Housing Affordability in Queenstown Lakes District

The nature and scale of housing affordability issues in the district

Final draft report prepared by Tricia Austin, University of Auckland and David Mead, Hill Young Cooper Ltd on behalf of the Queenstown Lakes District Council and the Queenstown Lakes Community

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Acknowledgements

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Summary

Queenstown Lakes District Council has commissioned research into the nature and scale of the housing affordability problems facing the district. This project is the first stage of a four stage project. Subsequent stages of the project will develop a Housing Affordability Strategy, provided that the first stage identifies that there is a housing affordability problem that needs to be addressed by the council and the community.

Important community-driven outcomes associated with this project are:

- The diversity of the community. There is concern that recent large rises in land and house prices will mean that only people working in above average income jobs will be able to live in the district, reducing the diversity of the community.

- Economic growth. Businesses are finding it harder to attract and retain staff due to people not being able to afford housing in the area.

- Growth Management. The community have expressed a desire to limit the continued outward expansion of the urban areas of Queenstown and Wanaka. An acknowledged issue associated with urban containment policies is, over time, rising land prices and reduced housing affordability.

Between 1996 and 2001, rates of home ownership in the district remained the same, despite a nation-wide trend towards lower rates of home ownership. However this stability started from a base of reasonably low rates of home ownership and high rates of renting, compared to the nation as a whole. In 2001, 40% of homes were rented and 60% were occupied by the owner, at the night of the census. In comparison, 68% of dwellings were owner occupied (with or without a mortgage) for New Zealand.

Currently, there is relatively little government provision, or support for, affordable housing in the district. Housing New Zealand has only 14 houses in Queenstown and 6 in Wanaka. The total number of people in the district in receipt of the Accommodation Supplement, as of December 2003, was 252 (or 1.8% of the population).

Between 2001 and the end of 2003 the district has experienced a dramatic surge in land, house and rental levels:

- Section prices have increased from an average of $110,000 to $240,000.

- Average rentals for a three bedroom home have increased from $200.00 per week to up to $350.00 per week.

- House prices have increased from an average of $200,000 to $400,000 to $450,000 in Queenstown.

A further notable feature of the local market is that there are now few affordable options. There is little spread to the market, with lower priced sections and houses close to average levels. While new product is being offered, such as an apartments and units, this product tends to be directed at the visitor accommodation sector.

Incomes have not kept pace with these rises. The effect has been to significantly reduce housing affordability since 2001. In 2001, most households in the district would have been able to meet rental payments on an average home or pay the mortgage on an average priced home, based on a 'one-and-a-half income' household. Since 2003, for most households, a double income (at a minimum) is likely to be needed to meet rental or mortgage payments.

Based on 2001 household income data, up to 50% of new households are likely to be experiencing some form of rental or ownership affordability problem. This is not surprising, given the service-orientated nature of the economy and its reliance on many semi-skilled jobs. Even people in skilled, middle-level jobs are likely to be experiencing stress if their income is the only source of income in the household.

A number of factors mean that continued rises in prices can be expected in the future, and that housing affordability will increase as an issue, even if the house market does cool off in the short term:

1. Higher household running costs reduce the income available to cover rent or a mortgage, such as higher heating, clothing and transport costs, compared to other centres. The region also faces higher building costs than other areas.

2. Despite the district having higher average incomes than New Zealand as a whole, there is a concentration of households with average to below average incomes in the Queenstown urban area and in Wanaka, reflecting the service-orientated nature of the economy in these areas. It is unlikely that the Region will see average incomes rise substantially, at least for that part of the economy dependent upon the mass tourism market.

3. The visitor accommodation market appears to exert a considerable influence on the domestic market by competing for land and building labour. In particular, the rental market appears to be more geared towards the visitor sector. The second and holiday home market further stimulates market prices.

4. In Queenstown at least, there are few options to increase land supply to help reduce prices. While there is considerable capacity for additional dwellings, a substantial proportion of this capacity is located in higher priced areas. There is the ability for the market to provide more affordable housing through more intensive development, but in general, prices for residential units are increasing as fast as stand-alone house prices. Wanaka has more choices than Queenstown in terms of growth options but in both settlements high growth rates means that the housing market is mostly lagging behind demand, rather than over-supplying dwellings.

The lack of affordable housing will have significant social and economic impacts on both settlements. Overseas experience, as well as anecdotal evidence from both settlements, highlights the range of costs that communities face when housing costs increase to a point where people are dissuaded from settling in an area. These costs include social, economic, transport and environmental costs.

Some form of intervention is warranted, and there are benefits from beginning that intervention now, rather than waiting until affordability is a much larger problem in the future.

1 Introduction

1.1 Background

Queenstown Lakes District Council has commissioned Tricia Austin of the University of Auckland and David Mead of Hill Young Cooper Ltd to undertake research into the nature and scale of the housing affordability problems facing the district.

This project is the first stage of a four stage project. Subsequent stages of the project will develop a Housing Affordability Strategy, provided that the first stage identifies that there is a housing affordability problem that needs to be addressed by the council and the community.

The study is to have a 20 year time frame, and is to consider housing affordability issues in both the Queenstown and Wanaka areas of the district.

1.2 Study output and process

The principal output of the project is a report to Council that:

1. Reviews existing examples of affordable housing models, particularly those in use in resort towns, and assesses their relevance and applicability to the Queenstown Lakes District
2. Provides an understanding of what is considered to be affordable housing in Queenstown Lakes District
3. Assesses the demand for affordable housing – current and likely future demand
4. Assesses the market supply of affordable housing – current and likely future supply
5. Considers the pros and cons of possible Council intervention in the housing market
6. Demonstrates that it is based on consultation and feedback on preliminary study findings
7. Identifies a suitable monitoring framework.

Relevant Council policies and strategies that need to be taken into account include the following:

- Tomorrow's Queenstown
- Wanaka 2020

- Growth options study
- Dwelling capacity model
- Planning study into residential issues
- Urban design guidelines
- Queenstown Employment Taskforce report
- The Central Employment Trust project.

A working party has been established by the Council to oversee the project and the working party has been involved in scheduled feedback sessions. The membership of the working party is detailed in Appendix One.

1.3 Context

The project has arisen from a variety of reports and community comments, all of which suggest that there is a growing lack of affordable housing in the district. The lack of this housing may have consequences for the economic growth of the area, as well as for the diversity of the community. In addition to these views, a number of housing developers have proposed that they could provide affordable housing, or at least contribute towards such housing, if the means to ensure that such housing was retained in the public arena were in place, such as a Housing Trust.

Important drivers associated with this project are therefore:

- The diversity of the community. There is concern that recent large rises in house prices will mean that only people working in average to above-average income jobs will be able to live in the district, reducing the diversity of the community.
- Economic growth. There is evidence that rising house prices are having an affect on the labour market. Businesses are finding it harder to attract and retain staff due to people not being able to afford housing in the area.
- Growth Management. The community have expressed a desire to limit the continued outward expansion of the urban areas of Queenstown and Wanaka. An acknowledged issue associated with urban containment policies is, over time, rising land prices and reduced housing affordability.

To respond proactively to these considerations the Council has decided to first assess the nature and scale of housing affordability in the area, and then based on this information, consider in what way it should become involved in adding to the supply of affordable housing. The nature of this involvement will be determined in later stages of the project.

While this report was being prepared the Ministry of Housing and Housing New Zealand released a discussion document on a proposed New Zealand Housing Strategy. This document notes declining affordability across the country, and in particular in the main urban areas. Growing problems in fast growing areas such as Nelson are also noted. A key aspect of the discussion document is the promotion of a range of tools to address affordable housing issues, including encouraging the 'third sector' (such as housing trusts), and using planning instruments such as inclusionary zoning and developer incentives to expand the stock of market-rate affordable housing. These tools would work alongside traditional tools such as more and better quality state housing and a review of the Accommodation Supplement.

2 Community Values and Views

2.1 Community outcomes

The District Council has been through a process of developing community outcomes, as required by the Local Government Act, 2002. These outcomes are presented in the following box.

1. Growth managed in a sustainable way.
2. Quality landscapes and natural environment and enhanced public access.
3. A safe and healthy community that is strong, diverse and inclusive for people of all age groups and incomes.
4. Effective and efficient infrastructure* that meets the needs of growth.
5. High quality urban environments respectful of the character of individual communities.
6. A strong and diverse economy.
7. The district's local cultural heritage preserved and celebrated.

* Infrastructure includes network infrastructure, roads, trails, public transport and community facilities.

Box 1: Community outcomes

Access to affordable housing potentially affects, or is effected by all of these outcomes. The important relationships between housing and wider community outcomes can be summarised under the headings of:

- environment
- community
- economy.

2.2 Environment

The District's settlements sit within magnificent landscapes. The Council has strict rules protecting these landscapes and is considering a compact settlement strategy to reduce pressure for further urban expansion into these landscapes. An acknowledged issue with compact city strategies is rising land prices and, overtime, reduced housing affordability. In this regard Queenstown faces a much more complex problem than Wanaka. In Queenstown there is now great pressure on land resources for both economic and residential development.

