

# **Community Housing Strategy – Queenstown Lakes District Council**

## **Stage III Working Paper – Strategy Development**

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# 1 Introduction

## 1.1 Purpose of Working Paper

The purpose of this working paper is to further investigate issues associated with the development of a Community Housing Strategy for Queenstown Lakes District Council.

This Working Paper is part of Stage III of a five stage process. These stages are as follows:

| Stage   | Actions   |
|---------|---|
| Stage 1 | Understand the nature and scale of the problem. This stage is completed. This stage involved a report on the nature and scale of the housing problems facing the district.  |
| Stage 2 | Goals, issues and options paper<br><br>A paper on realistic options was prepared and consultation on this paper undertaken with the Council's Working Party and focus groups, before reporting the findings to the Council.<br><br>At the end of Stage 2, Council considered the working paper.<br><br>Public feedback on the options was then called for.  |
| Stage 3 | Refinement of preferred options.<br><br>This stage involves analysis (i.e. work on "fleshing out") of a number of issues. This includes an analysis of alternative forms of Housing Trusts. Particular tasks involve understanding the governance, legal and capability issues associated with the options, and the extent to which the options would meet the goals of the strategy.<br><br>The stage ends with the preparation of a draft Strategy. |
| Stage 4 | Draft Community Housing Strategy (including the Action Plan)<br><br>This step will involve developing up the actual strategy,   |

|         |   |
|---------|---|
|         | setting out the actions that the Council will need to take to implement its chosen strategy, including monitoring provisions. The questions of “who, what, and how” will be clarified.  |
| Stage 5 | <p>Developing the structure of the Community Housing Trust.</p> <p>This stage will be dependent on the outcome of Stage 4 whereby, if the housing strategy determines that such a Trust is to be set up, it will be recommended that a) the Strategy is adopted and b) that the Trust be established.</p> |

## 1.2 Content of Working Paper III

This Working Paper provides comment and analysis on the matters set out in the following table. These matters were identified at the completion of Stage II as being relevant to Stage III.

| Stage III – Areas of work           |   |
|-------------------------------------|---|
| 1) Comments on report from Stage II | <p>Comments on the Stage II report were invited from the public. A summary of these comments is provided.</p>   |
| 2 Nature and scope of Housing Trust | <p>A discussion paper has been prepared setting out the main issues that will need to be addressed in the establishment of a Trust, and possible criteria that the Trust may need to use relating to the delivery and retention of affordable housing. Comments on this paper are provided.</p>                   |
| 2 Central government policy.        | <p>Continual liaison with Housing NZ (central government housing policy advisors), Ministry for the Environment and other agencies is suggested as the strategy takes shape.</p> <p>Investigation of current policies and consideration of the possible use of Innovative Housing funds has been carried out.</p> |

|                           |  |
|---------------------------|--|
| Stage III – Areas of work |  |
| 3                         | <p>Analysis of possible sources of funding</p> <p>For example, land holdings and/ or targeted rates. An initial desk top scan of potential funding sources is needed.</p>  |
| 4                         | <p>District Plan issues</p> <p>This work highlights areas for subsequent more detailed consideration in relation to possible modifications to District Plan rules, including removing barriers and possibly introducing linkage type requirements.</p> |
| 4                         | <p>Demand and supply</p> <p>This exercise draws on current sources of data, and at a high level, sets out the likely demand for affordable housing, given different assistance criteria and different sources of funding.</p>                          |

## 2 Comments on Stage II Report

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### 2.1 Council feedback

A report presented to the Council in September 2004 sought feedback from the Strategy Committee of the Council on the Working Paper produced as a result of Stage 2. At the Strategy Committee meeting on 14 September 2004, it was recommended:

*That the Strategy Committee provide feedback on the Working Paper*

*That the Committee endorse the general direction set out in the Working Paper in relation to the Issues and Goals stated in the Paper*

*That the Committee highlight any options or techniques that need to be further investigated*

*That the Committee release this Paper, with any amendments suggested by the Strategy Committee, for further public feedback / information.*

In response, the Strategy Committee resolved the following:

1. *That the Committee endorse the general direction set out in the Working Paper in relation to the recommendations on Page 26 but with priority in the following order:*

*(a) 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.*

*(b) 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 or private funds.*

*(c) 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.*

2. *That the Committee recommend that the Trust be established immediately.*
3. *That the Committee release this paper, with any amendments suggested by the Strategy Committee for further public feedback.*

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## 2.2 Public Feedback

The Working Paper was placed on the Council's website.

Seven written comments were received. These are attached as Appendix Two.

The comments present a number of views about affordable housing. These views need to be addressed in the development of the strategy.

The comments can be summarised under a number of headings:

### **Nature of the problem and need for intervention**

Some of the comments clearly show that people feel it is a lack of income / wealth that is the problem, not housing costs. In their view, businesses should pay higher wages if they struggle to find and retain staff. Ratepayers should not have to subsidise business costs.

### **Role of Council**

Related to the issues of who pays, some of the comments state that council-related actions should not move beyond advocacy and monitoring. Council should not put money into affordable housing or purchase or build affordable units. In the same vein, Council may best help affordability issues by looking to cut rates, minimise costs of development and lobby for tax cuts.

Some submitters felt that central government should take responsibility for access to housing, not local government.

Others noted that some council-owned land could be developed for affordable housing.

### **Possible methods**

A common theme was that if businesses are creating the problem, then businesses should work together to help solve the problem. Council should have a role in facilitating this, especially in terms of the short term worker market. Some form of incentive may be appropriate.

One business owner commented that while they provide assistance for workers, this does come at a cost. The same submission notes that they are also worried about higher development and running costs required by Council, and that affordable housing schemes would add more costs, which might deter businesses from investing in the area.

One comment stated that the possible closure of camp grounds would adversely affect many short term workers.

While planning incentives to encourage more affordable units were supported by some people, a common concern was that affordable housing provided by such schemes may be low cost housing.

One comment suggested that rather than build and own properties (or sell them to qualifying households) it may be better and more effective for the Trust to subsidise the rent of qualifying individuals.

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### 2.3 Implications for the Strategy

The comments have the following implications for the Strategy:

1. There is a need for some sort of communication programme at the time of the release of the Strategy. This is to ensure that the purpose of the Strategy and why it is needed are clearly articulated. Related to this is to demonstrate the type of housing that may be provided – what it may look like and what it would mean for people already living in the area.
2. Council-led action, beyond advocacy and monitoring, needs to be justified in terms of what the alternatives are.
3. The costs involved in implementing the Strategy, and who pays these costs, need to be identified, especially any potential impact on the ‘average ratepayer’.

## 3 Housing Trust Scoping Paper

A scoping paper on a possible Housing Trust was prepared and circulated to the Council's Working Party and other interested parties.

The Scoping paper raised the following issues with regard to the Trust:

- Overall Purpose of the Trust
- Status of the Trust
- Board of Trustees
- Aims of the Trust
- Powers of the Trust
- Geographic Ambit of the Trust
- Criteria to Help Direct Resources to Certain Outcomes, Groups and Areas
- Retention and Ownership Mechanisms.

