

Working Paper One: Issues, Goals and Options for Further Consideration

For the development of a Community Housing Strategy, Prepared for Queenstown Lakes District Council - September 2004

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Table of Contents

1	Introduction.....	1
2	Background.....	3
3	Issues.....	6
	3.1 Suggested Issues	6
	3.2 Discussion / Explanation of the Issues	6
4	Goals for the Strategy.....	11
	4.1 Goals and their Relationship with Community Outcomes.....	13
5	Options.....	14
	5.1 Broad-level Assessment of Options.....	14
	5.2 Assessment Criteria to be Used when Evaluating the Options	17
	5.3 Initial Assessment of Options	18
6	Possible Options to Take Forward	22
	6.1 Timeline.....	25
7	Summary and Recommendations	26

1 Introduction

The Queenstown Lakes District Council has decided to develop a Community Housing Strategy.

This working paper is part of the second stage in the development of this Strategy. The purpose of this working paper is to assist the Council in developing the issues and goals that will guide the strategy.

The first stage of the development of the strategy involved the preparation of a report on the nature and scale of housing affordability issues facing the district. Subsequent stages of the project will assess options in more detail and develop a preferred Strategy. The process to develop the strategy is outlined in Table 1. Stage 5 contains reference to a Community Housing Trust. The need for such a Trust has already been established through a specific development proposal. The exact purpose and scope of this Trust will be decided through the Strategy development process.

Table 1: Process to develop a Community Housing Strategy

Stage	Actions
Stage 1	Nature and scale of the problem (this stage is completed).
Stage 2	Issues, Goals and Options report.
Stage 3	Refinement of preferred options.
Stage 4	Draft Action Plan and recommended Community Housing Strategy (including the Action Plan).
Stage 5	Agreement to the Strategy and development of the structure of a Community Housing Trust.

To assist with the preparation of this report, a Draft Issues, Goals and Options Discussion Paper was prepared and circulated to interested parties. A number of meetings and discussions were held during mid-July with people and organisations with an interest in housing issues, using the discussion paper as a basis for debate. The Council's Affordable Housing Working Party also reviewed the discussion document.

Feedback on the draft Issues, Goals and Options paper has highlighted agreement on the issues and goals but areas of uncertainty and debate relating to options. A range of issues have been identified relating to the options, and further investigations are required before a clear set of options can be presented to the Council and the community for their considerations. The options that need to be considered, and in particular those areas where further investigations are required, are set out in the next section of the Working Paper.

After considering this Issue, Goals and Options report and conducting the further investigations outlined in the report, the Council will then need to decide which specific methods should be taken forward for detailed assessment. Based on this detailed work, it will then develop a draft Community Housing Strategy. Consultation on this draft Strategy is expected to occur at the beginning of 2005.

2 Background

Access to affordable housing is very important to a range of community outcomes that have been defined by the Queenstown Lakes District community over the last two years.

The following outcomes are from the Council's Council Community Plan (2004):

- *Growth managed in a sustainable way*
- *A safe and healthy community that is strong, diverse and inclusive for people of all age groups and incomes*
- *High quality urban environments respectful of the character of individual communities.*
- *A strong and diverse economy.*

The Stage One report on the nature and scale of the affordable housing problems facing the District noted the close links between housing and these outcomes. This report defined affordable housing as follows:

Housing is considered to be affordable in the QLDC area if households can access adequate housing by spending a maximum of 30% of their gross income. This figure reflects the additional costs households face in the Queenstown district, including higher heating costs and other household running costs. It also reflects the make-up of the community and the economy, and in particular the reliance on service and trade workers for the continued economic vitality of the settlements. ... there is a concern about the number of households who are unable to purchase affordable housing yet who contribute to the diversity of the community, are long-term residents of the community and/or are essential for local economic vitality and quality of life.

The term "adequate housing" includes the suitability of the dwelling to meet the specific needs of the household, in terms of size (not being overcrowded for example); the quality of the design and construction of the dwelling and its facilities and services, including reasonable physical condition, energy efficiency and privacy; and the suitability of the location enabling the household to access employment, shops, school and community facilities without long trips by car.

There are a number of distinct yet interdependent housing sub-markets within the district – both by type of tenure (for example, short-term seasonal rental, long-term rental and owner occupation) and by location (for example, Queenstown's housing sub-markets differ from those in Wanaka). The analysis in The Housing Affordability in Queenstown Lakes District Report (the Stage One report) of the short-term rental, longer-term rental and owner-occupier sub-markets is summarised at the back of this paper.

The size and characteristics of these different sub-markets is hard to estimate because of a lack of hard data. The most comprehensive picture of tenure, incomes and housing costs comes from the 2001 Census. This data was collected before the recent surge in rental, land and house values.

Figure 1 shows the broad differences between the Queenstown and Wanaka markets, at the 2001 census. The Queenstown urban area has a larger rental market than Wanaka. In contrast, Wanaka has a larger home ownership market, with a higher proportion of homes owned without a mortgage.

