Departmental Output Expense: Short-term Housing in Canterbury Output Expenses	2.000	0.500	-	-	-
Non-departmental Capital Expenditure: Short-term Housing in Canterbury Capital Expenses	4.000	-	-	-	-
Total Operating	2.000	0.500	-	-	-
Total Capital	4.000	-	-	-	-

- 18 **agree** that the proposed changes to appropriations for 2014/15 above be included in the 2014/15 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply
- 19 **agree** that the operating and debt impacts in recommendation 16 above of the expenses and capital expenditure incurred under recommendation 17 above be charges, respectively, against the between-Budget operating and Christchurch Housing Accord capital contingencies established as part of Budget 2014
- 20 **note** that Cabinet has previously agreed that the Christchurch Housing Accord Fund be set aside as a (capital) contingency, that corresponding funding for it be set aside in the between-Budget spending contingency, and that it be submitted to the appropriate Cabinet committee with a business case for consideration at a later stage [CAB Min (14) 13/8(15) refers]
- 21 **agree** that the draw down from the Christchurch Housing Accord capital contingency to progress the options outlined in this paper does not require a business case

- 22 **note** that the Ministry of Social Development expects to sell the capital investment in short-term housing over the medium-term once the rebuild and repair of Canterbury housing progresses, and the proceeds from the sale will be returned to the Crown, but it is difficult to estimate potential resale value.

Hon Paula Bennett
Minister for Social Development

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Appendix 1. Indicative costs for options to lease a motel

Motel C Lease	Year 1	Year 2	Totals	Comments
Lease cost	\$775,000.00			
Annual rent	\$149,000.00	\$153,470.00		Includes GST and CPI adjustment year 2
Refurbishment		\$160,000.00		\$8k per unit including exterior and replacement of chattels
Total direct cost	\$924,000.00	\$313,470.00	\$1,237,470.00	Opex
Sale of lease for residual value			\$310,000.00	There is no way to calculate this but loss of motel business suggests 40% value.
Direct cost to Crown excluding operating costs or other acquisition costs			\$693,120.34	
Management Fees			\$93,369.93	
Repairs and Maintenance	\$14,000.00	\$14,420.00	\$28,420.00	
Ground Maintenance	\$12,400.00	\$12,772.00	\$25,172.00	
Insurance	\$30,000.00	\$30,900.00	\$60,900.00	
Direct cost to Crown incl operating costs			\$900,982.28	
Per unit cost (21 units)			\$42,903.92	