The following comments were made by the Council's Working Party, as well as other people consulted in relation to the issues set out in the Trust Scoping Paper.

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### 3.1 Overall Purpose of the Trust

- Include definition of affordable from earlier papers
- Trust should be called Queenstown Lakes District Community Housing Trust
- Need to review options in terms of whether an arms length from the Council. For example, can the Trust receive funds gathered by Council, for example development contributions under the LGA, if it is at arms length?

- Funds for the Trust could initially come from Jacks Point and possibly a transfer of some freehold land from the Council. Also possibly the Government's Housing Innovation Fund
- Council may provide (by way of grant from general rates) opex costs for a period of time
- Longer-term, will need to look at other funding sources like development contributions – but these can only be levied by Council for Council-initiated projects. Can Councils still collect funds but then contract Trust to deliver housing?
- It is important that the overall purpose of the Trust clearly establish a basis for the charitable nature of the trust. The purposes will need to be looked at carefully as regards to the primary objects and purposes for which the Trust is to be established
- Need to be careful about an objective which states what is affordable housing and what is not on the basis of assessing a percentage of gross income

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## 3.2 Trust Deed

Board of Trustees. Need to specify:

- Up to 8 members
- At least two from each of the interest / skill groups set out in the Scoping Paper
- Refer to at least two community representatives
- Three year term
- Rolling replacement

Extent of council involvement in running the Trust – debate about this. Trust likely to need some form of oversight / support – best if Council provides this?

- Trust members likely to have to be appointed by Mayor / CEO, especially in first instance
- Could think about elections for Trustees, but this will cost money

Payment of Trustees – With Charitable Trust, Trustees not normally paid for their efforts

With public funds at risk, with the nature of the property market in Queenstown, with the nature of the types of donations / contributions coming from developers, with the possibility that perhaps some form of cost will be placed on consents etc. in relation to contributions to the housing scheme, Council would require to retain some form of control

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### 3.3 Aims and powers of Trust

Need to re-arrange this section. Trust should:

- Give effect to the Community Housing Strategy
- Quality of housing provided important, more important than quantity
- Provide housing for selected groups
- Promote partnerships with others
- Advocate for other agencies to do their bit
- Develop funding and implementation measures

The aims need to be worked through keeping in mind not only the aims of the project as a whole, but also the importance of ensuring that the aims and objects qualify the Trust for charitable purposes

In terms of powers / responsibilities:

- Trust should be required to develop an Annual Plan.
- This Annual Plan should be approved by the Council
- Quarterly reporting to Council on financials / progress
- Additional powers - employ staff
- Actions need to be in relation to pursuing the aims of the Trust, i.e. related back to Trust Deed.

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### 3.4 Ambit / Criteria / Retention

#### **Ambit**

- Support idea of communities of interest – Queenstown / Wakatipu and Wanaka “wards” in relation to housing provision – funds / land from Wanaka will need to stay in Wanaka, same for Queenstown area
- Not limit things to 15km distance, but within Ward

#### **Criteria / eligibility**

- Trust should work with Council on eligibility criteria
- Must be derived from Strategy
- Fairly tight criteria in the first instance
- But leave this fairly open at this stage in terms of Trust Deed

#### **Retention**

- Need to explain retention mechanisms more
- Is a Community Land Trust a different entity from Community Housing Trust?
- There would need to be not only encouragement for people to get out to buy their own property, but also restrictions on persons house-sitting on affordable housing when they perhaps have got investments outside the affordable housing area

## 4 Central Government Policy

This part of the Working Paper reviews current and proposed Government policy related to affordable housing. A number of initiatives are underway that are likely to result in the development of policy over the next two to three years. Affordable Housing policy will have a strong Auckland focus to it, and QLDC should participate in relevant national and regional forums to ensure that their needs are also considered.

What is apparent is that central government actions are unlikely to solve all housing problems. Government will not have the resources to provide enough income support to all households facing housing problems, or be able or willing to significantly increase affordable housing stocks.

Possible government funding sources are discussed in Section 5.0.

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### 4.1 Housing Strategy

A key initiative of the Central Government is the preparation of a New Zealand Housing Strategy. A draft Strategy was released for comment in 2004, and a final strategy is expected to be ready in a few months.

The discussion document for the draft strategy: 'Building The Future: Towards A New Zealand Housing Strategy' proposes a framework that includes a vision, a set of principles to guide and influence future housing policy and activity, and a series of actions under six priority areas:

- improving housing assistance and affordability
- responding to housing markets under stress
- innovative home ownership programmes
- developing the private rental sector
- improving housing quality
- building capacity and capability across the housing sector.

In terms of Queenstown Lakes District the discussion document (and eventual strategy) has a range of implications, including:

- Central government will not solve all housing problems – there is an emphasis on partnerships and working together to solve problems.
- The Government is keen to support not-for-profit housing providers, and funding sources may be specifically targeted at such groups
- The Government is signalling a role for local council involvement through planning controls and through development contributions under the Local Government Act.

Relevant actions listed in the draft strategy include:

- *Support expansion of social housing and alternative social housing providers (including hapu/iwi, community sector and other not-for-profit groups) by using the Housing Innovation and Local Government Funds to encourage retention, expansion and improvement of social housing stock.*
- *Explore structural options, such as regional trusts and housing associations that could strengthen and improve the efficiency and quality of social housing provision by local authorities.*
- *Trial the use of planning and zoning instruments, such as inclusionary zoning and developer incentives, to increase the supply of affordable housing for rental and for purchase in high pressure areas.*

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## 4.2 Sustainable Development Programme of Action

The Sustainable Development Programme of Action was launched in January 2003. Sustainable Cities is one of the four key work streams identified in this Programme. The Auckland region was identified as the first candidate for action, reflecting its status as New Zealand's largest urban area, its rapid population growth, cultural diversity and economic under-performance. The regional sustainable cities work programme is a joint undertaking between government agencies and local government in Auckland.

A critical aspect of this pilot programme is the definition of a joint action plan and a series of projects over a three year period. The programme identified covers the following key areas:

- Auckland Regional Development Strategy (AREDS)
- Sustainable Communities
- Migrant Settlement
- Investing in Child and Youth development

- Urban Form, design and development
- Transport and Urban Form
- Auckland Provisions of the Local Government Act (1974)

This is a whole of government programme involving many departments. Overall responsibility rests with the Department of Prime Minister and Cabinet, the Ministry of Economic Development and the Ministry for the Environment.

Housing affordability is being considered as part of the Sustainable Cities strand. While no policy papers have been completed, it can be expected that a number of actions to promote affordable housing will be investigated, including inclusionary zoning under the RMA.

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#### 4.3 Urban Affairs Statement of Strategic Priorities

The Government agreed to develop a statement of strategic priorities to give focus to the urban affairs portfolio in August 2003. This is also linked to the Sustainable Development Programme of Action, and the Sustainable Cities action area.

The purpose of the Statement is to develop a strategy for the whole of government management and coordination of urban affairs. This includes identification of key issues and priorities for action, and is focused on implementation and governance at a national government level.

