

Final Draft Research Project Brief – Housing Affordability (17 July 2012)

Background

The current SmartGrowth Strategy contains a section on affordable housing as part of enhanced lifestyles.

The Strategy comprises the following principles in terms of affordable housing:

- To have sufficient affordable housing which provides for low income residents as well as supporting the sub-region's future labour force.
- General acceptance that without Local or Central Government intervention, the market will be unable to provide adequate affordable housing.
- That Central Government has the primary responsibility of providing social housing.
- That residents' different spatial and cultural needs are recognised.
- That affordable housing provides security and enhances the well-being of the community.
- Affordable housing to be well designed and well presented, and a source of pride for owners and occupiers.
- Affordable Housing is constructed from quality materials that last.

What We Know

A significant challenge facing the western Bay of Plenty sub-regional community is Housing Affordability. This relates to both rental and housing ownership. This problem primarily arises through a long period where housing inflation, especially between the years 2000-2008, significantly outstripped the rate of income growth and the high cost of sections and building a new home.

Housing affordability is a complex issue with many contributing factors. There have been a number of housing affordability initiatives in recent times, such as the Commerce Select Committee Inquiry into Housing Affordability in 2007, the Affordable Housing : Enabling Territorial Authorities Act 2008 which was subsequently repealed, a number of research projects and studies into the issue undertaken by the Housing New Zealand Corporation and the Centre for Housing Research, and the recently released Housing Affordability Inquiry report from the Productivity Commission.

Housing affordability is a complicated area and there are no single or simple solutions to the problem. There are a limited number of solutions which the Strategy Update can use to help ease Housing Affordability issues. To date the Government has responded to the problem by indicating

that if more land is zoned for residential development, then housing will become more affordable. This approach ignores the costs of servicing the additional land and landbanking. The sub-region is facing a number of challenges that contribute to housing affordability. They include (but are not limited to):

- Income (the ability to meet housing costs and/or save to purchase a house);
- Rents and house prices (level of payment required);
- Finance (cost and availability of credit to borrow to purchase a house);
- Demographic factors (household formation rates and migration inflows);
- Labour market conditions (income security and wage/salary rates);
- Supply factors (rental stock, 'first-purchase' housing stock, new buildings, and vacant developable/sub-dividable land);
- Declining affordability due to less housing stock in the under \$400,000 bracket;
- Housing types not always reflective of the changing demographic profile – for example insufficient supply in the one and two bedroom market;
- Housing supply and section size not reflective of the affordability profile in the Western Bay;
- Land values increasing significantly since 1997 which is having a marked impact on affordability.

In order to try and address some of these issues the sub-region has focussed on:

- Ensuring that new housing sites come on the market at the lowest possible cost reflecting the most efficient servicing and regulatory consent processes;
- Considering housing affordability impacts when new growth areas are being identified and costed;
- Accepting that larger areas of new development are likely to be more affordable given the economies of scale for servicing;
- Continuing to advocate to Central Government in relation to household income and other government financial levers, eg tax relief, which could make housing more affordable;
- Encouraging developers to pilot some higher density housing examples and to learn from successful developments which currently exist, eg Urban Ridge in Tauranga City;
- Continuing to implement the Papakainga Housing Toolkit;
- Investigating the use of incentives for affordable housing developments.

Project goal

Collate and summarise options and initiatives on housing affordability in the WBOP sub-region including best practise examples from New Zealand and internationally and recommend solutions for the sub-region and the collaborative partnership structures required to deliver them.

Project Manager

Antoine Coffin, Tu Pakari

Project Scope

This project reviews approaches across New Zealand and applies them to a western Bay of Plenty context.

It is expected that this work will be completed by late October 2012.

Project Inputs

- SmartGrowth Housing Affordability Forum and TCC submissions to Productivity Commissions Inquiry report
- Tauranga City Council documented workshops with elected members and the development community (via Andy Mead).
- The report from the Productivity Commission's inquiry into housing affordability.
- Housing Stock and Demand reports from TCC and WBOPDC.
- The CRANZ report on affordable housing.
- The schedule of ways housing affordability could be increased prepared by this group.
- Case studies of Maori housing development successes (eg Mangatawa).
- University of Waikato demographics study and house type preferences
- Barriers to building on Maori multiply-owned Maori land.
- Commerce Select Committee Inquiry into Affordable Housing, 2007
- Papakainga Toolkit
- Affordable Housing Issues and Options for Consideration by Management Board, by Western Bay of Plenty District Council 2012.
- Assessment of Development Feasibility for the Wairakei Urban Growth Area

Project Outputs

- Identification of the factors that have driven the increased cost of building a house and how many of these factors are influenced by SG;
- Recommendations for initiatives and solutions and identification of the collaborative arrangements required to influence them;
- Recommendations on actions that local government and other agencies can take;
- Recommendations on what 'affordable housing' means for developers;
- Table with key data for WBOP based on demonstrating the extent of the problem to our sub-region.

Methodology (breakdown of phases and key tasks)

1. Literature review
2. Project Team meeting
3. Interviews with key partner and industry people
4. Identification of key issues identified from literature and feedback from partners.
5. Matrix - Identification and assessment of tools, alignment with outcome area and appropriateness, mechanisms and processes for resolving barriers or challenges
6. Draft report
7. Presentation to Housing Affordability Forum and other forums
8. Edits from feedback
9. Presentation to IMG, CTWF, SGIC

Project Resources

Liz Davies, WBOPDC
HAF Technical Group
Ken Tremaine, Programme Advisor
Andrew Mead, TCC

References relied on:

Affordable Housing Issues and Options for Consideration by Management Board
Productivity Commission: *Affordable Housing*
SmartGrowth: Issues and Discussion Paper: 2012

Consultation requirements

Affordable Housing Forum – feedback on brief and input into research report
WBOPDC staff
TCC staff
Developers Forum
Annie Hill (Technical Group)
Links to PATAG
SmartGrowth Strategic Partners

Timeframes

Identify the milestones that are necessary in order to achieve the output in the timeframe agreed by the Research Working Group including work-shopping and signoff with SGIC.

1	Project inception meeting	August
2	Literature review	August
3	Identification of key issues identified from literature and feedback from partners.	August

4	Analysis of data and literature results	Sept
5	Summary of current western Bay of Plenty projects and activities	Sept
6	Identification of key themes or combinations that would be appropriate for western Bay of Plenty	Sept
7	Draft report completed	Oct 2012
8	Presentation of draft report to IMG	Oct 2012
9	Presentation of draft report to SGIC	21 Nov 2012
10	Peer reviews completed	Nov 2012
11	Presentation of findings to IMG	4 Dec 2012
12	Presentation of findings to SGIC	19 Dec

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Executive Summary

Background

**Private
Not-for profit Sector
Maori Housing**

Matrix

Recommendations