2.2.1 Queenstown

In the wider Queenstown area (which includes Queenstown, Arrowtown and the Wakatipu Basin) there is space for around another 13,000 dwellings, under current District Plan zonings. This capacity is available for permanent homes, second homes and for visitor accommodation. A proportion of the capacity assumes some redevelopment of properties. Projections completed for the recent Growth Options study suggest there will be demand for up to 4,000 visitor units in the future (units that would be devoted to the needs of the visitor market rather than permanent residents), as well as perhaps up to 1,400 second / holiday homes over the next 20 years. This means that the capacity available for permanent homes is realistically reduced to around 7,600 homes.

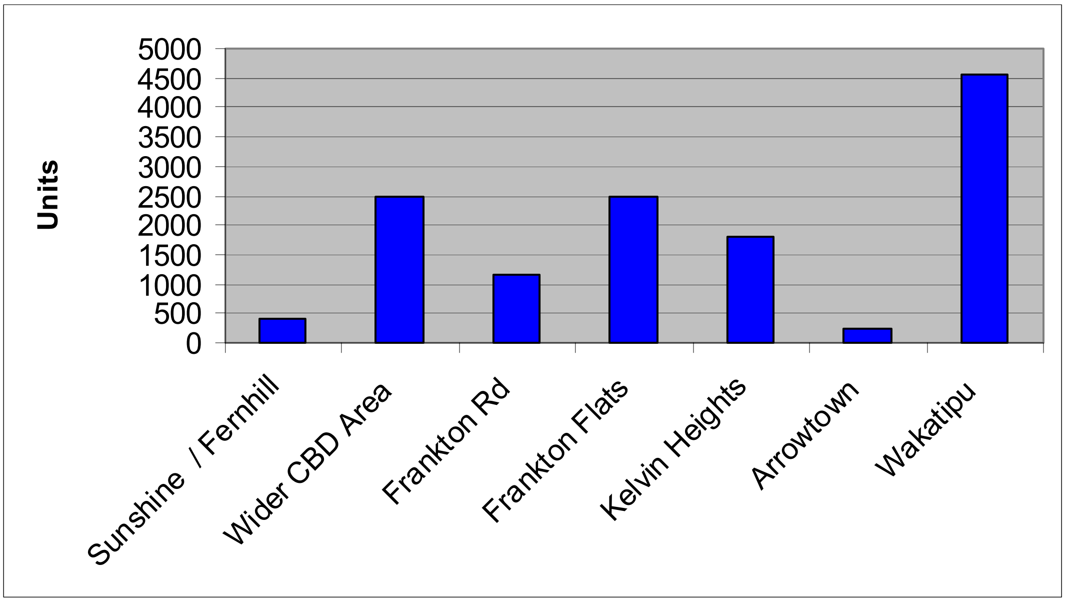


Figure 1: Dwelling capacity – additional units - Queenstown / Wakatipu area

Note: the Wakatipu area includes the resorts and new settlements developing in the basin, including Jacks Point.

This housing capacity is not evenly distributed, with limited capacity in the more affordable areas, such as Sunshine Bay / Fernhill. Frankton Flats is an area where more affordable housing may be possible, along with Frankton Road and the wider CBD area. However these areas are also likely to experience competition for space from the visitor accommodation sector.

Of that 7,000 to 8,000 dwelling capacity that may get taken up by the permanent resident sector, about 2,000 to 2,500 units (or about 30%) may be in the form of higher density development, which could offer a more affordable product. This higher density development is possible around the CBD and Frankton areas, as well as along Frankton Road. The remaining 4,500 units are more likely to be stand-alone houses, and generally are likely to be less affordable.

Projections suggest demand for an additional 7,800 permanent homes over the period to 2021, which is very close to the available capacity.

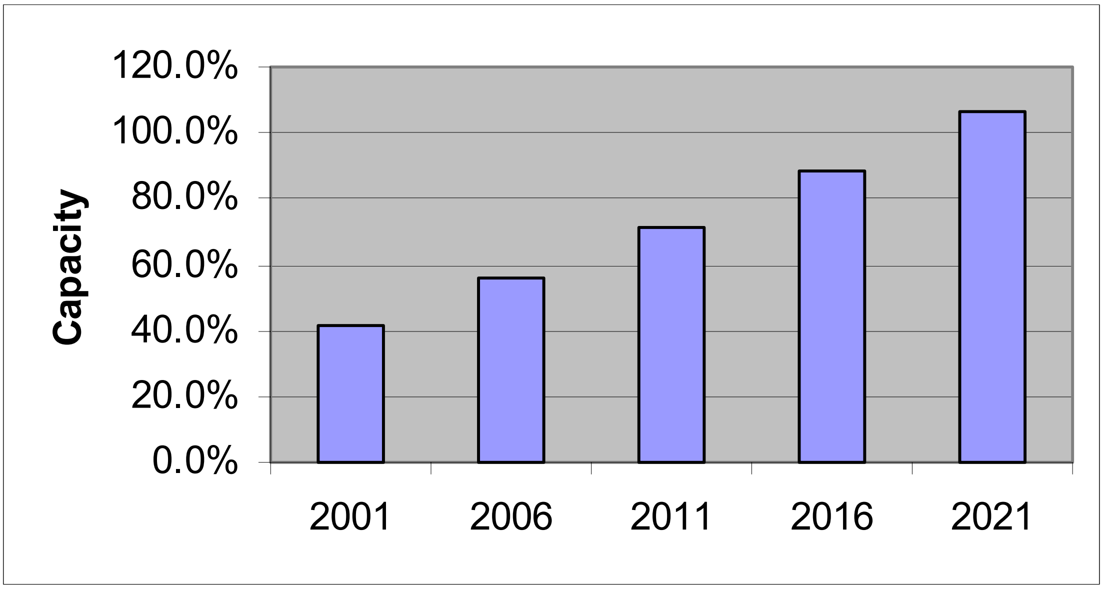


Figure 2: Likely take-up of dwelling capacity

As a result, if current rates of growth continue and no significant new zones are created, then somewhere between 2016 and 2021, Queenstown's land resource will reach critical thresholds in terms of the supply of housing being unable to meet demand. At this point house prices are likely to quickly rise.

There is potential for some new residential zonings within the urban boundary at Frankton Flats, which will increase the housing stock somewhat, but this is not considered to be a long-term solution to housing issues. Additional housing capacity is also possible through redevelopment of the existing urban area.

Pressure on land resources is likely to see some displacement of growth to other settlements as lower income households seek out lower cost, alternative locations. This is a common process in many mountain resort locations, where often affordable housing is provided by settlements within 30 to 45 minutes drive of the main town. However in the case of Queenstown, its relative isolation reduces the extent to which this is possible. Other settlements are 45 to 60 minutes drive away, imposing high transport costs on people who have to commute from these areas. There are also a range of social issues associated with the development of dormitory, satellite settlements.

2.2.2 Wanaka

In Wanaka within the proposed long-term urban growth boundary area defined by the Wanaka 2020 growth concept (the two rivers), a different picture can be painted. Current District Plan requirements provide space for around another 4,100 dwelling units. About 670 of this capacity is in the form of rural/residential development. As with Queenstown, this capacity is available for visitor units, second homes and holiday homes, as well as for permanent homes. About 1,900 visitor and second homes could be built over the period to 2021, leaving a capacity of around 2,100 dwellings. Projections suggest the demand for 2,600 permanent homes up to 2021, in the main urban area. Rural / residential development is unlikely to be affordable, so somewhere between 2016 and 2021, depending upon growth rates, current land supply is unlikely to be able to meet demand.

In contrast to Queenstown though, Wanaka does have the ability to add additional urban land to its stock, while keeping within long term urban growth boundaries identified in the Wanaka 2020 workshops. It is noted that the process of structure planning these new urban areas is underway, and the density and location of future development is likely to have an influence on house prices, possibly relieving the upward pressure on land prices in the short to medium term. There are also a number of settlements nearby that could realistically absorb some growth, including Hawea and Luggate, but all of these settlements are also experiencing rapid rises in property values.

2.3 Community

A critical issue for many people is retaining and increasing the diversity of the community. A commonly expressed fear is that higher house prices will mean that, overtime, the community will become very narrow in its make-up, and that only wealthy people will be able to live in the area.

There is also concern that if the community is not diverse in terms of the age profile of people living in the area, then the community will not function as well as it otherwise might. In particular is the role of retired people and people not involved in full time work in sustaining the many voluntary organisations that support community life. If the community is focused on working-age people employed full time, then there may be less ability for people to participate in the community. Reduced housing affordability and increased pressure on people to work long hours to cover rising housing costs therefore has important implications for the future functioning of the community.

In terms of household composition, Wanaka has a high proportion of households formed by singles and couples, compared to national averages. The Queenstown urban area is notable for the number of households formed by unrelated people. Households formed by families are relatively under-represented in the Queenstown District.