The components of the Statement are likely to include:

- Key urban issues facing urban New Zealand;
- A framework for priority setting;
- Priorities for central government management and coordination of urban affairs.

A draft Statement is likely to be released for consultation in the early part of 2005, with the final statement to be completed by June 2005. This is being developed by MfE in conjunction with other government departments and local government.

Examples of the issues being considered (and from which the above components of the Statement of Strategic Priorities are likely to be derived) include:

- Planning, provision and funding of infrastructure (both networks and major facilities)

- Quality of the built environment
- Providing for a more inclusive society
- Multi modal transportation provision and land use (demand) management
- Population/demographic changes, needs and responses
- The need for urban research and for an urban information base
- Capacity, skills and education for urban management
- Urban and especially metropolitan leadership and governance.

Discussions with relevant central government officers indicate that affordable housing will be considered as part of this work, but there are few details at this stage.

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#### 4.4 2005 Budget

Recent media attention has highlighted comments from the Labour-led government that they will address housing issues in the forthcoming budget. However no details are available.

Measures are being developed at a time when a number of groups and commentators are canvassing housing issues. From the perspective of asset accumulation and household wealth, the NZ Institute makes the point that falling home ownership rates may have long term consequences to the community's economic and social well being. Other commentators point to the need to increase wages and salaries so that they keep up with surging house prices, while others suggest that the cost of home ownership needs to fall by removing barriers to new house construction, such as through the removal of unnecessary planning controls.

Generally the points being made reinforce the issues identified in the Stage I report on the nature and scale of housing affordability in the QLDC area – that the issue is no longer confined to certain lower socio-economic groups and is now a main stream issue for the community.

Media reports suggest that actual measures contained in the 2005 Budget may be limited, and may focus on mortgage assistance. For example the New Zealand Herald made the following comments:

*“So far the signs are that the Budget's housing measures - which might cost taxpayers money - will be cautious. Housing Minister Steve Maharey*

*says they will be targeted narrowly at people who earn enough to service a mortgage but can't save enough for a deposit”.*

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## 4.5 Other Research and Policy Papers

A variety of centrally developed policy documents are noting the particular problems faced by Queenstown Lakes District.

### 4.5.1 Local Measures of the Ability of Working Households to Become Home Owners in New Zealand

This study considers housing affordability across the country. It is based on 2001 income and property price data. It looks at the problems faced by working households looking to buy their first home.

First home buyers are defined as households in the 20 to 39 year age bracket, while working households are those with at least one adult in full time employment.

The report looks at the average price of lower priced houses (lower quartile) in different regions in 2001 and then compares this to average household income figures from the 2001 census. The average income of lower quartile households is identified and compared to the lower quartile price for homes in various areas across the country. Two comparisons are made:

- Ratio between house price and average income
- % of lower income, working households unable to afford a modestly priced house.

For Queenstown Lakes District as a whole, the following data is provided:

- A 2 to 3 bedroom lower quartile house was \$195,000.
- The lower quartile income for working households was \$34,400.

This translates into:

- A house price to income ratio of 5.67. That is, the average lower quartile house cost 5.67 times the average wage for lower quartile, working households.
- 70% of first time, working households would be unable to afford a modestly priced house, assuming that the household was to spend no more than three times its gross income.

The report highlights in terms of both these measures that Queenstown Lakes District ranks as number one in the country. That is, the District has the highest price to income ratio, and the largest percentage of first home, working households where income is likely to be insufficient to meet mortgage commitments.

#### 4.5.2 Housing Costs and Affordability in New Zealand. Prepared by DTZ Research for the Centre for Housing Research, Aotearoa New Zealand

This report covers affordability from the point of the demand for affordable housing, as well as the supply of affordable housing.

In terms of local policy the report notes:

*Regional and local government in areas worst affected by affordability problems have been increasingly looking to increase their role to address the issue. This has been facilitated by the passing of the Local Government Act 2002, which has placed local government (regional and local) at centre stage in terms of identifying local housing need and options for meeting that need. While to date, according to our survey, few local government bodies have looked closely at formulating policy around affordable housing, we would expect in the future to see an increasing number doing so. As McKinlay Douglas (2004, p. 18) note, however, different councils quite clearly have different understandings of the nature and extent of both the obligations and potential of the Local Government Act 2002.*

The report recommended further research into housing affordability issues. Important points include:

- Over the last 20 years demand-side interventions have held sway
- More recently there is a growing focus on integrating demand, supply and regulatory-based interventions
- Increased land values have mostly driven increased house costs. A strong emphasis on reducing housing costs may not be warranted, or feasible
- Actions need to consider:
  - Regulatory
  - Government assistance

- Institutional
- Land values
- Other market forces.

The report concludes that interventions will need to be tailored to specific communities and areas.

## 5 Funding Sources

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### 5.1 Central Government

Central government offers two main funding sources for housing provision at the local level. This funding is in addition to the Government's provision of housing through the Housing New Zealand Corporation and the Housing Supplement. The two sources are;

- The Local Government Housing Fund
- The Housing Innovation Fund.

The Local Government Housing Fund aims to encourage councils to retain and increase their existing rental housing by helping fund the purchase of new stock and/or modernising existing stock. Councils are encouraged to work with other councils and community-based organisations to develop innovative ways to provide more social housing specifically targeting:

- low-income households whose specialised housing needs are not being fully met, such as people with disabilities or pensioners
- Low income households whose specific housing requirements are not being fully met by HNZC or the private market such as Iwi/Maori groups, Pacific peoples.
- Low/ modest income households whose housing needs are not met in the private market but for whom no suitable alternative exists.

Interest-free suspensory loans are provided for acquisitions. Where a Council wants to buy or build a property for social housing, an interest free suspensory loan can be provided for up to 50% of the cost of the project. Councils will be expected to meet the remaining cost.

The Housing Innovation Fund aims to encourage not-for-profit, non-government community groups and organisations and Iwi/Maori to increase involvement in providing rental housing and home ownership opportunities for the same target groups as the Local Government Housing Fund. Capital funding, grants and low interest loans are provided for demonstration projects to buy, build or modify rental housing and to develop affordable home ownership opportunities for up to 85% of the total project cost. A condition of capital

funding is that the housing is retained for social housing and that the organisation contributes 15% of the total cost of the project

Both funds have some limitations in terms of being sources of funds for a locally run affordable housing scheme:

- The eligibility criteria tend to focus on low income households, when a QLDC scheme may wish to concentrate on people employed in key industries who may well be on the average wage.
- The Local Government Fund would only be available to a Council-controlled organisation. The Innovation Fund may be available to a stand-alone Trust, but it has a focus on the provision of rental units. It is unclear the extent to which split equity or Community Land Trust type arrangements provided by a QLDC based Community Housing Trust would be eligible for funds.

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## 5.2 Council sources of funding

### 5.2.1 General rates

Affordable housing initiatives could be funded by general rates. However such funding would come on top of other funding commitments.

The 2004 LTCCP for QLDC indicates that general rates are expected rise by an average of 1.2% per annum over the ten years 2004 to 2014. It is very unlikely that any planned expenditure could be deferred to allow for funding of affordable housing schemes.