Figure 1 Tenure by Settlement, 2001

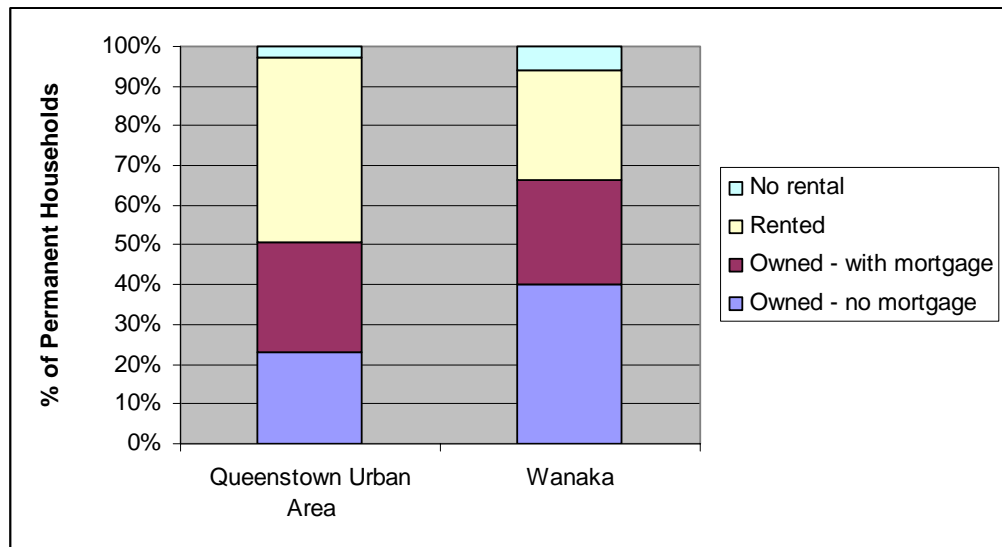


Table 2 below is based on material set out in the Stage One report. It provides an estimate of the percentage of households which are likely to face high housing costs (more than 30% of gross income), at 2001 and then in the future, given certain assumptions relating to rental and mortgage costs.

Table 2 Percentage of Households Facing Affordability Issues

	Rental market		Owner-occupier market	
	Queenstown urban area	Wanaka	Queenstown urban area	Wanaka
Past (2001) - % of existing permanent households in settlement likely to be spending more than 30% of their gross income on housing costs ¹	14 %	11 %	Not known ²	Not known ²
Future - % of new, permanent households likely to be spending more than 30% of their gross income on housing costs	Up to 35 %	Up to 23 %	Up to 17 %	Up to 20 %

¹ Based on the description of affordable housing set out above.

² Census does not record the amount people pay in mortgage payments.

The figures relate to permanently occupied dwellings. They therefore do not cover the second home / holiday home market. They also do not fully cover the seasonal / transient worker market who are not likely to be fully counted by census data, partly due to the timing of the census (during the shoulder period) as well as coverage.

A number of assumptions have had to be made to develop the figures contained in this table, including:

- The spread of incomes (the % of households in different income bands) remain the same as 2001. This is an uncertain assumption, especially for new households who may be in higher income brackets compared to current households.
- Households desire for rental versus home ownership remain the same as 2001. Also the proportion of households who own their house out-right (no mortgage) remain the same as 2001.
- For the future scenario, 2001 incomes have been inflated by 10% while rental and mortgage costs have increased by roughly 30%, which broadly matches the trend for the last few years.

On the basis of these figures, and the expected population growth over the next 20 years, the number of households requiring some assistance to access housing could be very large indeed. However the Strategy may wish to concentrate Council's efforts in particular areas.

3 Issues

The Community Housing Strategy needs to be based on a clear set of issues. These issues will help to justify the need for the Strategy and the particular actions that it proposes.

3.1 Suggested Issues

Consultation on the draft Issues, Goals and Options paper, as well as the Stage One Housing Affordability report, has identified the following issues:

<p>Issues:</p> <ol style="list-style-type: none"><i>1. An increasing shortage of affordable housing which market forces will not address, given current trends</i><i>2. Restricted access to affordable housing is having adverse economic, social and environmental effects.</i><i>3. There are specific barriers to the efficient operation of market forces with regard to the provision of affordable housing in the QLDC area.</i><i>4. Not all of the affordable housing issues identified are being managed by the various agencies. Many people who are experiencing housing affordability issues are not receiving any assistance and the individual actions of various agencies and the private sector are not integrated and therefore may not be as effective as they could be when actions are co-ordinated.</i>

3.2 Discussion / Explanation of the Issues

The draft Issues, Goals and Options discussion paper suggested that the Community Housing Strategy should perhaps focus on one or two issues, rather than a wide range of issues. However there was little support for this approach from the people spoken to. It was generally felt that the Strategy needs to address all of the major issues, but that it may give particular prominence to specific issues when considering actions and techniques that the Council will lead.

This approach reflects the interconnected nature of housing issues, namely:

- Affordable housing has economic, social and environmental dimensions associated with it, and it is difficult to try to unbundled these different dimensions.

- The housing market in Queenstown Lakes District is complex, with a number of sub-markets (short-term rental, long term rental, owner occupier, investment, second home, visitor accommodation) that interact.
- Many different organisations are involved in the provision of housing and Council's role needs to be clearly defined so that it does not overlap with these other organisations.

In general, there is significant agreement that the QLDC area faces a number of particular housing issues. Left unmanaged, these issues are likely to have long term effects on the economic, environmental and social well being of the area. While some people had the view that left unchecked, a lack of affordable housing will have a stabilising effect on growth rates (higher house and land prices will see economic growth checked, which in turn will slow population and housing growth), there is not widespread support from the people spoken to that the community should rely on this type of feedback process to work. If anything, this type of approach will tend to reinforce an economy focused on the short-term needs of a mass tourism market, heavily reliant on a transient workforce. Nevertheless, the strategy does need to help market forces to work better than they do at present with regard to the supply of affordable housing.

1. There is an increasing shortage of affordable housing which market forces will not address, given current trends

This issue recognises that there are many indications that housing in the QLDC area will become less affordable over time. Due to natural environment constraints, limited land supply, a strong commercial market (which favouring visitor accommodation /lettable apartments developments in higher density areas, rather than rental units aimed at the resident population), a seasonal pattern to the economy and a large second and third home market, house and land prices for the local home market are likely to continue to outstrip increases in incomes for the foreseeable future. Market forces are unlikely to address this issue, given current trends and policy settings. Only a sustained down turn in the economy is likely to see relief, and this is a strategy that the community are not willing to rely on.