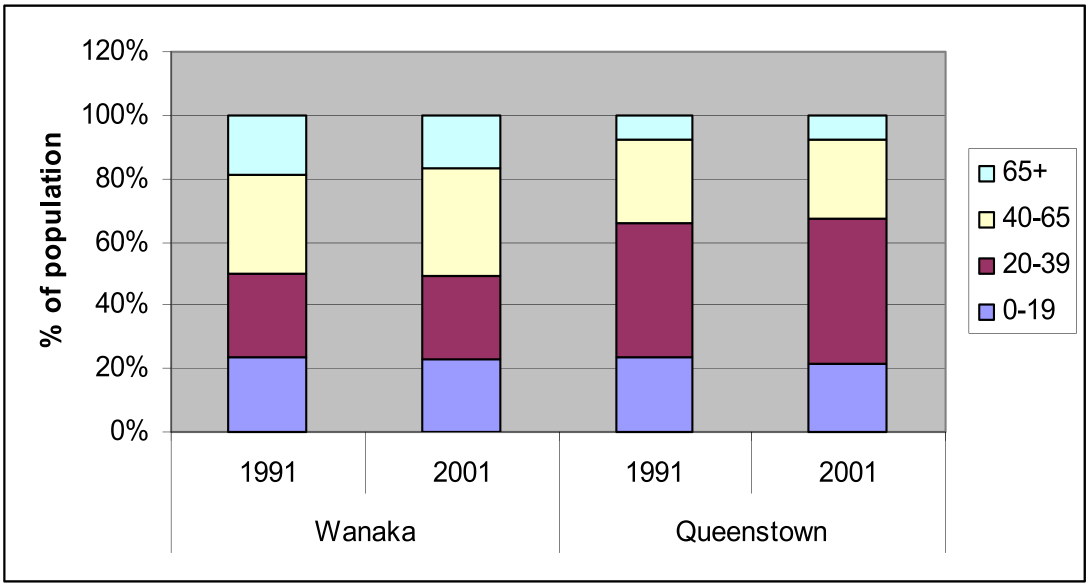
Table 1: Household composition, 2001

Area	Singles	Couples	Family	Unrelated
Wanaka	23%	35%	36%	6%
Queenstown urban area	22%	25%	37%	15%
QLDC	22%	30%	38%	10%
New Zealand	23%	25%	46%	5%

Data Source: Statistics New Zealand

In both settlements, reduced housing affordability is likely to see the number of households formed by families reduce, as it is the family groups which generally have the most pressure on finances. Households formed by singles, couples and unrelated people are also more likely to accept alternative living arrangements, such as apartments or flatting together, to help manage housing costs.

In terms of the age composition of the Queenstown urban area and Wanaka, both settlements have relatively few older people. The Queenstown urban area is dominated by the 20 -39 year age bracket, while in Wanaka, the largest age group is the 40 – 65 year age bracket.



Data Source: Statistics New Zealand

Figure 3: Age structure – Wanaka and Queenstown urban area – 1991 and 2001

Increased house prices and reduced housing affordability is likely to exacerbate these trends, and see the diversity of the population narrow over time:

- In both settlements, rising house prices may discourage younger people from staying in the area, seeing a constant outflow of people as they enter the 30 to 35 year age bracket. This is especially so for Queenstown.

- Older residents, especially those renting, may feel that other settlements could provide a better lifestyle, while for older adults who own their own home, rapid rises in house prices are likely to see them sell up and move to realise the capital gain. Fewer older people has implications for support networks that sustain families and community organisations and events.

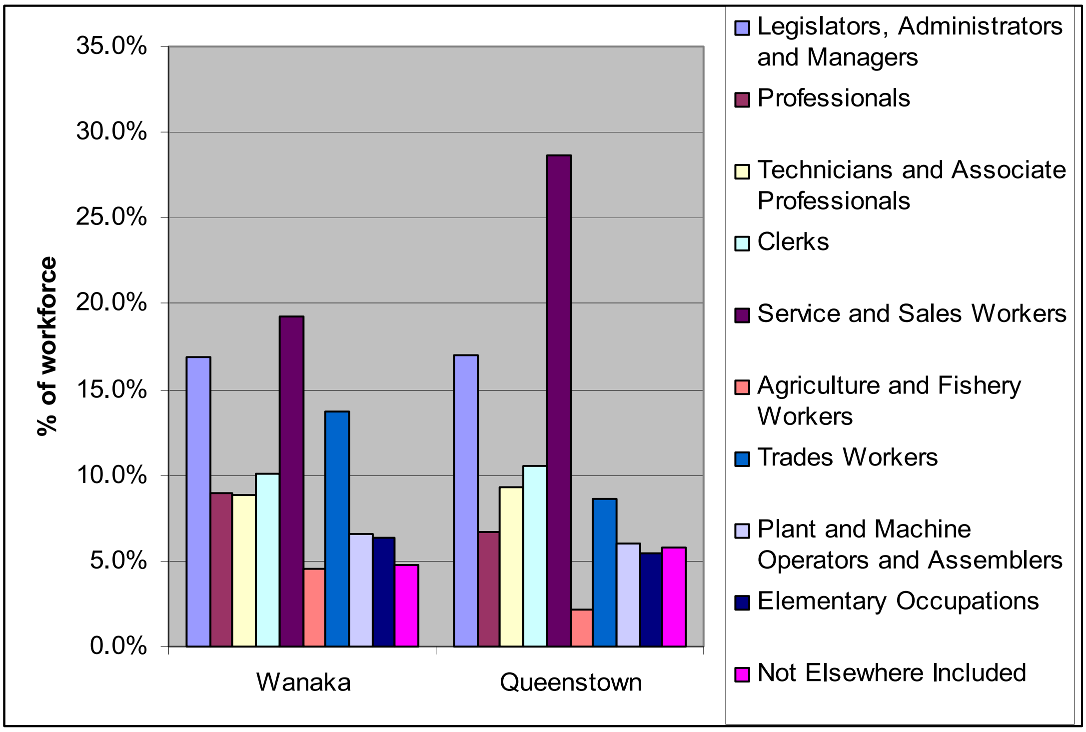
- In Wanaka, it could be that a market dominated by people in their 40 to 50s, possibly arriving with considerable capital from other places in New Zealand or overseas, will see fewer opportunities for younger adults to establish in the town.

2.3.1 Economy

The Queenstown economy is dependent upon tourism. Continued growth of this sector is dependent upon high quality service being offered, which in turn needs a stable, skilled workforce. In Queenstown the focus of marketing strategies is on increasing the shoulder periods and to aim for fewer, but higher paying tourists. The implications of this are that rather than show a strong seasonal pattern, the economy will become year-round and that rather than have a large seasonal workforce, a more permanent workforce will be needed. Access to affordable housing for workers will be very important to this transition.

While there is no hard data, anecdotally, workers in the Queenstown and Wanaka areas (like their counterparts in the rest of the country) aspire to home ownership because of the security it provides and the wealth that it can generate. A future of renting and limited ability to save the deposit for a house is likely to deter workers from staying in the area long-term.

Figure 4 shows the importance of the service and sales workers to the Queenstown economy. Business owners also make up an important part of the workforce. In Wanaka, trades people make up more of the economy than in Queenstown.



Data Source: Statistics New Zealand

Figure 4: Occupations – Wanaka and Queenstown urban area - 2001

There is significant pressure on seasonal worker accommodation at the start of the summer and winter seasons. The recent Workforce Solutions Forum report notes that Queenstown has long been plagued with shortages of labour at peak visitor times. With the growth of visitor numbers in general, plus growth during the shoulder seasons, the workforce forum foresees the need for many more jobs in the area, but notes that access to housing will be a critical issue in whether people will wish to work in the area, especially on a permanent basis. The workforce report noted the need to focus on the housing needs of:

- Short-term employees
- Long-term professionals.

A further issue for the economy is that a substantial concentration of poor quality housing in both settlements will have an adverse effect on the quality of the wider urban environment, and may make the settlements less attractive places to visit. As a result, affordable housing must be attractive and of good quality.

2.3.2 Focus groups

A number of focus group meetings were held at the start of the project to help gather qualitative information on the nature and scale of the housing affordability problem in the area.

The focus groups showed remarkable agreement on the need to tackle the housing affordability issue in the district. There was support across the business and community spectrum that there was a problem that is of a permanent, ongoing nature and that strategies needed to be put in place to deal with this problem. Recently held workshops on growth management options for Queenstown and Wanaka have reinforced the points made in the focus group discussions.

This level of agreement is remarkable in comparison to other areas, such as Auckland, where, in the experience of the authors of this report, it has been much harder to reach agreement on the nature and scale of the problem, and whether any action should be taken.

Latter stages of this project will consider mechanisms and techniques to promote more affordable housing, and it is likely that at this stage there will be a variety of views as to how the issues should be addressed. At this stage, feedback from the focus groups would suggest that the Council does have a strong mandate to advance to the next stage of its project.

Specific issues identified by the different focus groups include:

Developers:

- There is acknowledgement of a problem:
  - The market place is pushing up prices - subdivisions that were pitched at an affordable market quickly rise in value due to strong market demand
  - Building costs are high in the area – labour and materials are more expensive, while in Queenstown, topographical features and constraints further add to costs.

- Possible solutions identified by developers included:
  - Zoning – more land needed
  - Incentives for affordable housing – fast track processing of resource consents, some form of density bonus
  - Will consider some form of contribution towards affordable housing.

Business / Employers:

- Big problem for many businesses:
  - Retention of staff is an issue, especially middle-level employees
  - Concern about taking on family-orientated workers, who may only stay a short while once they realise that it may not be possible to afford a house in the area and raise a family.