Rates-based funding is unlikely to be sustained by the council or the community because of concerns that the effects being addressed are being driven from the growth of the economy of the area, rather than being broadly based across the community, and that council should not fund an activity area that is outside the traditional role of the council.

An annual grant could help cover the operating costs of a stand-alone Trust.

### 5.2.2 Targeted rates

Targeted rates are those rates which can be aimed at particular properties which benefit directly from a Council service. These include ward based rates for roading, stormwater, tourism promotion and waste management as well as scheme-based rates for water supply and sewerage. Targeted rates are already

relatively high, and the LTCCP shows an average annual increase of around 3% per annum. However the LTCCP notes that this increase will be largely offset by growth in the rating base.

An affordable housing rate targeted at businesses could be considered, on the basis that it is employment-generating activities that are contributing to housing issues, but there is a range of implementation and compliance issues to consider, including:

- Pressures on houses prices (and hence affordability) are not solely arising from the growth of the economy. There are a range of influences including the holiday and second home market, international speculation and investment trends
- Some businesses provide accommodation, and this would need to be taken into account in determining the targeted rate. This then implies a considerable compliance cost on council
- A threshold size may need to be established so that small businesses (such as 1 and 2 person businesses) are not caught, further adding to compliance issues
- Any monies gathered are likely to be directed at particular types of households, and thus only some businesses are likely to benefit, raising the prospect that many businesses may request exemption from the rate.

Overall, a targeted rate is likely to be hard to sustain.

### 5.2.3 Council Housing

The Council currently holds a minimum number of residential properties. The Council owns four houses in Wanaka and one in Arrowtown, all of which are rented at market rent for the purpose of providing rental income.

The Council has four elderly person apartments in Arrowtown and five in Wanaka. Residents must satisfy criteria regarding their income and assets to be eligible and rent is set below market averages.

The way that these properties are managed could be reviewed, especially if specific affordability criteria should be introduced for the market-rate housing.

### 5.2.4 Land Development

The 2004 LTCCP records that gross sale proceeds of \$32.2m are expected from the anticipated 171 sections at Scurr Heights and \$14.8m from the final 50 sections available at the Commonage. The income from these developments will help pay for much needed capital works over the 10 year life of the

LTCCP. Proceeds from the land development are spent within the relevant Ward.

One option is to identify a proportion of sales proceeds to be devoted to affordable housing, such as 5% of sales, equivalent to the Jack's Point proposal. This money could be directed to a Trust. This would provide an income of \$2.35M over 10 years. However such a diversion of sale proceeds would mean that the shortfall for capital works would need to be funded by rates.

Council's involvement in land development will not be on-going, and so it is a not a source of finance beyond a 10-year horizon.

#### 5.2.5 Investment Land

Council has a portfolio of investment land, covering 82ha and valued in the order of over \$70M. Some of Council's investment landholding could be directed to a Trust to form an asset base in its initial start-up phase. Some of these landholdings could also be developed for pilot affordable housing schemes.

A detailed examination of council's non-strategic land holdings is needed to determine which land holdings could possibly be divested to a Trust or passed to a Council-controlled organisation. An initial scan would suggest that few free hold properties would be suitable for residential development. Some properties could be transferred to a Trust to act as an asset base against which the Trust could borrow, but the area of land involved is likely to be small, perhaps less than a 1ha.

Other options included legal roads that may be stopped (i.e. closed). If suitably located these could be passed to the Trust if they serve no purpose in terms of access or open space.

#### 5.2.6 Development contributions

##### **General contributions.**

The Council will operate a development contribution scheme under the Local government Act from mid-2005. Contributions will be required for:

- Water supply
- Wastewater
- Stormwater
- Reserves/Community Facilities.

A roading and parking contribution will be introduced later in 2005.

Contributions are in the order of \$10,000 to \$15,000 per lot.

At this level, contributions will affect housing affordability at the margins, but the infrastructure costs covered the development contributions have to be faced by the community at some point.

The council could waiver or reduce development contributions for development that provides affordable accommodation, such as developments that are within certain areas and which are below a certain value. However such a provision could be exploited by developments aimed at the visitor accommodation market – it would be hard to retain such developments within the affordable housing pool. An alternative would be to waiver development contributions for units provided by the Community Housing Trust. The Council should develop an exemptions policy to allow for this.

#### **Affordable housing contribution**

One option is to propose a development contribution for affordable housing. The recent Jacks Point agreement provides a one-off example of such a contribution. This contribution was negotiated separately from the resource consent process.

Wider application of development contributions, on a mandatory basis raises a number of questions:

- There are questions as to the legality of such a levy under the Local Government Act. Housing is not a specified asset under community infrastructure.
- It may not be possible to use development contribution funds to help fund affordable home ownership schemes, as this means the asset developed falls into private hands, and is not available to the public in general. Some form of part ownership by the community (such as split equity schemes or Community Land Trusts) may overcome this issue.
- It may not be possible for a stand-alone Trust to receive funds gathered under the LGA by the Council. For the Council to impose a contribution it has to have a plan to deliver the relevant capital works. To this end the Council is likely to have to have an agreement with the Trust such that should the Trust not be able to deliver the proposed capital works (e.g. a certain number of affordable housing units); the Council will have to provide them by

some other means. In other words there will need to a degree of council oversight.

Such are the issues involved; the Council is likely to best address these issues through the work around the New Zealand Housing Strategy, rather than to investigate it themselves.

What is useful at this stage is to understand the possible amount of revenue generated by a contribution regime and the extent to which this contribution scheme may assist in meeting affordable housing needs.

The first question to consider what forms of development may be required to provide such as contribution. Options include:

- Residential and/or non-residential development
- At the time of subdivision or development, or both.

Most affordable housing schemes seek to avoid levying a contribution on small-scale development, for example the development of a single house or an infill-type subdivision. This is because these types of developments can often provide an affordable product.

Further complexities arise from the nature of the different land development markets in Queenstown and Wanaka.

In the Queenstown area, there would now be few opportunities for larger scale residential subdivisions, apart from the planned Frankton Flats development. This narrows the pool of possible contribution sources considerably, although in contrast Wanaka will see larger subdivisions.

Two possible candidates in the Queenstown area are developments aimed at the visitor accommodation market, and larger apartment developments (for example developments involving 10 or more units). Both these types of developments are connected to the tourism sector – the mainstay of the economy - and the growth of these types of activities obviously fuels economic growth, employment needs and housing demands. Although arguable, they are also types of development that may provide affordable units.

Wanaka has fewer apartment and visitor accommodation developments, suggesting that any contribution scheme will need to be directed at larger scale residential subdivisions.

Table 1 sets out data on the value of building permits issued for developments classified as visitor accommodation, for both Queenstown and

Wanaka. A large increase in investment in visitor accommodation is apparent in Queenstown over the two years 2003 and 2004.

