

BRIAN DONNELLY

AFFORDABLE HOUSING FOR ALL



Brian Donnelly

Brian Donnelly heads up the New Zealand Housing Foundation, and is a leading social entrepreneur creating projects which deliver more affordable housing for low-income New Zealanders.

The high cost of housing is the major contributor to poverty in New Zealand. The unaffordability of housing means that more than 65,000 households, or one in twenty New Zealanders, are living in shared and crowded living conditions, often in houses that are old, damp and cold. Over half of the people living in these conditions are children or young people under 20 years of age, and there is a clear link between the poor standard and security of these homes and the poor health and education outcomes suffered by many of these young people.

New Zealand has one of the least affordable housing markets in the world. A Demographia Survey in 2009 which looked at the affordability of houses in 265 housing markets in the United States, Australia, New Zealand, Britain, Ireland and Canada found that New Zealand is the second least affordable place to find a home (... just ahead of Australia).

Home ownership is a key component of family and community security, yet owning a home has got further out-of-reach in the last decade. In September 2002, it took 4.9 years of work at the average wage to purchase the median priced home (which was then valued at \$185,000). By September 2007, this work burden had grown to 7.7 years to purchase the home (now valued at \$350,000).

Consequently, home ownership has been declining, and it is forecast to decline further: The 2008 Intermediate Housing Report compiled by DTZ shows that the number of households unable to access home ownership had nearly doubled in the previous five years to 187,400 households. This was during a time of relative prosperity and readily available credit. The projections in this report show that the number of households unable to access home ownership may rise above 250,000 households by 2016.

A large proportion of these households are described as “the working poor” — families who are renting, but are on modest incomes and cannot raise the deposit for an affordable mortgage. These families are gradually waking up to the fact that they are being disenfranchised from a fundamental part of the “kiwi dream”.

The goal of affordable housing with safe, secure tenure is something that has long been stitched into the social aspirations of New Zealand culture. It is an aspiration that has been actively pursued for over a century by community and national leaders, from across the political spectrum. But achieving this “kiwi dream” is one of the most complex issues in our communities because it involves so many different stakeholders with competing agendas — from the families and individuals needing a place to live, to the property developers, banks and mortgage agents, neighbourhood interests, town planners and city councils, government departments and local and national politicians.

Seizing the opportunities within this complexity is a prime motivator for a social entrepreneur like Brian Donnelly.

- Donnelly has had a long-time passion for working in the housing field. He was for many years as a property and investment manager for the Housing Corporation (later renamed Housing New Zealand), and he has also worked in Australia as the Director of Asset Management for the New South Wales Department of Housing.

About ten years ago, Donnelly realised that his role in the bureaucracy wasn't a good fit. He had come to believe that the current housing system was effectively broken ... and it could not deliver affordable housing solutions to the families that needed them. He could see the need for a whole new development in community-based housing initiatives that could bring innovations to these challenges — but there was little existing capacity and capability in the community sector to run with the opportunities that he could see at a local level.

In 2002, the Housing Foundation was set up and Donnelly became its Executive Director: “I found there was a real connection between my own beliefs and the reasons behind the establishment of the Housing Foundation. We share the core values around making things happen and delivering real physical housing outcomes for people. There are many stakeholders within the housing sector who are expounding various theories and principles ... but, in reality, little is happening to change the way that things have always been done.

“With the housing industry reluctant to lead the market, there has been a need — and therefore an opportunity — for a catalyst or enabler to promote the partnerships needed to function as part of an expanded and diversified housing sector. That's the role that we see the Housing Foundation playing: bringing community groups, government and the private sector together to achieve innovative and affordable housing solutions that none of these groups could achieve on their own.”

Brian Donnelly brought to the Housing Foundation an ability to operate across the many activities that are often kept separate in the housing system. His role includes being a property entrepreneur, developer and building site co-ordinator, a legal, financial and investment





Brian Donnelly presenting his social innovation workshop at the NZSEF Retreat

adviser, a community development worker, a public policy advocate, and a constant role model for what's possible.

The various projects of the Housing Foundation are usually undertaken in partnership with local community groups. So far, these have included working with community housing trusts to undertake their first major capital projects in places like Coromandel, Tauranga and Queenstown; helping Maori groups like *Te Runanga o Te Rarawa*, who are using a carpentry training programme to build houses for rural accommodation for whanau and kaumatua in the Far North; or *Te Roopu o Taurima* which is providing housing in South Auckland for disabled Maori; supporting *Abbeyfield NZ* which has built new housing projects for the support and care of older people in Hamilton, Auckland and Palmerston North; and working with the *Auckland City Council* to acquire affordable new homes for low-income people who work in the Auckland City Council area.

- Amidst these practical initiatives, the Housing Foundation has also been pioneering a series of strategies which address the high cost of the houses, and the amount of the deposit needed to secure a mortgage — the main financial hurdles that prohibit low-income people from starting to climb onto the ladder to home ownership. There are two main programmes which the foundation is pioneering:

- The *Home Equity Programme* which converts rental payments to mortgage payments after five years. It enables a working family to secure a new house built by the Housing Foundation, paying the equivalent of market rent. Over the five-year period, the Housing Foundation also provides financial planning support so that the family can clear any outstanding debts and have a savings plan.