- Businesses do help employees where they can:
  - Housing is provided in some cases
  - Assistance with rental accommodation is provided
  - Assistance with buying a house is provided in special cases.

- There are constraints on businesses meeting all of the housing needs of their employees, however:
  - Many businesses are required by their head office to pay national rates which means it is difficult to compensate workers for additional living costs in the district
  - Rates of pay for public servants (teachers, police, health workers) are also set at a national level

- For other businesses, the prices that they can set for goods and services are set across South Island or New Zealand as a whole, limiting their ability to raise additional revenue to cover higher wages and salaries.

Community Groups:

- They identified a lot of 'churn' in the community – people and families staying for only a few years, then moving on. This made it hard to sustain community organisations and groups overtime
- There are a range of social problems resulting from stress on families that face high housing costs. These extended to education and behavioural issues for children of families where both parents are working long hours
- Lack of budgeting advice means that when households do get into financial difficulty, there is often nowhere for people to gain advice on how to manage their finances
- It was very important that the diversity of the community was retained
- Don't want affordable housing to be clustered in one area.

Rental Housing Management Professionals:

- They are encouraging owners to shift to year-round rentals
- There are unrealistic expectations from some owner investors on possible rental returns. This appears to be particularly evident in Wanaka
- Until recently there has been a supply of reasonable quality rental housing, with some seasonal shortages. In the last year or so, demand for long-term rental accommodation for local families is far outstripping supply
- Reasonable quality housing for seasonal employees is very scarce, and they are competing with local families, for what supply is available.

3 Nature of the Problem

This section of the report reviews available data on rental levels, house and section prices, incomes and affordability. The discussion is broken down into two time periods, namely:

- Historical – up to 2001
- Current period to 2003.

Prior to discussing housing trends during these time periods, the specific characteristics of the housing sector in the Queenstown Lakes area are discussed to set the scene. A possible definition of affordable housing is provided.

This report draws on a wide variety of data on house, section and apartment prices, incomes and household running costs. Coming from different sources, it is often difficult to compare between the different data sets. The data on property prices, in particular, can show different trends. Prices may be expressed as average or median prices. Average prices are affected by the number of sales - a few, high priced sales can quickly push up average prices. Section prices can include the sale of larger subdivision blocks, also affecting average prices.

3.1 Background to housing.

In thinking about housing problems in the Queenstown Lakes District, it is apparent that there are three sub-markets that need to be considered. These are:

- Accommodation for short-term, casual workers. Both settlements attract many casual workers for the winter or summer seasons. These people generally seek accommodation for perhaps 3 to 6 months and are often willing to accept renting with a number of other people. In general this group has a range of housing opportunities open to them, but their numbers mean that they have an effect on the long-term rental market. This market segment is made up of people often working on an hourly rate basis making them vulnerable to weather and economic changes, and this can cause significant issues when landlords require fixed term leases.
- Long-term rental market. Both settlements have a relatively large rental market, especially Queenstown. This may be related to people staying in the area for only a few years, perhaps attracted by the prospect of employment, but not wishing to stay permanently, or it may be related to the high cost of home ownership. This group faces particular problems:
    - Security of tenure. In the past at least, long-term tenants have often been shifted from units to accommodate higher paying, short-term renters during busy periods, although there is some evidence that landlords are increasingly preferring stable, long-term renters over short-term renters

- Rising rental values. The visitor market, including short-term rentals for the summer and winter seasons, puts upward pressure on general rental market rates. In addition, rising property prices mean that landlords increase rental rates to insure that they maintain a reasonable return on their investment

- Limited, if not reducing stock. There is anecdotal evidence that the rental stock is reducing as houses are redeveloped for visitor accommodation units. Most new rental stock is aimed at the visitor market.

- Home buyers. This group comprises established residents who wish to stay as well as new arrivals who wish to buy a house in the area. High rental values as well as rising house prices mean that for some households, the ability to save a deposit has substantially reduced, while for households with a deposit, current income levels do not support required mortgage repayments.

The size of these different market segments is hard to estimate due to a lack of data. Overall, between 1996 and 2001, rates of home ownership in the district have remained the same, despite a nation-wide trend towards lower rates of home ownership. However this stability started from a base of reasonably low rates of home ownership and high rates of renting, compared to the nation as a whole. In 2001, 40% of homes were rented and 60% were occupied by the owner, at the night of the census. In comparison, 68% of dwellings were owner occupied (with or without a mortgage) for New Zealand as a whole in 2001.

Table 2: Rates of home ownership and renting – 1996 and 2001

Urban Area	Owned without mortgage		Owned with mortgage		Rented	
	1996	2001	1996	2001	1996	2001
Queenstown urban area	21%	22%	29%	27%	50%	51%
Wanaka	40%	46%	23%	30%	37%	24%
Queenstown Lakes District	29%	30%	30%	29%	41%	41%

Data Source: Statistics New Zealand

Between 1996 and 2001, the biggest movement in terms of tenure was an increase in the number of houses occupied by owners without a mortgage in Wanaka, from 40% of houses to 46% of houses. In Queenstown home ownership rates fell slightly from 50% to 49%. This trend may be related to the larger retirement segment and / or a greater preponderance of second / holiday homes in Wanaka.

There is relatively little government provision, or support for, affordable housing in the district. Housing New Zealand has only 14 houses in Queenstown and 6 in Wanaka. The total number of people in the district in receipt of the Accommodation Supplement, as of December 2003, was 252 (or 1.8% of the population). This is partly a reflection of the demographic structure of the population and the relatively low levels of unemployment. By comparison, in Invercargill there were 3,815 (7%) people receiving the supplement while in Alexandra and environs (Ranfurly and Roxborough) there were 402 people (2.9%). The Accommodation Supplement itself is capped and is abated for people on low incomes above the benefit levels. A review of the Accommodation Supplement scheme is being undertaken the Minister of Housing. This review may help lift the amount of assistance, but is not likely to address all affordability issues.

In terms of spending by households on housing, data from 2001 indicates that households in the district, on average, faced the same costs as the rest of the country.

Table 3: Average annual household expenditure, 2001

	Queenstown-Lakes District	New Zealand	% of Income - QLDC	% of income – NZ
Food	$6,848	$7,004	15.6%	16.0%
Housing	$9,721	$10,159	22.1%	23.3%
Housing Operation	$5,517	$5,472	12.5%	12.5%
Transportation	$7,173	$7,358	16.3%	16.8%

Data source: Statistics New Zealand

Since this data was gathered in 2001, housing costs have increased substantially in the QLDC area. Discussions held during the preparation of this report indicated that households also face higher costs associated with heating and other household running costs, including food, clothing and transport. These higher costs reflect the relative isolation of the area and the distance to main centres, as well as the colder climate.

3.1.1 Suitability of accommodation

In considering housing issues, it is also useful to consider a range of elements, not just financial affordability. These elements include:

- Suitability of dwelling /physical condition
- Suitability of location
- Crowding
- Discrimination.

The following general comments can be made about these elements:

Suitability of the dwelling:

- The rental stock has tended to be the older homes and cribs awaiting re-development. They tend to be in the less sunny areas of town, at least in Queenstown. Heating costs also tend to be higher because of their lack of insulation and their poor aspect. However better built stock is coming onto the market.
- Wanaka doesn't really have sub-standard housing. Only for those who choose to live in vans, garages etc.

Suitability of location:

- The cheaper land is invariably in the least sunny places and on the steepest land, making it less suitable (for elderly and families in particular).

- Other alternative locations, such as living in the outer lying townships may not be desirable due to the fact that housing costs there are increasing, as are transport costs. This trend could also turn these settlements into dormitory settlements, an outcome generally seen as being undesirable by the residents of these areas. Recent community meetings in both of the major settlements, as well as those held in the smaller settlements support the view that these smaller communities should not have to take a lot of growth displaced from the main centres.

Crowding:

- There is some anecdotal evidence of overcrowding, but this appears to be mostly associated with seasonal and transient workers sharing housing costs.

- Some people live and work with their co-workers (as responsible employers are providing worker houses), which is a help but not always healthy in terms of sustaining good working relationships.

Discrimination:

- Families are the number one priority for homeowners and rental agencies to rent to, with generally young seasonal workers being given less priority. Many landlords prefer their tenants to sign a fixed term lease, which may be difficult for casual workers.

- As mentioned in the focus groups, some employers may be reluctant to take on particular staff if they feel that the staff member may become disillusioned in the future about being unable to afford a house.

- Other groups like single parents, beneficiaries and the elderly are being discriminated against indirectly and probably unintentionally by the significant sums of money required for rental bonds and rental agency fees.

3.1.2 Possible affordable housing definition

For the purposes of this report, 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.