**Table 1 Value of building consents for Visitor Accommodation**

| Year           | Queenstown   | Wanaka      |
|----------------|--------------|-------------|
| 2001           | \$8,544,000  | \$1,423,200 |
| 2002           | \$8,445,000  | \$1,000,000 |
| 2003           | \$25,511,475 | \$697,000   |
| 2004           | \$29,386,500 | \$8,780,000 |
| Yearly Average | \$17,971,744 | \$2,975,050 |

Table 2 lists the value of building permits issued for apartment-type developments involving 10 or more units. This data is gathered by Statistics New Zealand, with the accuracy of it dependent upon how building permits are labeled. At the level of an individual Area Unit, like Wanaka, there may be some variability in how the data is categorised.

**Table 2 Value of building consents for apartment developments**

| Year           | Queenstown   | Wanaka      |
|----------------|--------------|-------------|
| 2001           | \$14,916,200 | \$596,000   |
| 2002           | \$8,693,140  | \$1,000,000 |
| 2003           | \$17,947,800 | \$1,000,000 |
| 2004           | \$29,082,000 | \$295,000   |
| Yearly Average | \$17,659,785 | \$722,750   |

Table 3 then takes these figures and calculates possible contribution flows, given 5%, 7.5% and 10% contribution requirements. The top part of Table 3 applies these contribution levels to visitor accommodation developments, while the bottom part applies them to both visitor accommodation and residential apartments.

**Table 3 Possible annual contributions**

| Possible | QT | Wanaka |
|----------|----|--------|
|----------|----|--------|

| Contribution Rate                           |             |           |
|---|-------------|-----------|
| visitor accommodation only                  |             |           |
| 5%  | \$898,587   | \$148,752 |
| 7.5%  | \$1,347,880 | \$223,128 |
| 10%   | \$1,797,174 | \$297,505 |
| visitor accommodation and large residential |             |           |
| 5%  | \$1,781,576 | \$184,890 |
| 7.5%  | \$2,672,365 | \$277,335 |
| 10%   | \$3,563,153 | \$369,780 |

For the Queenstown area, a 5% contribution on larger developments would generate a revenue flow of around \$1m to \$2m per year. For Wanaka, revenue would be much lower.

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### 5.3 Summary

Sources of funding are problematical.

Locally-generated funding is not likely to result in large cash flows. While there are sources of funding, such as council land holdings, proceeds from the development of council land and the Jacks Point agreement, which are available, they are not permanent sources of funding. Some government funding may also be able to be sourced to assist with a locally-derived scheme, but on a project-by-project case.

The funding sources identified would provide a starting point for a locally run affordable housing scheme, and allow time for permanent sources, such as a development contribution scheme, to be put in place.

However given the nature of the property market in the District, and the likelihood of exemptions and minimum thresholds the actual contribution gathered from a development contribution may be a modest amount of money.

## 6 District Plan

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### 6.1 Introduction

This part of the Working Paper looks at the extent to which the current Partly Operative Queenstown Lakes District Plan acts as a barrier to the provision of affordable housing.

The extent to which inclusionary zoning or bonus type provisions could be introduced into the Plan so as to promote and provide affordable housing is also touched upon.

This area of work involved an analysis of the Plan and discussions with relevant council officers.

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### 6.2 Background

A common theme of recent affordable housing strategies is the consideration of the role regulatory and planning instruments can have on restricting the potential for the provision of affordable housing, or actively encouraging its provision.

The report on Housing Costs and Affordability in New Zealand notes:

*With regard to zoning reform Katz et al's review of the literature suggests that getting rid of such exclusionary regulations works. In terms of inclusionary zoning, Katz et al cite several studies, which have assessed the effectiveness of various inclusionary zoning provisions, generally concluding that these programmes provide an effective and low-cost way for local governments to encourage affordable housing production. Katz et al note, however, that such programmes generally do not produce housing units that are affordable to the poorest households and relatively few produce rental housing units. Katz et al's review of the literature shows, however, that the biggest constraint on the effective use of regulatory tools is fragmentation of authority among individual cities and counties. Action at the regional level is often needed to establish and empower regional decision-making bodies and without this level of intervention the use of regulatory tools by individual localities can have only limited impacts.*

### 6.3 Regulatory barriers to affordable housing

The Partly Operative District Plan provides a wide range of opportunities for housing development in both the Queenstown / Wakatipu and Wanaka areas.

Figures on housing capacity provided by the Council in 2003 show the ability to accommodate a further 13,800 dwelling units in the Queenstown / Wakatipu area. See Table 4

**Table 4**

| Queenstown capacity study areas | Additional capacity (dwelling units) |
|---------------------------------|--------------------------------------|
| Fernhill MDR                    | 371                                  |
| Fernhill LDR                    | 52                                   |
| QT Town Centre                  | 0                                    |
| QT High Density                 | 2607                                 |
| QT Hill MDh                     | 232                                  |
| QT Hill LDR                     | 596                                  |
| QT Heights low density          | 238                                  |
| Frankton low density            | 150                                  |
| Remarkables Park                | 1800                                 |
| Woodbury Park                   | 400                                  |
| Quail Rise                      | 128                                  |
| Kelvin Heights Low Density      | 1801                                 |
| Arrowsmith Historic             | 24                                   |
| Arrowsmith LRR                  | 228                                  |
| Arthurs Point                   | 490                                  |
| Lake Hayes                      | 74                                   |
| Carolina                        | 388                                  |
| Jacks Point                     | 1450                                 |
| Millbrook                       | 450                                  |
| Bendermeer                      | 75                                   |
| Waterfall Park                  | 100                                  |
| Meadow Park                     | 100                                  |
| Rural Visitor                   | 1272                                 |
| Wakatipu Rural Res              | 608                                  |
| Wakatipu Rural life             | 93                                   |
| Rural Development               | 100                                  |

This capacity is available for all types of residential development, including homes for permanent residents, holiday homes, second homes as well as visitor accommodation units. These demands will reduce the

opportunities available for permanent residents somewhat. Estimates for the 2003 Growth Options work suggest that around 9,000 dwelling units may be available for permanent residents, given the demands for other types of housing. A reasonable percentage of these units are in higher density areas where more affordable units should be possible. Around 2,500 units could be built in the more affordable areas of the wider CBD, Frankton Road and Frankton Flats.

In Wanaka, the capacity estimates suggest a capacity for an additional 4,100 units. This capacity is based on current operative zonings. The Wanaka Structure Plan identifies further future residential development.

**Table 5**

| Wanaka capacity study area | Additional capacity (dwelling units) |
|----------------------------|--------------------------------------|
| Wanaka Town Centre         | 40                                   |
| Wanaka High Density        | 814                                  |
| Albertown                  | 188                                  |
| North Wanaka               | 1160                                 |
| South Wanaka               | 731                                  |
| Peninsular Bay             | 400                                  |
| Wanaka Rural Res           | 591                                  |
| Wanaka Rural Lifestyle     | 88                                   |
| Penrith Park               | 98                                   |
| Total                      | 4110                                 |

In contrast to Queenstown, there are fewer options for higher density development, with most development being in the form of stand-alone housing. However townships such as Albertown and nearby Luggate provide some options for more affordable homes.

