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The Logics of Procurement in the Community Housing Sector - Positives and Potentials

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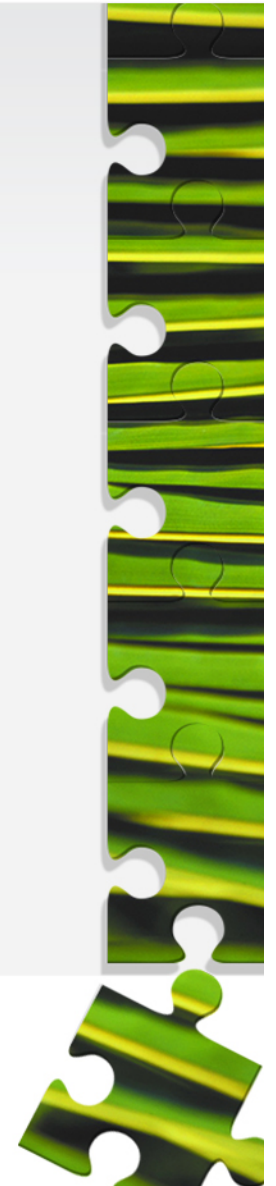


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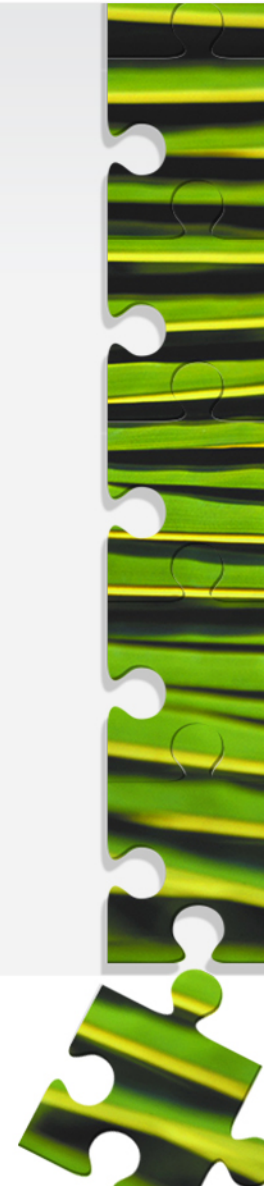
Community Housing Providers

- Significant potential to solving two key dilemmas:
 - Housing market problems - supply of affordable housing
 - Building housing that works and is fit for purpose
 - Priced right
 - Functional
 - Resilient
 - Home
- Operate in a changing world of big trends:
 - Structural ageing
 - A tenure revolution
 - High-value targeting in the residential building industry



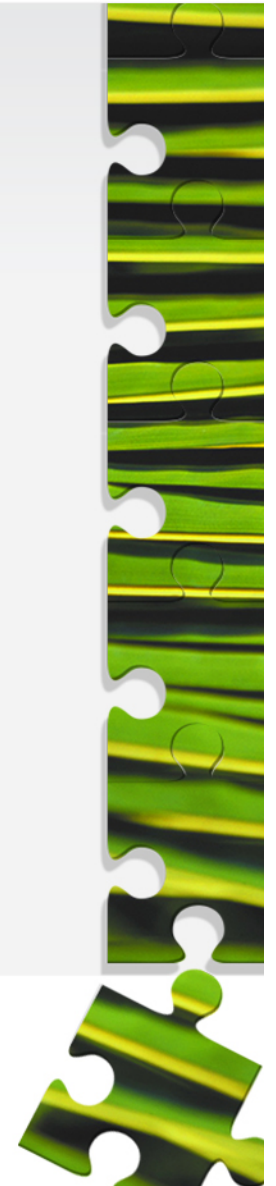
Community Housing Providers

- Operate within a dynamic policy context:
 - Issues around tax and charitable status
 - Flows by mainly ebbs in funding
 - Central government focus
 - Emergency housing
 - Stock transfer as an asset sale strategy
 - Segment rather than system
 - Simplistic supply side and planning focus
- Operate within narratives which colonise the community housing sector itself:
 - Targeting narrative reduces housing supply and demand from system to segment
 - ‘Talented amateurs’
 - Lacking in scale and expertise



The Classic Stereotypical Story

- The community housing sector struggles to procure successfully
- The struggle reflects significant deficiencies in the community housing sector
 - Not enough scale
 - Not entrepreneurial enough
 - Not commercial enough
 - Inexperienced
 - Unprofessional – ‘talented amateurs’



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But the Research Shows a Different Story

- Focus:
 - Models of procurement
 - Outcomes
 - Barriers
- In-depth interviews with seventeen community housing providers
 - Small – ten units or less
 - Medium – more than ten units and less than 75 units
 - Large – 75 units or more
- Delivering both rental and ownership products