Assuming the property increases in value over this time, at the end of five years the family will get 75% of this increase to use as contribution towards a deposit to buy the home. By this time, instead of paying rent, the family will probably have mortgage payments of a similar size, but now they will be on a pathway to home ownership and family stability.

- The *Shared Home Ownership Programme* which offers low-income families a new home at market value, but they will only need to raise a deposit and a mortgage for around 75% of that value. The remaining share of the house (the 25%) is retained by the Housing Foundation, which leaves the equity in the house on a rent-free and interest-free basis.

The families are responsible for their own mortgage repayments, plus all the other costs of home ownership (rates, insurances and maintenance). At any time in the future, they can sell their share back to the Housing Foundation, or on the open market ... and have the opportunity to progressively increase the proportion of the house owned, and eventually purchase the house outright.

Both these programmes are innovations in the New Zealand housing market that enable low-income families to start on a pathway to home ownership and the social stability that comes with having a real stake in where you live. The challenge of these programmes is that they rely on communities and government being able to mobilize enough social capital to ensure that a significant stake can be taken in these homes in order for them to become affordable.

While such equity and ownership-sharing schemes are much more common in countries like Britain, there are only a few community-based housing groups in New Zealand which are able to rise to the challenge and opportunities represented by these programmes.

Donnelly hopes that many more such initiatives will be sparked as a result of the “proof-of-concept” housing development that the Housing Foundation is pioneering on a subdivision in Auckland’s Glen Eden. All these homes come with funding arrangements that make them affordable for households on low incomes.



*Brian Donnelly and NZHF
Project Manager Paul Walters
at the Housing Foundation
West Auckland sub-division*



*The Housing Foundation
West Auckland sub-division*

This subdivision has 73 sites for houses with 2-5 bedrooms, which are built with low-maintenance materials, and are well insulated, and all have north-facing yards that are positioned for maximum sunshine.

Several of the house sites are being developed in partnership with other community and sector groups who are also working on housing solutions. Habitat for Humanity has built three family homes in the subdivision, and The Salvation Army is also planning to build fourteen units for older people. Also Beacon Pathway, a research consortium working to find affordable ways to make homes more energy-efficient and cheaper to run, has helped design a “Smart Home” in the subdivision which demonstrates how energy, water and waste efficiencies can be better achieved.

- One of the biggest challenges for Donnelly has been how to “scale up” these “proof of concept” initiatives so that the Housing Foundation can achieve much more impact on affordable housing issues throughout New Zealand. If these new equity sharing models are working well for the householders ... can they also work for investors? What sort of structures and business models will be necessary to attract the investment that these new programmes will need?

In order to address these questions, Donnelly has been working with a multi-disciplinary team of legal, financial and housing development advisers to design a new investment and business model. This group has produced a series of reports that proposes the establishment of a new approach to housing which will be an innovation within the New Zealand context.

The new approach will be based on the same principle that is at the heart of all the Housing Foundation initiatives — *facilitating collaboration between public, private and community concerns, and attracting social capital to the mix*. The initiatives will be managed with commercial disciplines, yet the market outcomes will be blended with the significant social outcomes that are also sought by communities and the government.

Initially, it is anticipated that the capital for this initiative would be seeded by public and charitable sources ... and Donnelly has already started to break new ground in attracting this social investment. He has been promoting the case to charitable trusts that instead of investing their endowments in various government bonds, or the international stock exchange, they

should invest some of their core capital directly into local social housing projects. This strategy represents a significant leverage of a charitable trust's capital base for social purposes, in addition to what these trusts and foundations are already achieving with their existing grant and donation programmes.

- Brian Donnelly's participation in the Social Entrepreneur Fellowship coincided with the first houses being built at the Housing Foundation subdivision in Glen Eden. During the fellowship retreats, Donnelly was able to test his propositions and financial strategies within the fellowship group, and the social entrepreneurs were also able to visit and see progress at the building site. The Housing Foundation has also started to collaborate with other fellowship members in the design and implementation of specific housing projects.

Donnelly: "The fellowship has provided a unique environment for people who are actively contributing and providing leadership within their community to reflect, challenge and explore new thinking and initiatives. The opportunity to do this does not exist elsewhere. The opportunity for the Housing Foundation's initiatives to be reviewed and critiqued within the peer learning environment has been invaluable, and has resulted in tangible benefits to the housing projects it now has in place."

In 2008, Donnelly travelled to Australia to participate in a *Social Innovation Summit* hosted by the Macquarie Group Foundation. This summit brought together fifty leaders from business, government and community organisations to discuss how better collaboration between these three sectors can overcome long-term social problems and "... the entrenched disadvantage that permeates much of our community".