2. Restricted access to affordable housing is having adverse economic, social and environmental effects.

This issue recognises the inter-connected nature of the problems. Important aspects are:

- Economic. The development of a high quality visitor-based economy, as well as the diversification the economy, will require a stable, skilled labour force. Access to affordable housing will be important to this transition.
- Social. A lack of affordable housing is seeing fewer families move into the area, and higher rates of turn-over of households as individuals and couples stay for only a few years. The functioning of the community is dependent, to a certain extent, upon building networks and relationships. Having some stability in the community will assist with the development of these networks.
- Environmental. Traditionally, lower cost housing has been provided on the fringes of settlements and/or in satellite settlements. In Queenstown, accommodating affordable housing in this way would have significant adverse effects on the natural environment. In Wanaka, there are some options along

these lines, but these options are limited due to the need to use future urban land for a variety of uses, and because outer lying settlements do not wish to become dormitory settlements.

3. *There are a number of specific barriers to the efficient operation of market forces with regard to the provision of affordable housing in the QLDC area.*

Market forces will need to play an important role in the provision of affordable housing, and the Strategy needs to encourage this. Community-led actions need to work alongside normal market operations, not replace them. This recognises the fact that the public sector in the area is not large. In terms of the housing sub-markets identified, the following issues are relevant:

- Short-term rental. While there is market interest in providing this type of housing, the trend has been to convert longer-term rental units into shorter-term rental units. There are only a few purpose built developments for seasonal workers. Planning controls may need to be reviewed to ensure that opportunities for different forms of short term rental are not excluded. Businesses and employers may need to work together to support such initiatives, perhaps pooling their collective efforts to increase the efficiency of the resources that are available.
 - Longer-term rental. The short term rental market, as well as the visitor accommodation market, put pressure on this market. As a result, the long term rental stock appears to be declining and few purpose built, long-term rental developments are proposed which are aimed at the resident market. There is a need to reduce the pressure from the short-term and visitor accommodation markets on this segment of the market. There is also a need to ensure key workers have access to secure rental accommodation.
 - Owner-occupier market. This market appears to be affected by the high prices driven by the second home and investment home market. There is a growing deposit gap which is seeing individuals and couples unable to get on the owner-occupier housing 'ladder'. Some form of transitional home ownership may be needed to provide a bridge between the rental and owner-occupier market.
- 4. *Not all of the affordable housing issues identified are being managed by the various agencies. Many people who are experiencing housing affordability issues are not receiving any assistance and the individual actions of various agencies and the private sector are not integrated and therefore may not be as effective as they could be when actions are co-ordinated.***

Table 3 lists the main actions that the key players currently undertake that have an influence on access to and supply of affordable housing.

Table 3 Current / existing actions relating to affordability of housing in the Queenstown Lakes District.

Agency	Short term rental	Long term rental	Owner-occupier
<i>Market-place (developers, investors, land owners)</i>	Generally have met demand through conversion of existing premises.	A large number of apartments are coming on-stream, but are mostly directed at the visitor market.	<p>Have attempted to provide more affordable sections, but lower cost sections are often brought by investors and on-sold at much higher costs.</p> <p>Little incentive for residents to buy into apartment type developments due to uncertainty about use/occupancy of the rest of the surrounding units (in the development or vicinity), for example whether they will be used for visitor accommodation or permanent residence</p> <p>The Jack's Point development has agreed to provide a contribution to affordable housing of 5% of the value of the development, to be available in the form of land, housing and cash.</p>
<i>Central government</i>	No specific actions	<p>Provides income assistance for low income households. Around 250 people receive assistance.</p> <p>Provides 14 rental units in Queenstown and 6 in Wanaka</p> <p>Housing Innovation Fund is available for locally developed schemes.</p>	Provides income assistance for low income households.

Agency	Short term rental	Long term rental	Owner-occupier
<i>Businesses / employers</i>	Some businesses do provide space for workers. They may own houses or they may lease houses for workers	Businesses do try to help workers find longer term rental, but are often frustrated by the limited stock available.	Some businesses do report helping valued employees to find a house and some may provide assistance with a deposit or help provide some guarantee to assist with finance. However the practice is not widespread
<i>Council (Planning and other regulatory functions; direct provision)</i>	No specific actions, although a number of policy documents have highlighted problems. The High Density Residential zoning allows for short term rental developments, such as Boarding type houses.	Does provide a small stock (14 units in Arrowtown and Wanaka) Some cribs / units are available at the Queenstown camp ground (ground lease), although it is noted that these expire in the foreseeable future Rates differential between visitor accommodation and domestic rental may assist with reducing the pressure of the visitor market on the longer term rental market. However, it doesn't seem to be influencing the market. The high and low density residential zonings allow for affordable rental stock to be built, but market pressures mean that few if any developments are provided.	Capacity for a substantial number of homes available under the District Plan, but more affordable options are limited by competition from the visitor accommodation sector (and 2 nd and 3 rd home sector), while there are fewer opportunities in lower cost areas.

4 Goals for the Strategy

Having defined the issues, the Strategy will need a clear goal or goals. The following goals also take into account the Community Outcomes listed in section 3.

The suggested overall goal for the Strategy is:

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| <p>1. To increase access to quality, affordable housing that is integrated into the community so as to support the community's outcomes related to the economic, social and environmental development of the QLDC area.</p> |
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This goal reflects three main 'pillars' of a long-term sustainable affordable housing strategy. At a high level, the Strategy needs to signal that it was not just a matter of increasing the supply of affordable housing. Affordable housing also needed to be of good quality and integrated into the community.

Quality therefore refers to:

- the suitability of the dwelling to meet the specific needs of the household, in terms of size and layout; and;
- the quality of the design and construction of the dwelling and its facilities and services, including reasonable physical condition, energy efficiency and privacy.

Integration therefore refers to:

- the suitability of the location enabling the household to access employment, shops, schools and community facilities without long trips by car; and
- all suburbs and settlements having some affordable housing, avoiding an over-concentration of affordable housing in some areas.