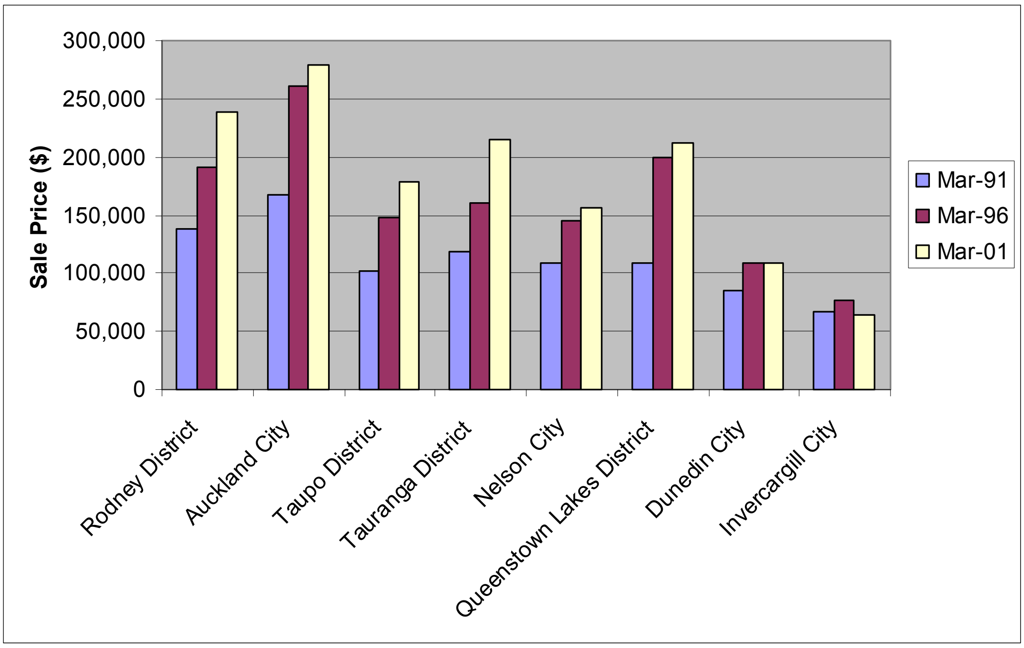
The previous section on Community Values and Views indicates that there is concern about the number of households who are unable to purchase affordable housing yet who contribute to the diversity of the community, are long term residents of the community and/or are essential for local economic vitality 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.

3.2 Historical picture

3.2.1 House prices up to 2001

Figure 5 shows average sale prices for the March quarter in 1991, 1996 and 2001. The data is an average for the selected cities and districts and will therefore not show the range of house prices within these areas. It nevertheless demonstrates relativity between different areas.



Data Source: QVNZ

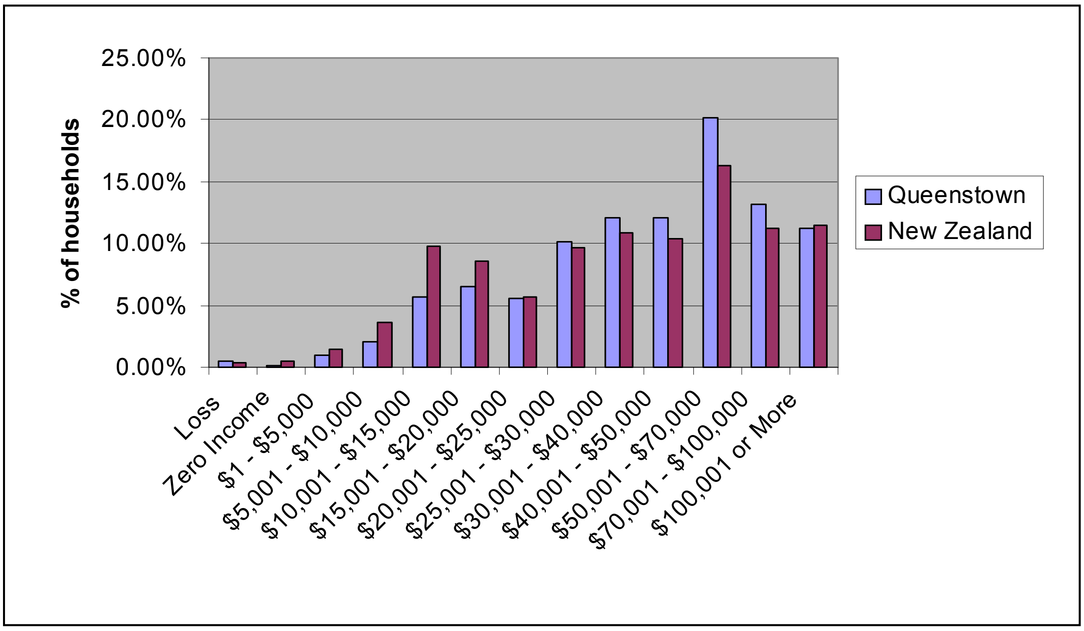
Figure 5: Average sale prices for houses by City or District

In March 1991, there was reasonable uniformity of house prices across many districts. Average house prices where in the $100,000 mark in the selected areas, apart from the Auckland Region, where average house prices where around the $170,000 mark, and in Invercargill, where prices were much lower. By 1996, average house prices had increased substantially in the QLDC area, as they had in the Auckland Region. By 2001, the average house price in QLDC area was $212,000. This was just on a 100% increase over the decade.

In 2001, there were a number of areas within the wider Queenstown which provided for affordable housing, such as Arrowtown and Fernhill / Sunshine Bay.

3.2.2 Incomes up to 2001

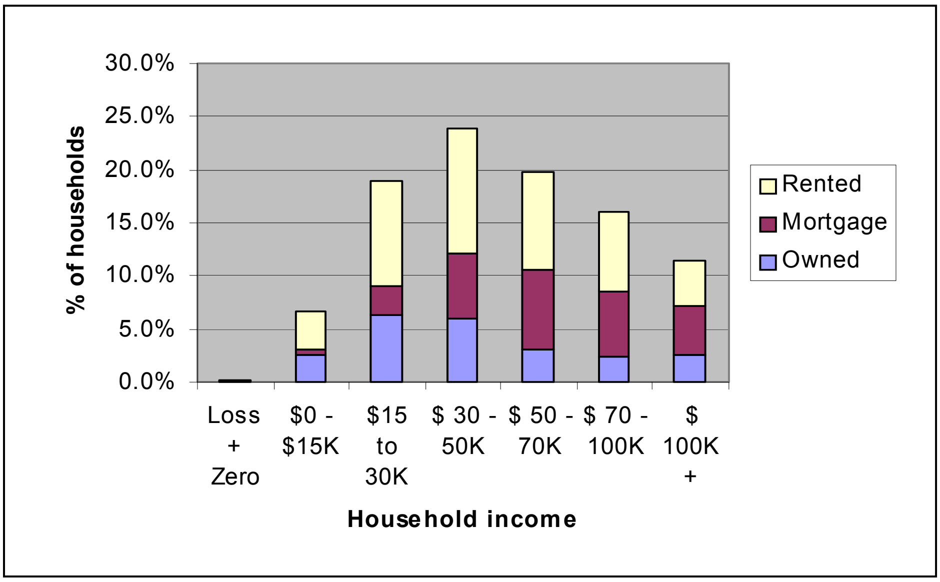
Household income data from the 2001 census shows that QLDC had more households in middle income brackets than New Zealand in general, and fewer households in lower and upper income brackets. As can be seen from Figure 6, the most notable feature is the large number of households in the $50,000 to $70,000 income bracket for the QLDC area. The household income figures are likely to reflect the working age profile of the population, with many households likely to be composed of people working, with fewer households in the retirement age bracket and fewer households on fixed incomes (eg beneficiaries) compared to other towns and cities. The relatively high cost of living in the area is likely to deter households on fixed incomes from locating in the area. This is reflected in the median individual incomes in 2001, which was $24,400 for people in the QLDC area compared with $18,500 for all of New Zealand.



Data Source: Statistics New Zealand

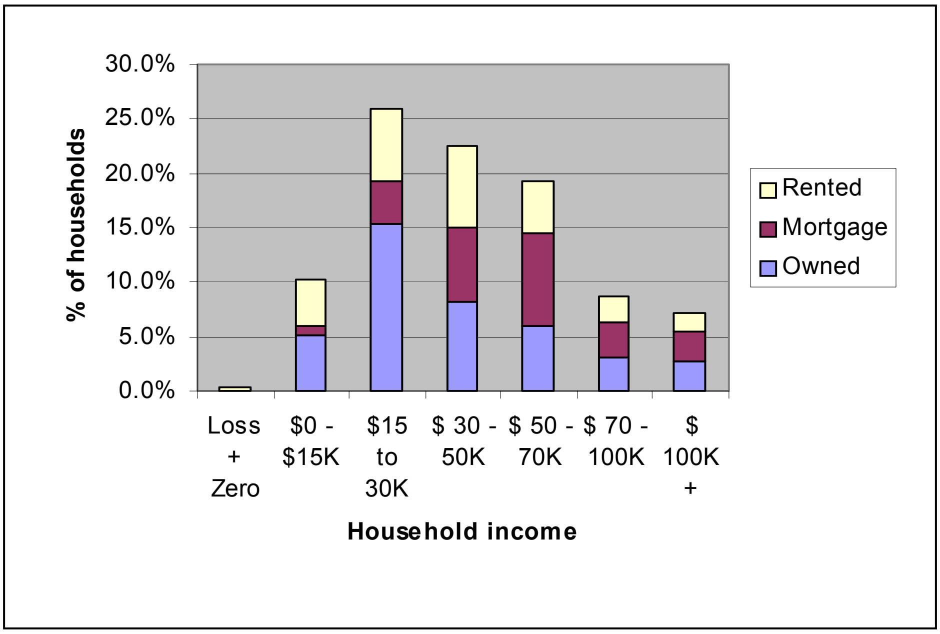
Figure 6: Household incomes – QLDC and NZ – 2001

In terms of household incomes by geographic area and by type of tenure (renting, owned, owned with a mortgage), Figures 7 and 8 show data on the type of tenure by household income band for the Queenstown urban area and for Wanaka.



