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

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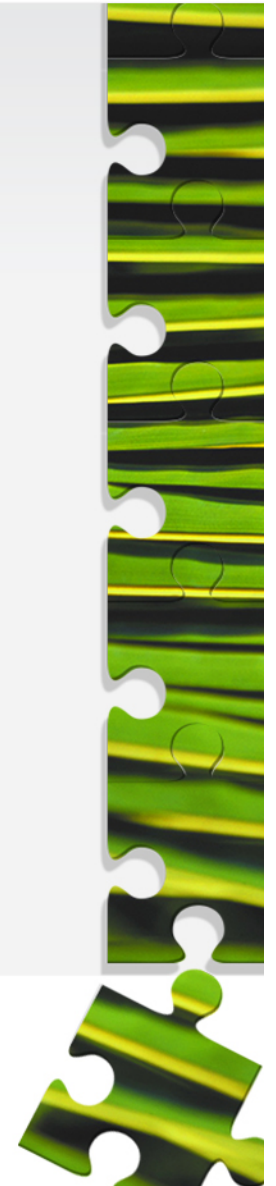


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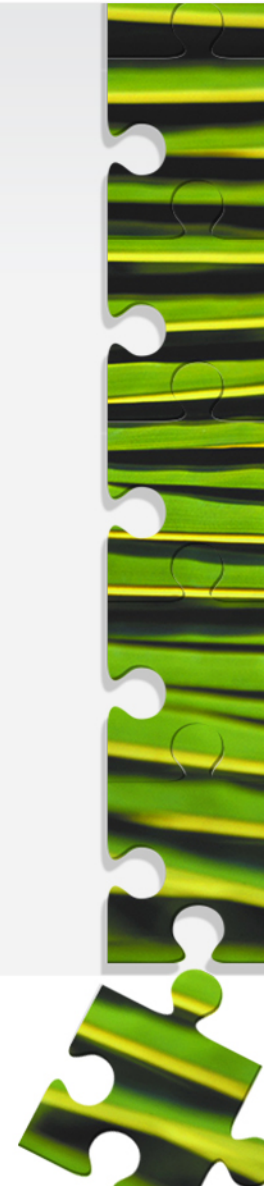
## Community Housing Providers

- 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



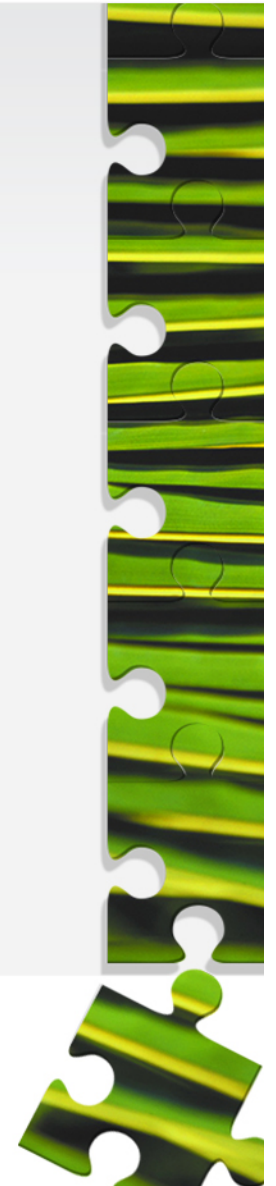
## Community Housing Providers

- 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

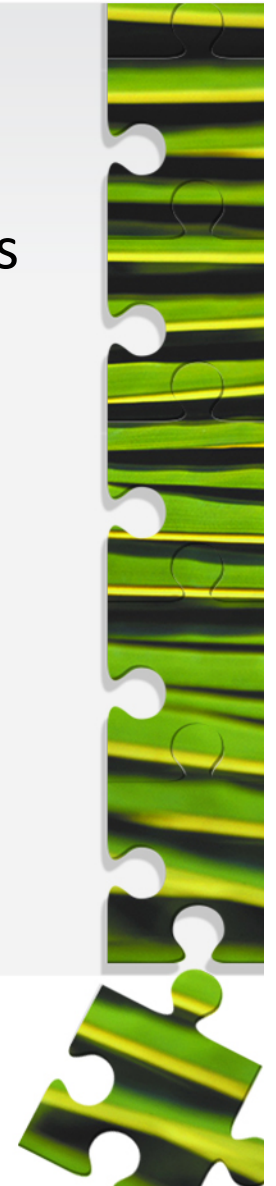


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## Stock Acquisition

- 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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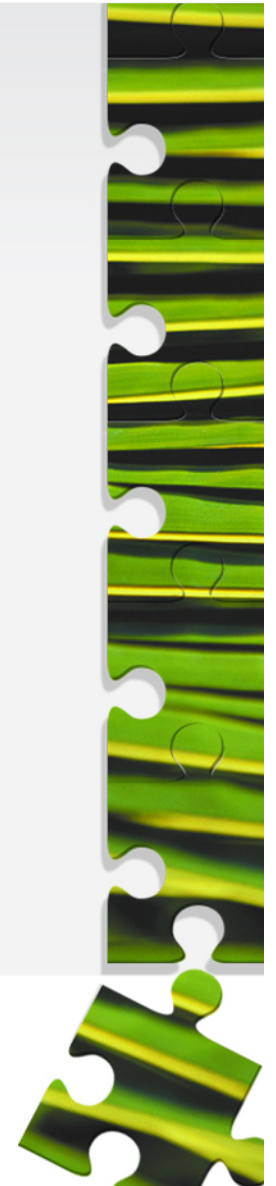
## Community Housing Providers Deal with Complexity

- 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.



## 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.

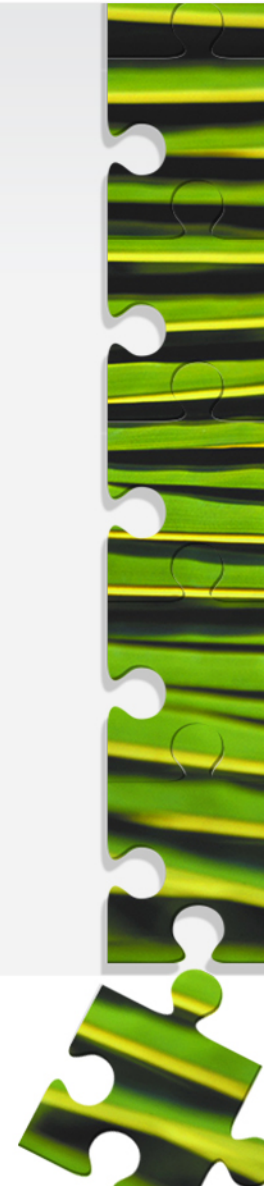


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## Barriers within but mainly beyond

- 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