Within this overall goal, the Community Housing Strategy should contain some more specific goals that can direct local action. In terms of improving access to affordable housing, it was considered appropriate to break-down access by sub-market. It is likely that any affordable housing scheme that goes beyond a focus on income as the sole criteria for assistance will need to contain additional criteria about who should be eligible for assistance. For example should assistance be directed at:

- Local permanent residents, or
- Committed local residents

Committed or permanent in this sense would mean a person or household that had lived in the area for a number of years, and therefore who is likely to stay on if they receive some form of housing assistance from the community.

Alternatively, or in conjunction should the scheme be directed at people important to the functioning of the local economy, for example:

- people who hold key positions in/ make key contributions to key industries
- people who hold key positions in/ make key contributions to important community infrastructure
- people who have expertise, knowledge, experience in a certain field?

The answer to these questions are ones that the community need to debate and discuss. It is recommended that some criteria be developed that start to shape the direction of the strategy. To this end, the following Goals are suggested:

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| <ol style="list-style-type: none">2. To facilitate initiatives to increase the supply of affordable quality housing for rent to seasonal workers, as an end in itself, as well as the flow- on benefits it will bring to the long term rental market.3. To develop a sufficient supply of quality, affordable, and secure rental property to meet the needs of committed local residents employed in key industries that are important to the economic and social wellbeing of the community4. To support the development of the owner-occupier housing market for committed local residents in key industries that are important to the economic and social wellbeing of the community and that ensures retention of this housing as affordable housing. |
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These goals reflect the particular issues facing the QLDC area, in terms of both market pressures and current actions, as discussed in the section on issues.

- Short term rental market – the focus here is on facilitating market responses to the growing problems associated with housing the seasonal workforce.
- Long term rental market – this is an important area in terms of economic development. The size of this market, as well as the amount of investor interest and the development opportunities available in the area would suggest that the market place should be able to respond to the demand for rental stock. Current obstacles to this may need some intervention, particularly to address security of tenure issues. In the longer term, the focus may become one of facilitating market processes.
- Owner-occupier market – having a pool of affordable housing will help individuals, couples and families get established in the town, and act as transition between rental and ‘full’ ownership.

The focus on people who are long term / committed local residents in key industries that are important to the economic and social well being of the community reflects the fact that any locally-driven housing scheme should directly benefit the community and the economy and needs to work alongside other initiatives, not replace them. In particular a local scheme should not replicate central-government schemes aimed at supporting low income households.

4.1 Goals and their Relationship with Community Outcomes

The following table links the suggested goals back to the community outcomes listed at the start of Section 2.0. The table shows the extent to which the goal is important in achieving the outcome.

Table 4 Goals and Community Outcomes

	Growth managed in a sustainable way	A safe and healthy community that is strong, diverse and inclusive for people of all age groups and incomes	High quality urban environments respectful of the character of individual communities.	A strong and diverse economy
Overall goal	√√√	√√	√	√√
Seasonal workers	√	√	√	√√√
Long term rental	√	√√	√√√	√√
Owner-occupier	√	√√√	√√	√√

√√√ = the goal would make a significant contribution to the achievement of the outcome
 √ = the goal would make a valuable contribution to the achievement of the outcome.

5 Options

The draft Issues, Goals and Options Discussion Paper set out four broad options. To focus discussion, only realistic options for intervention were described. This is primarily because it was easier to respond to specific options than to general directions. And, it was hoped that this would generate more ideas and different options.

The four options described in the Issues, Goals and Options discussion paper are set out in Appendix Two. There are a number of variations to each of the options that should be considered, and the final Strategy is likely to involve a mixture of the options.

5.1 Broad-level Assessment of Options

Discussions associated with the draft Issues, Goals and Options paper highlighted a range of issues with regard to the options presented. Further investigations are required before a clear set of options can be presented to the Council and the community for their considerations. The options that need to be considered, and in particular those areas where further investigations are required, are set out in the next section of the Working Paper. The following is a general discussion of the options highlighting points raised during consultation.

5.1.1 Option 1 – Monitoring and Advocacy

It was felt by most people that the Council should be undertaking these sorts of actions as a matter of course. The Council needs to work with other agencies, especially Central Government and the privates sector to tackle the problem. However it was noted that central government’s objectives and agencies will not necessarily totally overlap with the community’s objectives. For example, one option may be to request that Housing New Zealand (HNZ) invest in the area and expand its rental stock. However this may have an unintended consequence of attracting lower income households into the area. HNZ’s focus is as a provider of last resort, with a heavy emphasis on housing people with particular social disadvantages. In the case of QLDC, the issue at stake involves people on moderate to average incomes unable to gain access to housing, and so HNZ policy may not recognise the needs of this group. In terms of income support, central government already provides income support for lower income households, and while the Council could ask that this income support be lifted, it may be hard to achieve this in isolation, just for the QLDC community.

In terms of advocacy, a number of people mentioned that the Council could have a role in helping households which are working full time, such as through helping to expand child care facilities in the area, and supporting a budgeting advice service. Is this council’s role?

A retention mechanism (a way of keeping affordable housing affordable into the future) will need to be developed, if any form of locally driven affordable housing scheme is developed. This retention mechanism should be developed in conjunction with financial and real estate interests to ensure that it is compatible with the local market. The council could take a lead role in helping to develop this mechanism.

Monitoring will also need to be addressed by the Council, and specific monitoring actions will be developed in Stage 3 of the project.

While not mentioned in the options paper, the Council could set up a Community Housing Trust to undertake the types of advocacy and information actions outlined above. Should the Strategy decide to pursue additional actions, such as planning incentives or requirements to provide affordable housing, then the Trust could play an important role in administering the stock of housing developed by such a process.