Data Source: Statistics New Zealand

Figure 7: Queenstown urban area – tenure and household Income



Data Source: Statistics New Zealand

Figure 8: Wanaka – tenure and household Income

Looking first at Figure 7, in comparison to the district-wide average, the Queenstown urban area has more households in the $30,000 to $50,000 bracket, reflecting the service-orientated nature of the workforce. Home ownership is highest in the $50,000 to $70,000 income bracket, while rates of renting are highest in the $15,000 to $50,000 income bands.

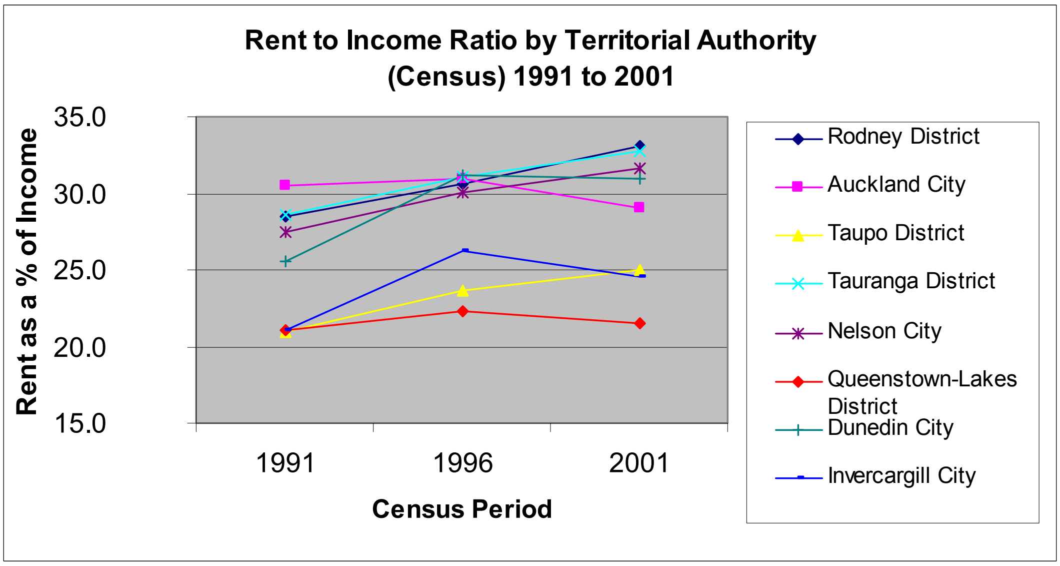
In Wanaka (Figure 8), the largest number of households is in the $15,000 to $30,000 bracket. Home ownership is highest in this band, perhaps reflecting a larger number of households in the retirement age bracket, compared to Queenstown.

3.2.3 Housing affordability up to 2001

A number of measures of housing affordability have been produced based on data collected from the 1991, 1996 and 2001 census. These measures show that QLDC did not have substantially different housing affordability problems compared to other settlements up to 2001. However they are average figures, which will hide a lot of variability, and at lower income levels, people will have been experiencing housing affordability problems up to 2001.

3.2.3.1 Rental affordability

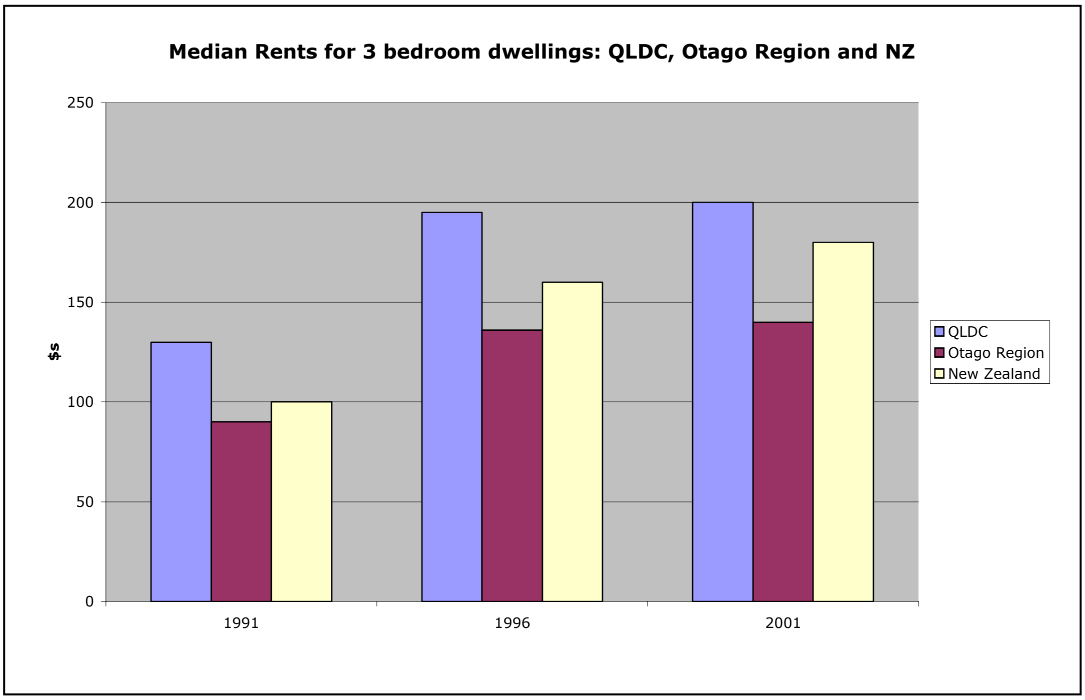
Rent-to-income ratio data (how much household income is devoted to rental payments) shows that for QLDC as a whole, on average, rental levels were more affordable than other centres in the southern South Island, or other fast growing settlements, between 1991 and 2001.



Data Source: Statistics New Zealand

Figure 9: Rent to income ratios – 1991 to 2001

However the available data is based on averages, with the district experiencing higher average incomes than the country as a whole and higher rent levels (see Figure 10). Lower income households will have experienced less affordable housing costs in the period 1991 to 2001, and, as is discussed later in this section, average rent levels have risen significantly since 2001.



Data Source: Statistics New Zealand

Figure 10: Median rents for Queenstown are consistently higher than those for the Otago Region and for New Zealand.

In terms of total housing costs as a percentage of income, some data is available at the regional level for 2001. Total housing costs include rent or mortgage payments, rates and other expenses. For the Otago Region as a whole, the data shows that around 12% of households had to devote more than 40% of their income to these housing costs. This is in comparison to the Auckland Region, where up to 23% of households had housing costs that consumed more than 40% of their income. These households would have included both low and high income households, so again the data provides an average rather than a specific measure of low income households who devote a disproportionate share of their income on housing costs. The Otago region statistics also will hide the particular issues associated with Queenstown, and are therefore of limited value.