Outside of higher density housing areas, which may not be suitable locations for all affordable housing developments, the Partly Operative District Plan imposes maximum densities - in the order of 1 unit per 450m<sup>2</sup> of land in the Queenstown area. The capacity figures take this potential into account. The minimum area, while appropriate from an amenity viewpoint, will impose a minimum cost on development, especially given the relative importance of land value in the total cost of development. Options to provide additional opportunities in lower density residential areas include provisions for minor household units, and comprehensive residential developments, and these approaches are discussed below.

Turning from the stock of housing possible, to issues associated with the cost of development, there is a general move towards more regulatory controls on more intensive developments as the Council reacts to concerns expressed by the community about the pace and quality of development in both Wanaka and Queenstown. Higher design standards may impose additional costs on development, raising house and unit prices.

For example, the Council is considering changes to its provisions that affect development in the areas higher density zones. Modifications are proposed to rules affecting building set back, height in relation to boundary and building bulk. These changes may reduce the number of units that could be accommodated on a site. However the impact of these changes is unlikely to be substantial in terms of the number of units that may be constructed. Improved standards of design are likely to be beneficial if they help to make higher density living areas more attractive for permanent residents.

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#### 6.4 Opportunities to encourage / provide affordable housing.

The partly operative District Plan already provides substantial opportunities for additional residential and visitor accommodation growth.

Moves to encourage more affordable units through some sort of incentive may not work in these circumstances. Given the large pool of development opportunities already available, there may be little reason for developers to provide some affordable units in return for additional units on a particular site. A further issue is that to create the incentive for these units, possible densities would need to be increased, on the basis that the additional density was achievable only if some affordable units were provided. However the trend at present is to reduce potential densities in return for better quality outcomes. In the current climate the community may not accept a trade-off between more affordable units and greater density of developments.

##### 6.4.1 Future Up-Zonings

While it may be hard to impose an inclusionary zoning provision on current development entitlements, should the council contemplate a significant up-zoning of specific areas, for example the ability to undertake mid to high rise development in parts of the wider CBD area, then the Council should seriously consider some form of density bonus provision. While such provisions will raise questions about the justification of such measures under the RMA, District Plans around the country do provide for a range of density bonuses associated with some

forms of development. For example it is common for density bonuses to be provided for commercial developments in return for public spaces and art works. In the context of Queenstown and the unique and highly valued natural environment within which it sits, some form of density bonus to help provide for the community's economic and social well being should be defensible.

Above a certain height or floor area ratio, additional floorspace could be provided in return for the provision of some affordable units. These affordable units would need to be owned by the Community Housing Trust to ensure that they are retained as affordable units.

A common practice for inclusionary zoning type provisions is to provide the option for the developments to provide the units, or the equivalent money, and this is also a possibility. However this flexibility has led to criticisms of inclusionary zoning schemes that they tend to see affordable housing clustered in particular areas, as developers often prefer to provide a monetary contribution, rather than see the affordable units provided within their development.

#### 6.4.2 Minor Household Units

One area the council is investigating is introducing provision for minor household units. These units would have to be smaller than the main house on a site, and would be available for rent. Currently the Council is considering whether there should be the ability to subdivide off minor household units, that is make them free hold.

The ability to provide minor household units should assist with housing affordability. Any move that increases the stock of dwellings that are available for households should help to manage price increases. By their nature (being smaller than the main household unit) they should also be more affordable. Their location in residential areas should make them more attractive to some households, who might be otherwise deterred from renting or owning apartments or smaller town house in an intensive housing area. The rent from the minor household unit may also assist some households in terms of securing a mortgage.

On the issue of whether minor household units should be retained in the rental pool, or allowed to be sold as free hold properties, and the effect of these alternative forms of tenure on affordability, the big benefit to affordability is likely to come from providing the opportunity for minor household units to be provided.

In Queenstown at least, given the high rate of renting already evident in the community, and the pressure on the rental market from the visitor accommodation and short term worker market, extending the rental stock is likely to provide some further benefit, especially to permanent residents who are likely to want to rent a home in a residential, rather than semi-commercial area. Retaining the minor household unit with the main house is likely to see a control placed on the rent obtained from the unit, and as a result, affordability. By their nature (being in close proximity to the main unit and therefore the landlord and possibly sharing access and outdoor space), rental levels are likely to be less than for a stand-alone rental property. In contrast, once a minor household unit has been subdivided off, it is likely to become part of the normal rental or owner occupier pool.

Separate from the issue of affordability, from the perspective of resource management and planning, the ability to build a minor household unit and then to subdivide off the unit tends to undermine the basis of density and amenity controls that apply to particular zones. The Low Density Residential zones already provide a fairly permissive regime in terms of infill of residential sections. If the intention is to widen housing choices in way that maintains the current integrity of the Plan in terms of density and zone provisions, then minor household units should be retained within the parent lot. If the intention is significantly increase development opportunities in residential areas, across the board, then the density provisions of the Plan should be reconsidered.

#### 6.4.3 Comprehensive residential developments

The District Plan allows for the consideration of comprehensive residential developments in the Low Density Residential Zones. The assessment criteria which apply to these developments could be extended to cover the provisions of affordable housing units as a reason to grant consent to such developments. In other words if the development provides some affordable housing units (it would be desirable that a mix is provided, rather than a development be completely devoted to affordable housing), then this could be taken into account in the consideration of the effects of the development. District Plan assessment criteria would signal that the community would be willing to consider additional units to provide for affordable housing, provided they are part of a planned, comprehensive development. Design standards and criteria would still apply.

This approach would provide an opportunity for the market place to respond in a voluntary way to demands for more affordable housing. It is possible that developers may negotiate with the Community Housing

Trust, or possibly Housing NZ to purchase some of the units in such developments.

Such an approach would need to be backed up by appropriate policy relating to:

- How much affordable housing would be appropriate within a single development (i.e. no more than 20% of units)
- How affordability would be defined (such as the units being offered for sale in a certain price range)
- The retention mechanisms that would be provided to ensure that the housing remains affordable.

## 7 Demand and Supply

The purpose of this section of the paper is to provide some further guidance on the demand for affordable housing and what may be realistic in terms of the supply of housing, given current market conditions in the Queenstown area.

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### 7.1 Demand for affordable housing

Assessing demand for affordable housing needs to take into account the different dimensions of affordability. It is likely that the Community Housing Strategy will need to develop responses to a range of dimensions. As discussed in the Stage II report, the Council may wish to concentrate its efforts on particular sub-markets, for example ownership affordability of middle income households with workers in industries that are important to the functioning of the local economy. This targeting might reflect limited resources, as well as the fact that other players (like Central Government) and businesses are meeting the needs of other markets, such as low income households and households involved in seasonal occupations.

These different dimensions can be described as:

- Income related affordability – affordability problems faced by low income households
- General affordability – middle income households with rental or ownership affordability issues
- Work-related affordability – that is affordability problems of working households who are may be involved in jobs important to the local economy.

There is no reliable data on the size of these different “markets”. Some indications were provided in the Stage One report on the nature and scale of affordable housing problems. This data can be compared to other data on occupations and incomes.