5.1.2 Option 2 – Planning Incentives.

Incentives via the planning system to provide affordable housing are likely to be an important part of any affordable housing scheme, and developers are likely to favour this route. However care will need to be taken with how such incentives are put in place. There is concern that:

- The market place will only take up some of the incentives, perhaps leading to a concentration of affordable housing in only some areas or in association with only some types of development.
- To work in the long term, the affordable housing units created will need to be administered by some form of public body, unless the scheme is simply focused on increasing the supply of affordable housing in general, but with no regard to the retention of the units created.
- Incentives based on development opportunities (such as increased densities in return for some affordable housing) imply a trade-off with planning standards that seek to protect amenity, such as minimum section sizes. Such trade-offs need to be carefully arranged so that affordable housing does not become an excuse for poor quality development.
- Incentives that rely upon faster processing times for developments that involve an affordable housing component are likely to be administratively difficult to introduce, given current structures. There are also likely to be problems if the non-affordable housing component of such developments involve significant resource consent issues, such as notification, design review etc.
- Retention mechanisms (ensuring that affordable housing is retained as affordable housing) are very important, and before incentives are put in place, workable retention mechanisms would need to be in place and agreed to.

The other area where gains can be made would be in the adjustment of some current planning policy. As mentioned, somehow splitting the higher density zone in Queenstown into a visitor accommodation sector and a residential sector could help to develop the residential component, providing some security to owners and renters that they live in a residential area.

Planning incentives are likely to take 2 - 4 years to put in place and there is a fairly significant cost involved.

5.1.3 Option 3 – Working with Businesses

This option would seek to combine current private sector initiatives into a coherent strategy. The option would rely upon the co-operation of businesses, the benefit being that through collective action, greater efficiency could be obtained. Promoting the idea that by collectively helping to provide affordable housing for workers, businesses in the QLDC area may be able to better attract and retain staff would be important to gain buy-in to the scheme. However as with any voluntary scheme there is always likely to be problems of free loaders and businesses putting in unequal resources. There would also be difficult issues associated about how contributing businesses gain access to the housing provided by the scheme.

Nevertheless, some further investigation would be warranted, especially relating to the short term rental market. Some form of business-based programme could be developed relatively quickly if businesses were willing to participate. As with other options, some form Trust may have to be established to be a vehicle for the preparation and delivery of such a scheme.

5.1.4 Option 4 – Development / Financial Contributions

One area repeatedly mentioned where the Council could take a lead approach in the provision of affordable housing would be through the development and/or sale of its own landholdings. The Council could use its resources in this area, even if limited in amount, to set the direction for a locally run affordable housing scheme.

In conjunction with the HNZ's Innovative Housing Fund and other developer provided funds, the Trust could begin a pilot project fairly quickly.

However, longer term, an affordable housing strategy that has a significant local component to it while require a dedicated funding stream. Development contributions under the Local Government Act, and the Resource Management Act are possibilities, although both would be new initiatives in New Zealand. While there are hurdles to be over come on this route, long term, if the community is serious about affordable housing, then this will be an important mechanism.

Under the LGA, development contributions for community infrastructure are possible, and this could include assets such as housing for older adults. The definition of community infrastructure in the Act relates to land or assets that provide public amenities. However it is debateable as to whether this could be stretched to include housing for workers or longer term residents. A change to the Act may therefore be required.

The draft New Zealand Housing Strategy (2004) signals the need for local government to trial such initiatives and QLDC could be an ideal case for this. However the Council may not wish to progress down this path until it has some assurance from Central Government that it will be an active participant in the process.

Setting aside questions of legality (which need to be clarified as a starting point) the main questions likely to be raised by such initiatives are whether the contributions are equally applied to all forms of development (such as Business and Residential development), and the extent of such contribution. The contribution could be designed to have a small impact on development finances. The contribution (whether it be in the form of land, money or units) could be structured so that the additional (affordable) units provided can be provided over and above normal density limits, for example.

The number of units that such a scheme could provide would need to be assessed. It may be that such a local contribution scheme is targeted at assisting specific classes of households, such as key workers, and that this be the driver for the scale of the contribution scheme, rather than a set percentage of units per development. The reasoning being that Central Government should take on the primary social welfare function, while there are a range of actions that could be used to facilitate provision of housing related to the short-term workers. The greatest gap from a local perspective is therefore related to key workers.

Furthermore the scheme may be further refined by attempting to develop a relatively small pool of houses available for workers meeting specific criteria, with the aim being to provide a realistic stepping stone between rental and full ownership.

Such a scheme is only likely to be achievable in the medium term (5 plus years) and as with other schemes, retention mechanisms are critical.

5.2 Assessment Criteria to be Used when Evaluating the Options

The Strategy will require a set of criteria to help determine final options and priorities.

Two over-arching criteria are:

Efficiency:

- Will the option be efficient in its use of public and community resources, with minimum waste of resources during implementation?

Effectiveness:

- Will the option be effective in achieving desired outcomes?

More specific criteria are:

Sustainability:

- Will the benefits be sustainable in the long term?

Equity:

- Does the option treat people in similar circumstances equally?

Strategic fit:

- Does the option line up with the Council's wider strategic vision as stated in the LTCCP?

Risk:

- What are the chances and consequences of the option failing?
- Is it robust against unforeseen events?
- What factors lie outside the control of the council that might affect the success of the option?

- Can these risks be managed by avoiding, containing or mitigating them?

Acceptability:

- Is the option acceptable to local councillors, to central government stakeholders, to the local community, to other stakeholders?

Ease of implementation:

- Does the council currently have the capacity and skills to undertake the option?
- Does the option rely on co-operation and / or partnership with other organisations that may be difficult to establish and maintain?
- Does the option require resources, such as finance, land, skilled personnel, that may be difficult to find?
- Are there likely to be legal impediments that may be difficult to overcome?

5.3 Initial Assessment of Options

The following tables provide a general assessment of the options, using the criteria established in Section 5.3 and drawing upon the discussion above. Table 5 deals with the two main criteria and Table 6 deals with the more specific criteria.

Table 5 Over-arching assessment criteria.