Forging this practical collaboration is a challenge that lies at the heart of social innovation. It is the "holy grail" being pursued by social entrepreneurs. Donnelly: "To reverse the deteriorating trend in ownership in our communities, some new thinking is required. The scale of the



*Viv Maidaborn,
Brian Donnelly and
Campbell Roberts at
the NZSEF Retreat*

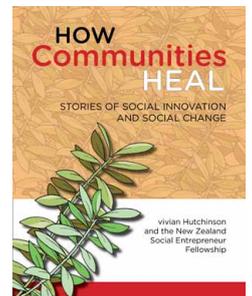


affordability problem in New Zealand is unlikely to be solved by any single stakeholder. It is too big for government to find a comprehensive solution, and it is unrealistic to expect the private sector to invest heavily in a low-income population.

“Collaboration is the circuit-breaker. And all the stakeholders need to learn to collaborate in a new way — this includes the Crown, the Territorial Local Authorities, iwi, banking institutions, philanthropy, the third sector, and also aspiring homeowners and the general public. The Housing Foundation is pioneering a new housing approach which would be a vehicle for this collaboration. It’s a paradigm shift in how people think about affordable housing, and how communities and institutions work towards making the “kiwi dream” possible.”

Notes and Links

- This article by vivian Hutchinson is part of the [HOW COMMUNITIES HEAL project](#) — stories of social innovation and social change featuring members of the New Zealand Social Entrepreneur Fellowship. It is available online at tinyurl.com/hchdonnelly
- *Brian Donnelly* can be contacted at bd.nzhf@xtra.co.nz, or at the Housing Foundation, PO Box 44018, Point Chevalier, Auckland 1246, New Zealand .
- The New Zealand Housing Foundation is at www.housingfoundation.co.nz
- *housing is a major contributor to poverty ...* The New Zealand Poverty Measurement Project Study in 2000 showed that one in five children lived below the poverty line before the costs of housing their families were factored in. Once housing costs are included, this number increased to one-in-three children. see The Jobs Letter No. 117 (8 February 2000) at www.jobsletter.org.nz/jbl11700.htm.
- *more than 65,000 people in shared or crowded living conditions ...* figures from New Zealand Housing Foundation brochures, quoting *The Health of People and Communities* (report by the Public Health Advisory Committee 2001)
- *Demographia Annual International Housing Affordability Survey* (2009) available at www.demographia.com/dhi.pdf . Demographia’s annual reports show that nearly a third of households that rent in New Zealand suffer from housing-related stress. A quarter of all households — many of them low-income families — spend more than a third of their incomes on housing. (See also *Habitat for Humanity* website at www.habitat.org/intl/ap/144.aspx)
- *years of work to purchase a home ...* figures from Salvation Army “*State of the Nation Report*” by Alan Johnson (Salvation Army Social Policy and Parliamentary Unit February 2008)



- *Rebuilding the Kiwi Dream — A proposal for more affordable housing in New Zealand*, by Alan Johnson (the Salvation Army Social Policy and Parliamentary Unit, June 2007) available at www.salvationarmy.org.nz/uploads/RebuildingTheKiwiDream.pdf
- *declining rates of home ownership ... see The Intermediate Housing Report* (2008) by DTZ New Zealand for the NZ Centre for Housing Research at www.chranz.co.nz/pdfs/intermediate-housing-market-report.pdf
- There have been many demographic social changes which have influenced the housing market over the last generation. These changes have included changing fertility rates, the growth of the female labour force and two-income households, and changes in the financial markets which has seen more households able to borrow and live with more debt ... see "*Housing Dynamics and Housing Affordability — a more human approach to understanding the direction of house prices*" by Dr. Garrick Small in the *Australia and New Zealand Property Journal* (June 2009)
- "*A shortage of living room*" and "*Foundation whose charity begins at home*" by Geoff Cumming *New Zealand Herald* 2 May 2009 available at tinyurl.com/scribd153
- "*Trust's helping hand makes families at home*" by Simon Collins *New Zealand Herald* 19 February 2009 available at tinyurl.com/ya5aexa
- *Home equity ...* more details on this Housing Foundation Programme are at tinyurl.com/yadsy9k
- *Shared Home Ownership ...* more details at tinyurl.com/yeeqnaq
- *Beacon Pathway Smart House* More details at tinyurl.com/yef2vul
- *Social Innovation Summit hosted by the Macquarie Group Foundation ...* was held in the Hunter Valley, New South Wales 19-21 September 2008. See commentary at tinyurl.com/y8ala2u
- *Home Ownership Partnerships* (2009) by the N.Z. Housing Foundation. This report is based on the work of a team which included Brian Donnelly, David Cole, Malcolm Hope, Simon Mortlock and Glen Saunders. (April 2009) For more information or copies of this report contact Brian Donnelly at the Housing Foundation.
- *Brian Donnelly comments* taken from workshop presentations at the NZ Social Entrepreneur Fellowship Retreats at Long Bay 2007 - 2009, and at the NZSEF Social Innovation Dialogue on Housing Issues June 2008. Also interviews with Vivian Hutchinson 28 July 2008, 5 August 2009 and 9 February 2010.
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