The following table lists the percentage of new households who may experience some form of affordability problems, based on different criteria.

**Table 6**

| Affordability Criteria  | Queenstown | Wanaka |
|---|------------|--------|
| Low income (less than 60% of average household income)  | 17%        | 16%    |
| Middle income households - affordable market rate rental / ownership  | 19%        | 15%    |
| Middle income households, with ownership aspirations and who may be in jobs important to the long term stability of the economy | 6%         | 8%     |
| Total Percentage of New Households with Possible Affordability Issues   | 42%        | 39%    |

These figures involve a range of assumptions which mean that there is a great deal of uncertainty associated with the figures. Some of the assumptions include:

- 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.
- Household's desire for rental versus home ownership remain the same as 2001. Also the proportion of new households who own their house out-right (no mortgage) remain the same as 2001.
- 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.

These rates for different dimensions of affordability can then be translated into the number of houses that might need assistance of one form or another.

The following table comes from the Growth Options work completed in 2003. Table 7 lists the number of households in the two main sub-areas of the District.

**Table 7 Forecast number of dwellings – Occupied Dwellings**

| Area       | 2001 | 2006 | 2011 | 2016  | 2021  |
|------------|------|------|------|-------|-------|
| Queenstown | 4815 | 6107 | 7915 | 10340 | 12692 |
| Wanaka     | 1446 | 2089 | 2868 | 3444  | 4077  |

This table can then be combined with the figures in Table 6 to obtain an estimate of the number of new households that may need some form of assistance.

**Table 8 Estimated number of households facing affordability issues**

| Type of Affordability Criteria                            |        | 2006-11 | 2011-16 | 2016-21 |
|---|--------|---------|---------|---------|
| Low Income affordability criteria                         | QT     | 307     | 411     | 399     |
|   | Wanaka | 124     | 92      | 101     |
| Middle Income Ownership and Rental affordability criteria | QT     | 344     | 461     | 447     |
|   | Wanaka | 117     | 86      | 95      |
| Key worker criteria                                       | QT     | 108     | 146     | 141     |
|   | Wanaka | 62      | 46      | 51      |

Thus over the period 2006 to 2011, around 750 households in Queenstown and 300 households Wanaka may seek assistance in relation to rental and ownership. This assistance could be in the form of increased applications for the Housing Supplement, requests for Housing NZ properties to rent, as well as other forms of income assistance from central government. These households are also likely to be looking for modestly priced homes to buy or rent. All relevant players are likely to have a role in meeting the needs of these household

Beyond this base, the Community Housing Strategy may wish to provide assistance to particular households, for example, households involved in home ownership, rather than rental. This may be because of a desire to support households that wish to make a long term commitment to the region.

The Housing Strategy may wish to provide particular assistance to households on moderate incomes, on the basis that the community wishes to support working households, rather than direct its scarce resources to assist retired households or households on very low incomes. This also recognises that low income households are unlikely to have the financial resources to attain ownership, even with some assistance. In this case, the number of households needing assistance could be around the 350 mark in the Queenstown area. These households may be interested in accessing modestly priced rental housing, and/or schemes that reduce capital costs for the households through split equity or ground lease-type arrangements.

A final dimension could be limiting local assistance to households with workers involved in particular occupations, and who wish to own their own home, but need some form of short-term help. The example given above is workers in professional and managerial occupations. The Stage One report on the nature and scale of problem highlighted a range of anecdotal evidence that particular problems were faced by organisations attracting and retaining middle level staff. If this type of criteria was added to those related to home ownership and moderate level incomes then the numbers requiring assistance may fall to around 120 and 60 respectively, or around 12 to 25 per year.

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## 7.2 Supply of Affordable Housing

In considering the supply of affordable housing, there are three considerations:

- The overall number of dwellings being constructed, and whether this supply of new homes exceeds demand for housing, and as a result the increased supply will help to dampen future price rises, perhaps allowing wages and incomes to rise faster than house and rental prices, helping to close affordability gaps.
- The value of new dwellings being constructed, and whether there is a likely to be a stream of more affordable units. In particular the Stage One assessment noted the potential for more intensive forms of housing (town houses, terrace houses and apartments) to help provide a pool of market-rate housing.

- The flow of affordable units that may be able to be provided, should some form of development contribution (whether based on the value of development or the number of units constructed) be imposed on development. It is likely that any form of contribution scheme will apply to certain types of developments (e.g. developments over a certain value or involving a certain number of units. It is unlikely that a contribution will be imposed on single building developments).

Any Housing Strategy will need to consider actions that influence all three of these areas. They are therefore discussed in turn.

### 7.2.1 Supply of Housing

Growth projections for the Queenstown / Wakatipu area suggest an average yearly demand of around 350 to 450 dwelling units per year for the 10 years between 2001 and 2011. For Wanaka the figure is around 190 to 200 units. These figures involve permanently occupied homes as well as holiday and second homes that may be occupied only part of the year. The figures assume a continuation of high rates of growth.

**Table 9 Projections – number of additional households**

| Area       |        | 2001-06 | 2006-11 | 2011-16 | 2016-21 |
|------------|--------|---------|---------|---------|---------|
| Queenstown | Total  | 1782    | 2318    | 2497    | 2683    |
|            | Yearly | 356     | 464     | 499     | 537     |
| Wanaka     | Total  | 935     | 951     | 1058    | 810     |
|            | Yearly | 187     | 190     | 212     | 162     |

Recent building permit figures have been obtained to track housing construction since 2001. This data is presented in Table 5.

**Table 10 Building consents – number of units consented to**

| Year           | Queenstown | Wanaka |
|----------------|------------|--------|
| 2001           | 364        | 198    |
| 2002           | 423        | 213    |
| 2003           | 393        | 275    |
| 2004           | 465        | 196    |
| Yearly average | 411        | 221    |

It can be seen that over the four years from 2001 to 2004, in both Queenstown and Wanaka, the number of dwelling units for which building permits have been issued has exceeded likely demand. These figures have to be treated with some caution, as they are for building permits issued; they do not cover actual

units constructed. In other words it is possible that some permits may be issued but not acted upon.

The figures indicate that the housing market is operating relatively efficiently in that demand for housing and the supply of housing is, at a broad level, relatively in-line. This was a point made in the Stage One report, that in terms of opportunities for residential development, neither Queenstown nor Wanaka faced particular constraints in terms of the supply of land for housing, at least for the next 10 to 15 years, depending upon growth rates.

Affordability issues were being driven by a range of issues relating to the cost of development, speculative pressures and the demands of a large and increasing visitor accommodation market.

In this regard the building permit data only records the number of units for which consent has been granted, not the intended use of the units. Thus in both Queenstown and Wanaka, it is possible that while listed as residential units on the building consent, a number of units may be destined for the visitor accommodation market. A notable feature of the area is the number of lettable apartment developments.

## 7.2.2 Type and Value of Development

Table 11 sets out data related to the type of housing units being consented to and the monetary value of the work in the Queenstown / Wakatipu area. The value listed does not include the land value associated with the units, and is not the sale price. It is the value of the development, as listed on the building consent.