Broad options	Efficiency of public resource use	Effectiveness in achieving goals
Advocacy / monitoring / information	Limits direct costs to QLDC residents and businesses	Relies upon other parties, especially Central Government to respond to the particular concerns of the QLDC area
Planning Incentives	Will require additional administrative resources in terms of resource consent administration to assess and monitor incentive schemes	Relies upon market place to use the incentives. There is therefore uncertainty over the rate and scale of the uptake.
Working with businesses	Council or stand-alone Housing Trust will need to devote resources to working with businesses	Businesses are most likely to help address seasonal worker accommodation
Development / financial contributions	Will require a strong commitment from the Council and will impose additional costs on all development in the areas affected.	While unlikely to be able to address all issues and concerns, direct intervention can be targeted to specific types of households that are very important to the local economy and community.

Table 6 Specific assessment criteria.

Broad Options	Sustainability	Strategic fit	Risk	Acceptability	Implementation
Advocacy / monitoring / information	Effectiveness will be heavily dependent upon the skills and capacity of the people involved	Has a good strategic fit in that efforts can be directed to all outcomes	The main risk is that advocacy and information will make little impact on the fundamental problems	The acceptability to Central Government of greater involvement in the district will need to be tested	Will require specialist staff to provide the level of advocacy, information and co-ordination required
Planning Incentives	Long-term sustainability of such a scheme is unknown. As most profitable incentives are taken up, additional incentives may need to be provided	May be a conflict, (depending upon design of the incentives), with a desire to promote high quality development	A risk is that the incentives are not taken up – either they are not large enough to be used, or the development market provides better returns in other forms of development	Likely to be acceptable to developers	Will require the introduction of new provisions into the District Plan
Working with employers/ businesses	Long-term sustainability is questionable	May not directly address the issues to do with community mix and well being	Main risks are that only some businesses will be actively involved	The acceptability of such an approach would need to be confirmed	Will require on-going effort to maintain as new businesses arrive and other change or alter ownership

Broad Options	Sustainability	Strategic fit	Risk	Acceptability	Implementation
Development / contributions	Once in place and accepted, then such schemes should be sustainable provided that retention mechanisms work and there is a stream of development to fund continued investment	Fits well with strategic intentions to ensure that development is well managed and the costs of growth are internalised	Risk that setting up such a scheme will get tangled up in debate for many years	Acceptability of a contribution scheme to the development community will need to be tested. Alternative forms of ownership will need to be accepted by home owners as well as financiers	The legality of a contribution scheme needs to be established

6 Possible Options to Take Forward

Table 7 sets out possible options that the Strategy will need to consider further. The intention of this table is not to set in concrete a particular direction, but rather to focus assessment of specific actions. The establishment of a Community Housing Trust is likely to be a core action that the Council should take. The actual mandate of such a Trust and the actions that it would become involved in is dependent upon the direction that the Strategy takes.

Table 7: Possible Options

BROAD OPTIONS	Short term rental market	Longer term rental market	Owner-occupier market
<p>Advocacy / monitoring / investigations</p>	<p>Work with businesses to track housing needs for seasonal workers</p> <p>Work in partnership with the various parties involved in the rental market to ensure awareness of rights and responsibilities of landlords, tenants and sub-tenants, and of housing standards and council’s enforcement powers.</p> <p>Work in partnership with EECA, local Trusts, other interested organizations and community groups to implement energy efficiency retrofitting projects, targeted to lower income households.</p>	<p>Continue to monitor affordability trends by undertaking bi-annual surveys of the rental housing markets in the district.</p> <p>Work in partnership with the various parties involved in the rental market to ensure awareness of rights and responsibilities of landlords, tenants and sub-tenants, and of housing standards and council’s enforcement powers.</p> <p>Work in partnership with EECA, local Trusts, other interested organizations and community groups to implement energy efficiency retrofitting projects, targeted to lower income households.</p>	<p>Continue to monitor affordability trends by undertaking bi-annual surveys of homeownership costs in the district.</p> <p>Work in partnership with EECA, local Trusts, other interested organizations and community groups to implement energy efficiency retrofitting projects, targeted to lower income households.</p> <p>Develop and implementation of retention mechanisms, to ensure that affordable housing remains affordable into the future. Retention mechanisms could include:</p> <ul style="list-style-type: none"> • the use of deed restrictions or covenants to limit the capital gain on resale of a dwelling and to restrict occupancy to local long-term residents or local employees; • the adoption of shared equity schemes or Community Land Trusts models, to encourage a form of tenure that provides more security than renting and some appreciation on capital invested (but places limits on capital gain).