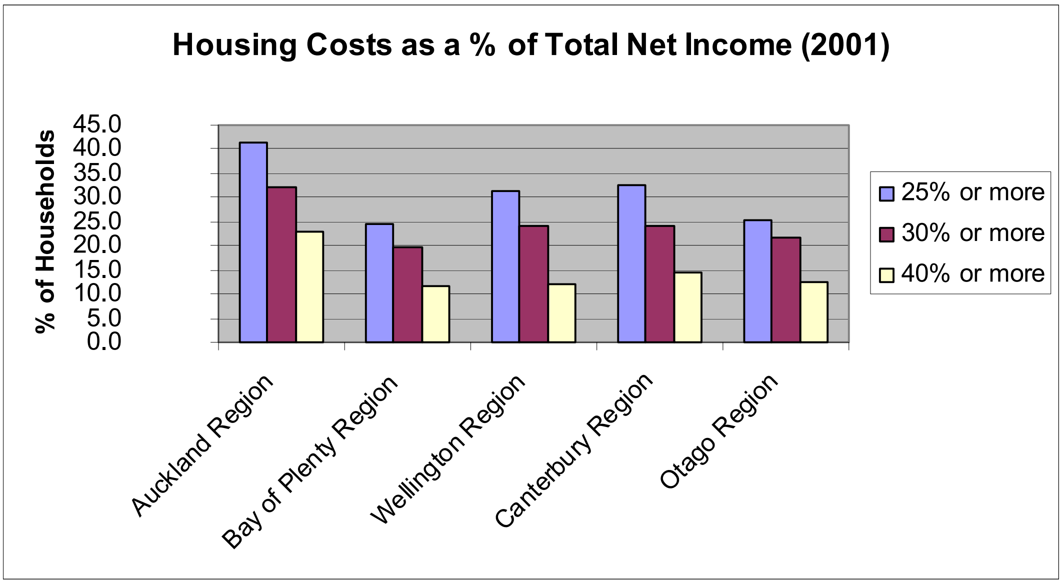
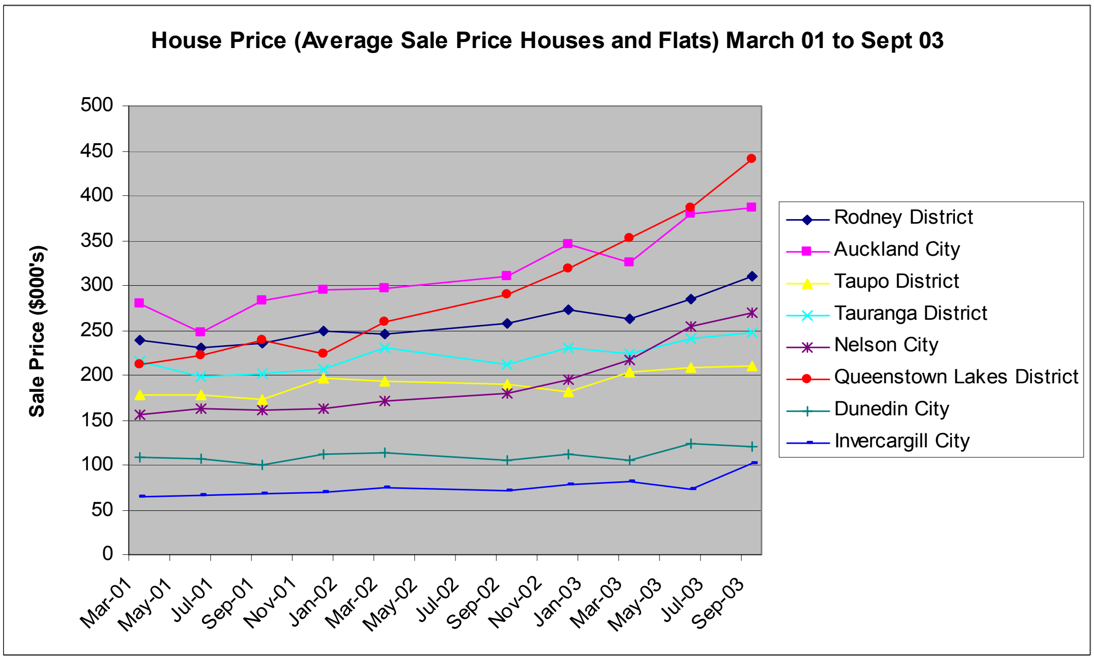


Figure 11: Housing costs as % of total income – by Region - 2001

3.3 Current State

3.3.1 Sale prices of house and flats

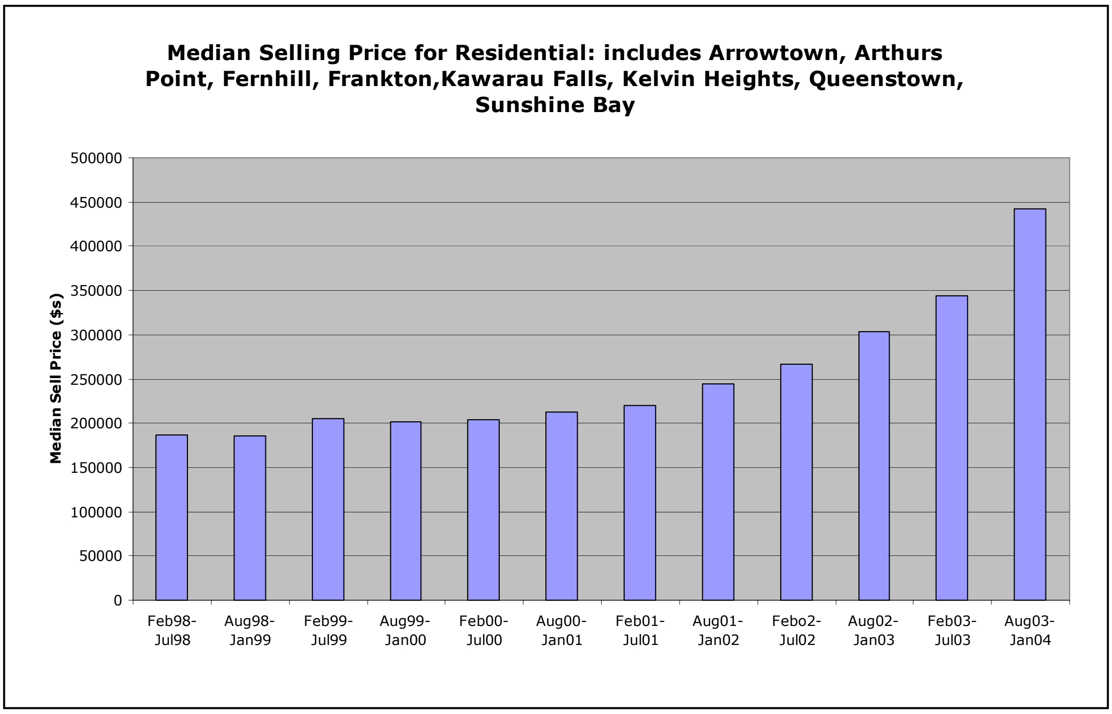
Figure 12 shows average sale prices for houses and flats over the three years from 2001 to 2003, for selected cities and districts. It can be seen how prices in the QLDC area have taken a dramatic surge, with average prices higher than Auckland in the September 2003 quarter.



Data Source: QVNZ

Figure 12: Average sale prices 2001 – 2003

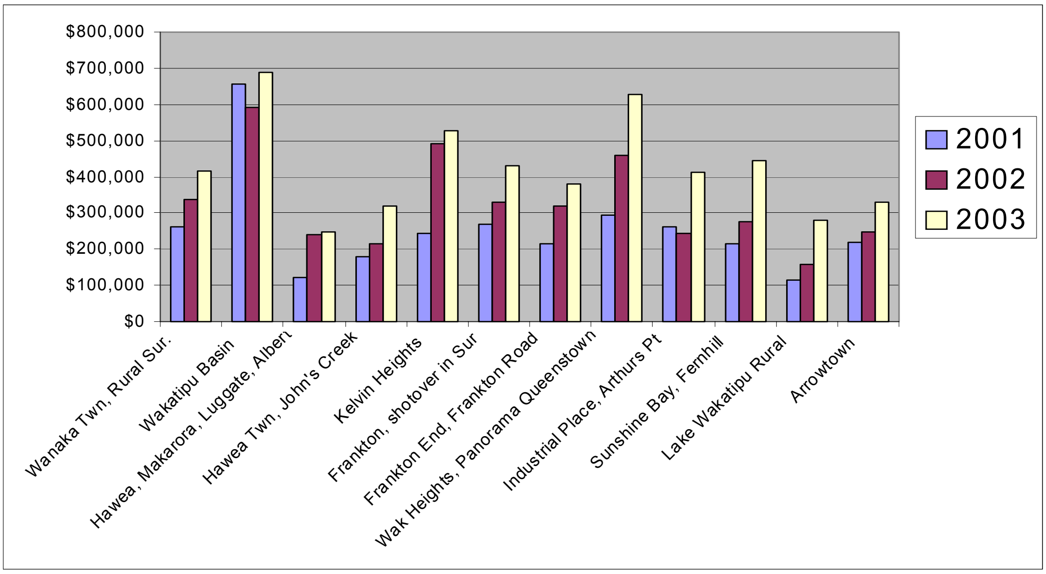
Median sales prices are a more accurate reflection of the overall housing market than average prices, since average prices include a growing number of expensive houses built specifically for the second or third home luxury market. Unfortunately there is less data available on median sales prices, but Figure 13 does show a significant upturn in median prices from 2000, for the wider Queenstown area.



Data Source: REINZ

Figure 13: Median selling prices 1998 – 2003 across the wider Queenstown area

When broken down into areas within the district, the variability in prices between areas can be seen. Figure 14 shows average sale prices for houses by area. What is noticeable is the high end of the market which would raise the average prices, but also that the bottom end of the market is now around the $300,000 mark. It is the shifts in the bottom end of the market that is of considerable concern to affordability. Particularly in the Queenstown area, there are few affordable options.



Data Source: QVNZ

Figure 14: Average sale prices for houses

Over the past few years, the apartment market has developed in Queenstown, although it would appear that this market is more directed at the needs of investors and the visitor accommodation market, rather than the long-term rental or owner-occupier market. Average sale values for flats show more variability than the housing market, with some flats in the below $200,000 range, though most are in the $200,000 to $300,000 range. There is no indication of size of these flats and apartments (number of bedrooms).