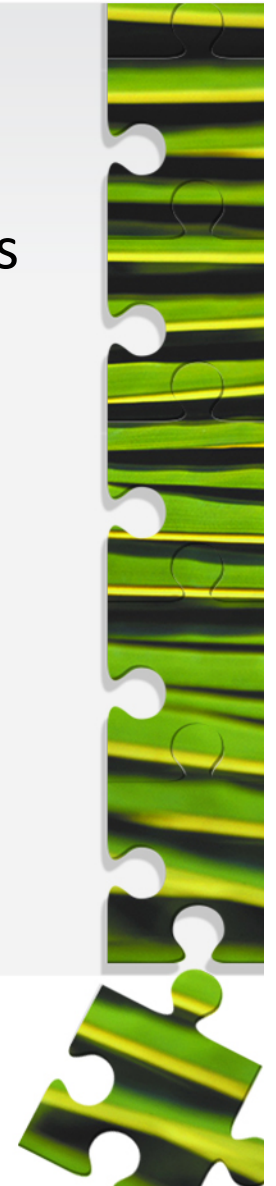


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Stock Acquisition

- 17 providers built 751 dwellings over two years
 - 22 units per year average
- For different tenures:
 - Rent
 - Rent for buy
 - Shared ownership



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Community Housing Providers Deal with Complexity

- Involve a range of goods and services:
 - Goods – land, designs, products and materials.
 - Services - legal services, surveying, design services, quantity surveying, trade services (building, electrical, plumbing), engineering, drain laying, landscaping, compliance services, and project management.
- Multiplicity of ways to:
 - bundled up
 - select
 - contract
- Contractual instruments on a continuum fix-priced to labour only
- Informational asymmetry.

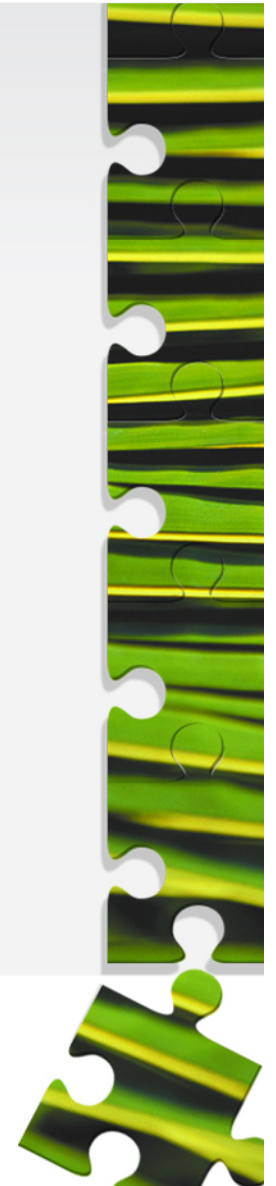


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The framework of procurement

- Regulation and legislative protections
- Accreditation systems
- Selection processes:
 - **Competitive**
 - Often imposed by government funding
 - Price directed
 - Often misplaced confidence in its efficacy
 - Preferred
 - Negotiated relationship based
- Risk reduction and risk-sharing
 - **Contracts**
 - **Insurance**
 - **Project management**



Logics of Community Housing Providers

- CHPs have three imperatives:
 - Building affordable dwellings for people on the lowest incomes.
 - Delivering housing to people who:
 - are likely to spend more time in their dwellings on a daily basis
 - need secure housing, and
 - have limited choices on the housing market.
 - Maintaining a long-term interest in the stock it commissions.
- CHPS are restricted in:
 - Disposing of stock (and tenants)
 - Use of capital
 - Rates of return
- CHPS really have to care about:
 - Affordability to users
 - Value for money
 - Quality and house performance



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Success in Procurement Dependent on:

- *Shared and values-based commitment* between the community housing provider and suppliers
 - mutual respect of each other's needs
 - ensure a fair deal for all parties.
- *Openness, clarity of expectations, and transparency about limits of resources* – Understanding
 - what is really important
 - what can and cannot be compromised
 - project management, risks and appropriate sequencing of decisions.
- *Vigilance* – Take responsibility for relationships and
 - actively look at the market and building costs
 - monitor delivery
 - resolve risks and issues
 - collaborate to optimise outcomes.

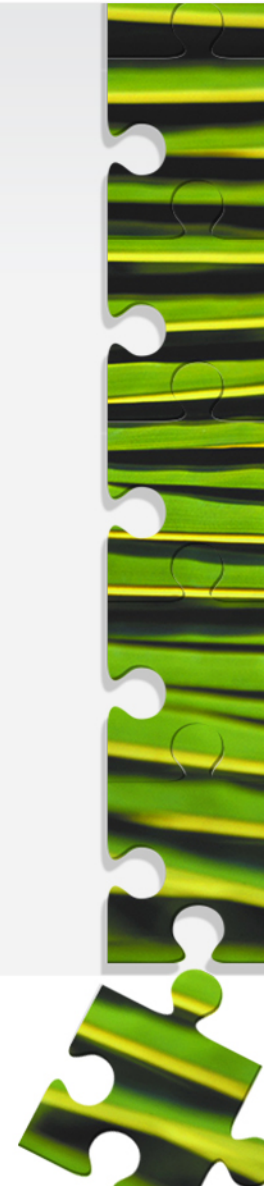


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Barriers within but mainly beyond

- Limited and uncertain capital funding which:
 - exacerbates the impacts of high house prices
 - fuels building costs
- Inability to forecast income even with the IRR.
- Uncertain and tangled legislative reform
- Segment focus rather than system generates
 - chase the funds
 - destabilising
 - ineffective
- Resource Management Act and the Building Act



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Community housing sector needs to:

- Promote its unique position within housing procurement of new builds
- Work with the building industry
 - Interns for young architects and designers
 - Engage with apprenticeships
- Position itself for the future
 - Understand and respond to the big trends
 - Understand the boundaries between partnership, collaboration and agent