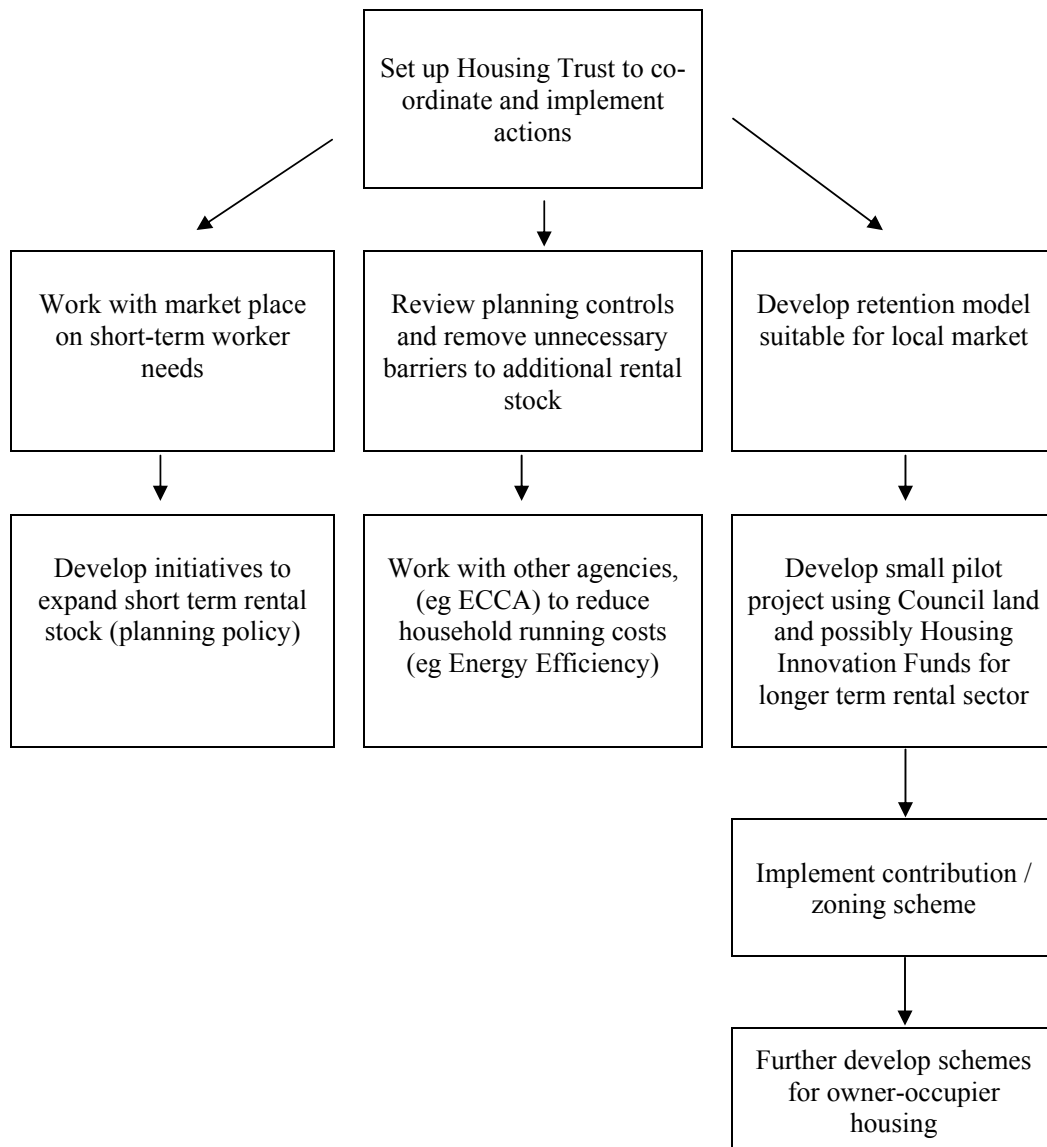
BROAD OPTIONS	Short term rental market	Longer term rental market	Owner-occupier market
Planning incentives	Remove unnecessary barriers to non-traditional types of accommodation	<p>Consider increased density for developments with an affordable housing component, for example, by allowing additional dwelling units, reducing minimum lot size, increasing the maximum site coverage and other controls.</p> <p>Consider minimizing the cost to the affordable housing developer of infrastructure and facilities.</p> <p>Make a distinction between higher density visitor accommodation areas and higher density residential areas. There are RMA / District Plan issues associated with such an approach that need to be investigated.</p>	<p>Consider increased density for developments with an affordable housing component, for example, by allowing additional dwelling units, reducing minimum lot size, increasing the maximum site coverage and other controls.</p> <p>Consider minimizing the cost to the affordable housing developer of infrastructure and facilities.</p> <p>Make a distinction between higher density visitor accommodation areas and higher density residential areas</p>
Development / financial contributions		<p>Investigate the potential for a development contribution under the LGA / RMA. Possibly link the contribution to density bonuses.</p> <p>Consider the potential to use HNZ Innovation Fund for a pilot scheme</p>	<p>Investigate the potential for a development contribution under the LGA / RMA. Possibly link the contribution to density bonuses.</p> <p>Use council land to seed a “deed restricted” small scale housing scheme. Use other voluntary payments to further develop such schemes</p>

6.1 Timeline

The possible Strategy could also be represented as a flow chart, with the council and other agencies steadily building up expertise and a range of actions over time. Resource Management based process will take time to get into place, and so some form of pilot scheme may be warranted in the interim.

A body will need to drive the implementation of the strategy (whether it be an strategy to develop a pool of locally managed affordable units, or whether the strategy takes on a more facilitative role). A Housing Trust could be established with the ability to undertake both roles.

The following diagram is for information purposes only.



7 Summary and Recommendations

The draft Issues, Goals and Options report, the feedback to this report and consideration of the issues by the Working Party has highlighted a number of areas where further work is needed before decisions on options can be taken.

There is general agreement as to the Issues and Goals that should shape the Strategy. Further work is required on options. The options outlined in Table 6 should be taken forward for assessment, but to enable this assessment to be carried out fully, a number of areas needed to be looked at in more detail.

Based on this work, the Council will then be presented with a more clear set of options to consider, and based on these options, will then be able to commence Stage 3 of the report.

The following recommendations are suggested to complete Stage Two of the project:

1. Work focus on further refining the issues and goals set out in this report.
2. Investigate and undertake analysis of the Options set out in Table 6, and in particular to investigate:
 - a. a realistic set of actions that could be taken by businesses and the market place to address the seasonal worker accommodation issue.
 - b. what actions could be taken to adjust the planning system to facilitate the development of the longer term rental stock, and the owner- occupier market. For example advocating more use of the residential flat rule, relaxing development contributions payable on res flats
 - c. Work with Central Government on the feasibility of introducing, over time, a development contribution scheme under the LGA, or an inclusionary zoning scheme under the RMA.
 - d. Scope possible retention mechanisms and discuss these with the financial and real estate sector. For example achieving split equity ownership models, deed restricted type arrangements where capital gains are limited and the house has to be sold back to a Trust or a community land trust type arrangement.
 - e. Investigate the ability to seed the development of a local pilot housing scheme through the use of council land (or money from the development thereof), the Government's Innovative Housing Fund, and other sources of private funds.