**Table 11 Number and value of dwelling units consented to - Queenstown / Wakatipu area**

| Year           | Stand-alone |               | Flats /town houses |              | Apartments |              |
|----------------|-------------|---------------|--------------------|--------------|------------|--------------|
|                | No          | Value         | No                 | Value        | No         | Value        |
| 2001           | 193         | \$41,931,779  | 59                 | \$7,499,000  | 112        | \$14,916,200 |
| 2002           | 294         | \$73,849,292  | 65                 | \$9,209,000  | 64         | \$8,693,140  |
| 2003           | 268         | \$75,802,545  | 42                 | \$4,706,500  | 83         | \$17,947,800 |
| 2004           | 277         | \$84,381,944  | 67                 | \$10,979,156 | 121        | \$29,082,000 |
| Total 2001-04  | 1032        | \$275,965,560 | 233                | \$32,393,656 | 380        | \$70,639,140 |
| Yearly Average | 258         | \$267,408     | 58                 | \$139,029    | 95         | \$185,892    |

Over the four years 2001-2004, around 40% of new units have been in the form of town houses, flats and apartments. These flats and town houses are around

half the value of stand-alone houses. This reflects their smaller size, as well as economies of construction (e.g. joint walls).

The development of around 150 town houses and apartments per year compares with a demand for affordable units of around the same amount, but this comparison does not take into the impact of the holiday home and visitor accommodation market on the supply of home units. Clearly these demands reduce the stock available for permanent residents. A perception that these types of homes offer a less satisfactory living environment will also colour demand.

As discussed in relation to the District Plan there is potential for a substantial number of additional home units and apartments in the Queenstown area. A key strategy must be making these developments attractive to permanent residents. This will require improvements to design issues, as well as consideration of the quality of public spaces near by.

Table 7 presents the same information for Wanaka. Here, only 20% of units are in the form of apartments and terrace houses. Average values for stand alone houses are higher, but for apartments and town houses, average values are less.

**Table 12 Number and value of dwelling units consented to - Wanaka area**

| Year           | Stand alone |               | Flats  |              | Apartments |             |
|----------------|-------------|---------------|--------|--------------|------------|-------------|
|                | Number      | Value (\$)    | Number | Value (\$)   | Number     | Value (\$)  |
| 2001           | 162         | \$34,493,375  | 19     | \$2,475,000  | 17         | \$596,000   |
| 2002           | 162         | \$38,864,921  | 49     | \$7,570,500  | 2          | \$400,000   |
| 2003           | 245         | \$56,196,950  | 22     | \$3,293,000  | 8          | \$1,000,000 |
| 2004           | 160         | \$44,595,630  | 34     | \$5,455,320  | 2          | \$295,000   |
| Total 01-04    | 729         | \$174,150,876 | 124    | \$18,793,820 | 29         | \$2,291,000 |
| Yearly Average | 182         | \$238,890     | 31     | \$151,563    | 7          | \$79,000    |

National level figures for 2004 indicate that the average value of new apartments is \$104,000 and for stand alone houses and town houses combined, \$186,000. The comparable figures for Queenstown are \$185,000 for apartments and \$243,700 for stand-alone houses and town houses and flats. This difference may be explained by the size of units being constructed, as well as higher site development costs, and possibly higher labour and material costs, given that many materials will need to be trucked into Queenstown.

These figures would suggest that there are opportunities for the market place to deliver a range of housing options at different price points. An implication of this being that affordable housing is likely to be increasingly associated with more intensive formats. As raised in the work to date, an important issue

appears to be the extent to which more affordable housing options are directed at the investor and visitor accommodation sector, rather than the permanent resident market.

### 7.2.3 Revenue Streams Associated with Development

The Working Paper has identified a number of possible sources of revenue for a locally-funded Community Housing Trust:

These include:

- Central Government Funds
- Proceeds from development of land council-owned land
- Land holdings
- Developer contributions.

These sources of funds could be combined to create a revenue stream that could help to meet part, but not all of the housing needs faced by the community. However a number of sources are likely to have a limited life. For example government assistance is likely to be project specific, rather than an annual amount, while proceeds from the development of council-owned land are likely to cease after a 10 year period.

Taking the Queenstown / Wakatipu Ward as an example, in the next ten years, a 5% contribution level on the value of qualifying development (visitor accommodation and larger apartment developments), plus a share of profits from land development, plus some government funding may translate into the ability to provide between 5 and 10 affordable housing units a year. If split equity or other such schemes are provided, where public equity is matched by private equity, then this figure could easily double.

The equivalent numbers for Wanaka are much smaller, reflecting the smaller pool of visitor accommodation and apartment developments from which contributions could be sourced, although there may be more funds from the development of council-owned land.

Obviously this level of provision is considerably below that of likely demand, which runs at 150 units per year in the Queenstown area. It highlights the point that addressing affordability issues will have to be a wide ranging issue, with the market place and central government housing assistance having to meet the bulk of needs. However the level of provision that could be generated from local sources could be targeted at certain groups that are particularly important to the functioning of the economy and the community.

## 8 Conclusions

This working paper has canvassed a number of issues associated with the development of a Community Housing Strategy for the Queenstown Lakes District.

The paper highlights the complex issues faced by the community, and the lack of readably identifiable solutions.

Declining housing affordability is affecting a large number of households. In the future up to 40% of households are likely to experience some form of affordability problem, whether it be rental or ownership.

On the face of it the housing market could supply enough houses to meet these demands, although this would be in the form of higher density units. However it is clear that the housing market is not acting in this way.

While the community could hope that wage and salary levels will rise to meet higher housing costs, there is little prospect that this will occur, especially if the economy remains dominated by the volume tourism market.

There are few planning barriers to the provisions of affordable housing. With a permissive District Plan there are also few opportunities to create incentives. To do so artificial “thresholds” are likely to have to be introduced by lowering current development entitlements – an option that is likely to create significant litigation.

Central government policy is still evolving on housing affordability issues and the Council needs to work alongside government agencies to ensure that new mechanisms meet local needs, as well as those of other localities facing housing problems.

A number of agencies are beginning to investigate inclusionary zoning schemes and development contribution provisions and the council should also participate in these discussions. However these initiatives will not address all issues.

Locally-generated funding sources are likely to be limited, and therefore any local programs will need to be targeted. To this end the functions of any Housing Trust will need to be strongly linked back directions set in the Housing Strategy.

The Strategy will need to:

- Signal actions to broaden the housing market and ensure that it can respond as best as possible to housing needs.
- Work with other council policies to help increase wages and salaries in the local economy, such as initiatives to promote quality tourism
- Work with central government on housing assistance programmes, such as programmes aimed at assisting particular households with mortgages, and other income assistance
- Seek expansion of central government housing stock
- Target local initiatives (e.g. Housing Trust) at particular groups and households who are unlikely to benefit from the above initiatives. Any assistance is likely to be modest, given current financial constraints.
- Set up pilot schemes, using available sources of funding, and use these to lever off additional sources of funding.