OPTIONS

Option 1: To provide information and advice, advocacy and lobbying for change by:

- working in partnership with the various parties involved in the rental market to ensure awareness of rights and responsibilities of landlords, tenants and sub-tenants, and of housing standards and council's enforcement powers.
- ensuring that the Ministry of Housing is made aware of any particular difficulties in the rental sector in Queenstown that need consideration in the current discussions on ways to improve housing quality and in the review of legislation for the private rental sector.
- lobbying central government to:
 - develop and implement a more secure longer-term rental option for local residents as an outcome of the current review of legislation.
 - support the introduction at the national level of more innovative home ownership programmes, such as deposit assistance and shared equity models.
 - ensure that the various home ownership assistance schemes being offered through Kiwibank address the housing affordability circumstances in Queenstown.
- working in partnership with EECA, local Trusts, other interested organizations and community groups to implement energy efficiency retrofitting projects, targeted to lower income households.
- providing advice, information and support to higher income households and landlords about the benefits of undertaking energy efficiency improvements.
- undertaking bi-annual surveys of the housing markets in the district, and of the affordable housing needs of the major employers.

Option 2: To identify and wherever possible reduce impediments to, or create incentives for, the development of affordable housing by the private sector by:

- identifying sites that are the most suitable for affordable housing.
- introducing stream-lined planning processes for developments with an affordable housing component.
- considering increased density for developments with an affordable housing component, for example, by allowing additional dwelling units, reducing minimum lot size, increasing the maximum site coverage and other controls.

- minimizing the cost to the affordable housing developer of infrastructure and facilities.
- providing for additional mixed-use in conjunction with affordable housing in some locations.
- facilitating partnerships between the private sector and non-profit local organizations (such as a Community Housing Trust) and community organizations and with central government to ensure a range of resources is brought to the development and appropriate management of affordable housing on those sites.
- requiring, in exchange for these incentives, the introduction of a retention mechanism, to ensure that the housing created remains affordable into the future.

Option 3: To create opportunities for small and larger local employers to address housing need by:

- facilitating a source of finance and other resources (including skills and expertise) that brings together contributions from employers, the Council, central government and private sector organizations, to invest in affordable housing developments. And structuring the resource /financial investment package so that employers have an incentive to encourage their employees to move into these dwellings.
- identifying and if need be land banking appropriate sites for short-term rental and longer term residents housing.
- addressing planning and design issues, to facilitate affordable housing on these sites. And, in particular, planning for non-traditional housing for the short-term rental market.
- facilitating appropriate management of the short-term rental properties.
- working in partnership with bodies such as Destination Queenstown to address the fluctuations in the seasonal labour market.

Option 4: To create an affordable long-term residential market by:

- adopting an incentive-based or mandatory inclusionary zoning scheme, in which new residential developments will provide a proportion of the development for affordable housing or as a financial (or development) contribution for affordable housing.
- establishing a Community Housing Trust (CHT) as a non-profit organization, with a single mandate: to enable all households in the Queenstown Lakes District to live in housing that is affordable by increasing the supply of affordable and adequate housing.
- directing the financial (or development) contribution to the Community Housing Trust, to enable it to achieve its goal.

- supporting the establishment of partnerships between the CHT, central government, local Trust Board, the private sector and community organizations as appropriate.
- supporting the development and implementation of retention mechanisms, to ensure that affordable housing remains affordable into the future. Retention mechanisms could include:
 - the use of deed restrictions or covenants to limit the capital gain on resale of a dwelling and to restrict occupancy to local long-term residents or local employees;
 - the adoption of shared equity schemes or Community Land Trusts models, to encourage a form of tenure that provides more security than renting and some appreciation on capital invested (but places limits on capital gain).

ISSUES ASSOCIATED WITH PARTICULAR SUB-MARKETS

Short-term rental

- The market place should be able to respond to the needs of this segment, but there is likely to be continuing periods of crisis, as demand outstrips supply.
- Supply constraints may negatively impact on business growth and when demand is high, this sub-market impacts on the longer-term rental market.
- There are a range of barriers to businesses providing housing to attract and retain lower paid workers, including transaction costs and management issues. Collective action may be a more efficient way of dealing with this segment.
- To provide for this sector, the Council may have to enable non-traditional ways of housing short-term workers.
- The Council also has a role to ensure that basic health and safety standards are maintained.

Long-term rental

- This is a large part of the overall housing market, especially in Queenstown, and one that is likely to increase.
- Having some stability in this market is likely to be very important to the business community, with rental levels critical in attracting and retaining middle managers and junior professional staff.
- Stability is also important for families and the elderly.
- Given current land and house prices and the location of available capacity to add to the housing stock in Queenstown and Wanaka, real rental levels are unlikely to substantially decline.
- The size and importance of the visitor accommodation market means that there will be continued competition for sites between the two markets.
- Consequently the outlook must be for stable or reduced rental affordability in the medium term, under a business-as-usual scenario. This could have a substantial effect on the economy of Queenstown.

Owner-occupier market

- This market segment is particularly important to the longer-term economic health of the district.
- Traditional locations of more affordable housing, appear to have become much less affordable in the past few years.

- There is capacity for the stock of housing to expand in the short to medium term, but given fast population growth rates, this may not help to relieve pressure on the housing market.
- The market place is likely to respond to the growing affordability gap. In Queenstown, at least, the apartment market is likely to expand into the owner-occupier market.
- To develop a stable base of more affordable, market-rate housing, it may be necessary to identify areas for more intensive development that cannot be taken over by the visitor accommodation market, and ensure that these areas have attractive amenities.
- The areas for more intensive residential development would need to be large if they are to meet market needs, but it seems unlikely that the market will respond to this degree.
- As a result, over time home ownership affordability is likely to worsen in Queenstown at least.