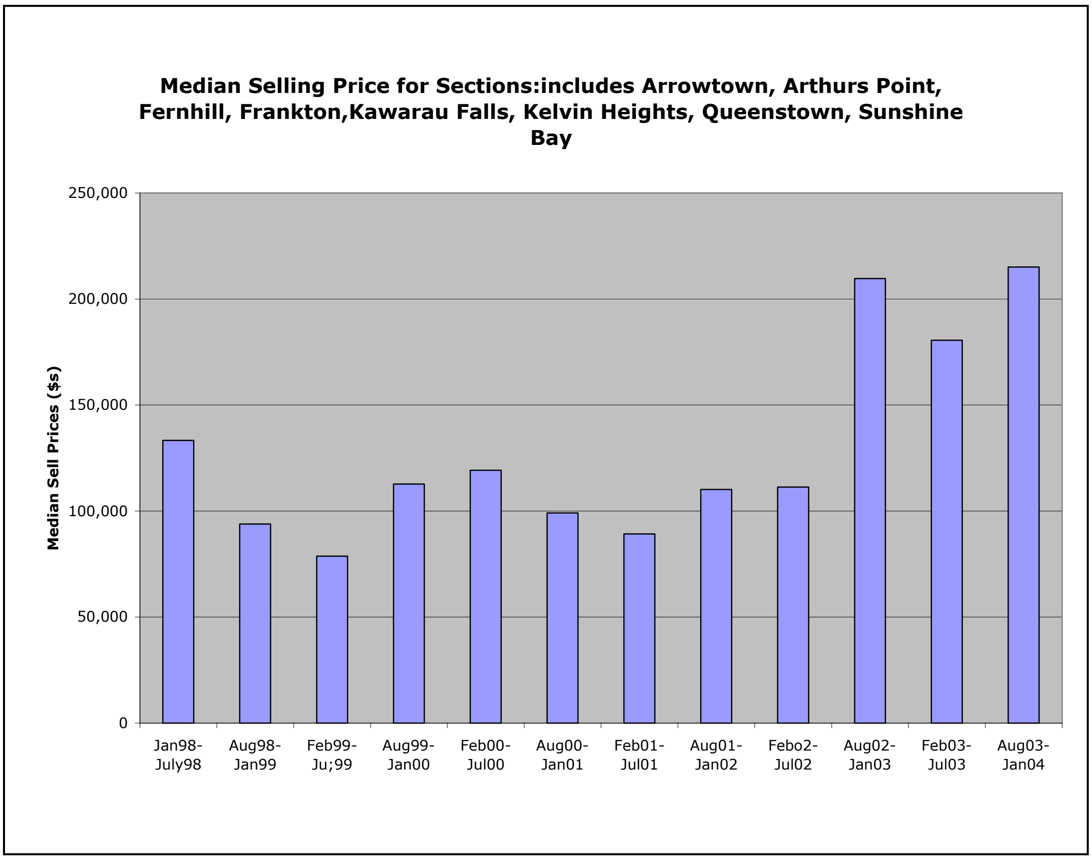
Table 4: Average flat/apartment prices

Area	2001	2002	2003
Wanaka Township, Rural Surrounds.	$260,200	$258,269	$337,000
Wakatipu Basin	$587,500	$484,000	$647,375
Hawea, Makarora, Luggate, Albert Town	$0	$0	$0
Kelvin Heights	$218,000	$144,000	$161,000
Frankton	$196,234	$209,333	$266,250
Frankton End, Frankton Road	$175,265	$211,075	$263,667
Wakatipu Heights, Panorama Queenstown	$215,473	$280,739	$413,050

Area	2001	2002	2003
Sunshine Bay, Fernhill	$177,783	$209,692	$270,961
Lake Wakatipu Rural	$0	$0	$0
Arrowtown	$165,667	$259,250	$268,591
Queenstown Lakes District Total	$204,157	$245,744	$326,500

Data Source: QVNZ

Finally, to complete the picture of recent sale prices, section sales show a very strong rise in value, with average section prices increasing from $110,000 in 2001 to $240,000 in 2003. Figure 15 uses combined data for median prices for sections for the wider Queenstown area, which shows a rapid rise in section prices from mid-2002.



Data Source: REINZ

Figure 15: Median selling price - sections 1998 - 2004

Table 5 provides a break down for average section prices by area across the QLDC, and shows significant increases in average section prices, particularly for areas with lower section prices in 2001.

Table 5: Average section prices

Area	2001	2002	2003
Wanaka Township, rural Surrounds	$137,137	$204,615	$275,664
Wakatipu Basin	$120,350	$156,500	$181,700
Hawea, Makarora, Luggate, Albert	$37,722	$76,500	$124,988
Kelvin Heights	$148,844	$203,055	$242,200
Frankton	$92,250	$104,000	$290,000
Frankton End, Frankton Road	$73,000	$85,250	$159,050
Wakatipu Heights, Panorama Queenstown	$141,950	$206,450	$409,029
Sunshine Bay, Fernhill	$80,400	$99,500	$253,416
Lake Wakatipu Rural	$80,200	$341,750	$216,222
Arrowtown	$80,607	$138,429	$212,333
Queenstown Lakes District Total	$110,200	$154,394	$242,180

Data Source: QVNZ

Data presented by a local property valuer (Barry Robertson) for the Queenstown area notes that the Quotable Value New Zealand data set out above contains a number of property transactions that involve sales within family trusts and larger development sites which will therefore distort average prices on the open market. The following data has been provided by Robertson Property Limited, and perhaps reflects a more realistic view of normal market prices.

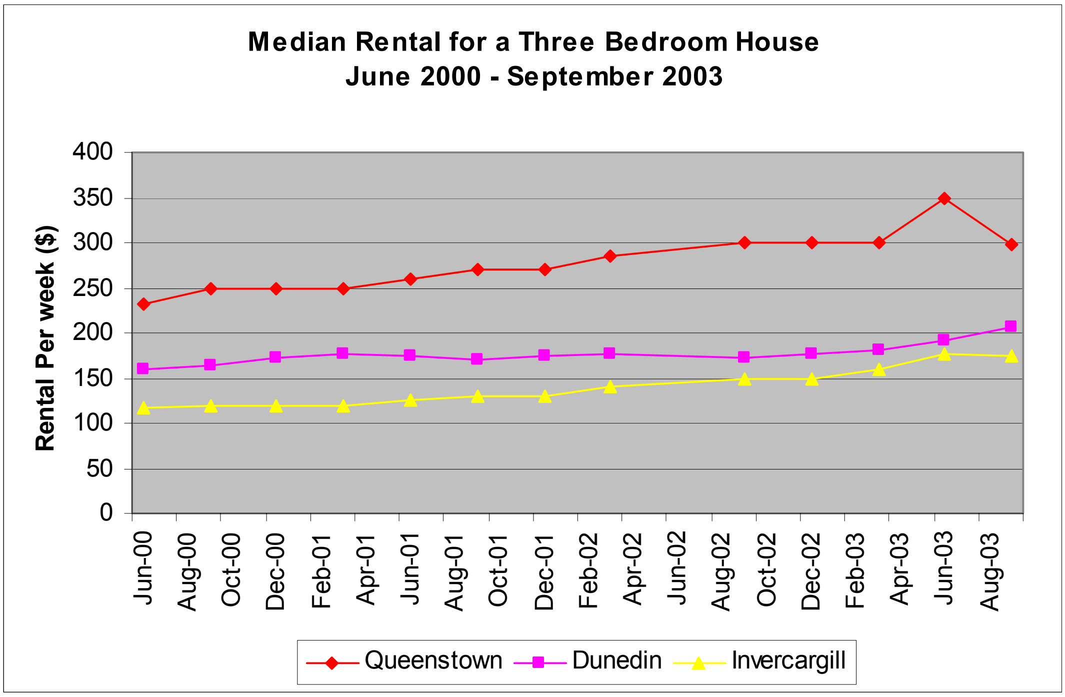
Table 6: Average sale prices – Queenstown and Wakatipu

Area	2001		2002		2003		% Change
	Average Price	Number	Average Price	Number	Average Price	Number	2001-2003
Houses							
Kelvin Heights	$385,750	38	$521,278	45	$650,811	38	69%
Frankton / Kawerau Falls	$287,081	37	$329,793	61	$444,176	37	55%
Frankton Road	$264,861	40	$392,041	66	$530,190	71	100%
Queenstown Bay	$399,774	53	$510,077	53	$769,763	50	93%
Fernhill / Sunshine	$237,734	50	$295,604	82	$380,380	56	60%
Arrowtown	$223,446	132	$275,258	96	$367,037	115	64%
Arthurs Point	$324,556	9	$247,750	4	$526,167	6	62%
Residential Units							
Kelvin Heights	$331,000	3	$310,000	1	$395,250	4	19%
Frankton / Kawerau Falls	$210,542	50	$223,111	46	$291,224	17	38%
Frankton Road	$217,121	85	$259,135	100	$340,676	69	57%
Queenstown Bay	$376,026	75	$404,432	60	$550,189	48	46%
Fernhill / Sunshine	$189,757	92	$230,125	84	$307,432	59	62%
Arrowtown	$190,750	14	$247,611	9	$279,000	21	46%
Sections							
Kelvin Heights	$152,288	26	$222,717	30	$330,769	13	117%
Frankton / Kawerau Falls	$76,500	10	$47,382	51	$795,000	2	939%

Area	2001		2002		2003		% Change
	Average Price	Number	Average Price	Number	Average Price	Number	2001-2003
Frankton Road	$118,717	58	$145,096	137	$227,864	53	92%
Queenstown Bay	$176,906	28	$371,608	37	$454,500	28	157%
Fernhill / Sunshine	$96,422	32	$147,048	51	$314,540	73	226%
Arrowntown	$86,132	53	$126,582	119	$189,972	89	121%
Arthurs Point	$120,156	4	$93,350	10	$320,100	10	166%
Lakes Hayes Estate	$0	0	$92,833	203	$133,825	60	44%

3.4.3 Rental levels

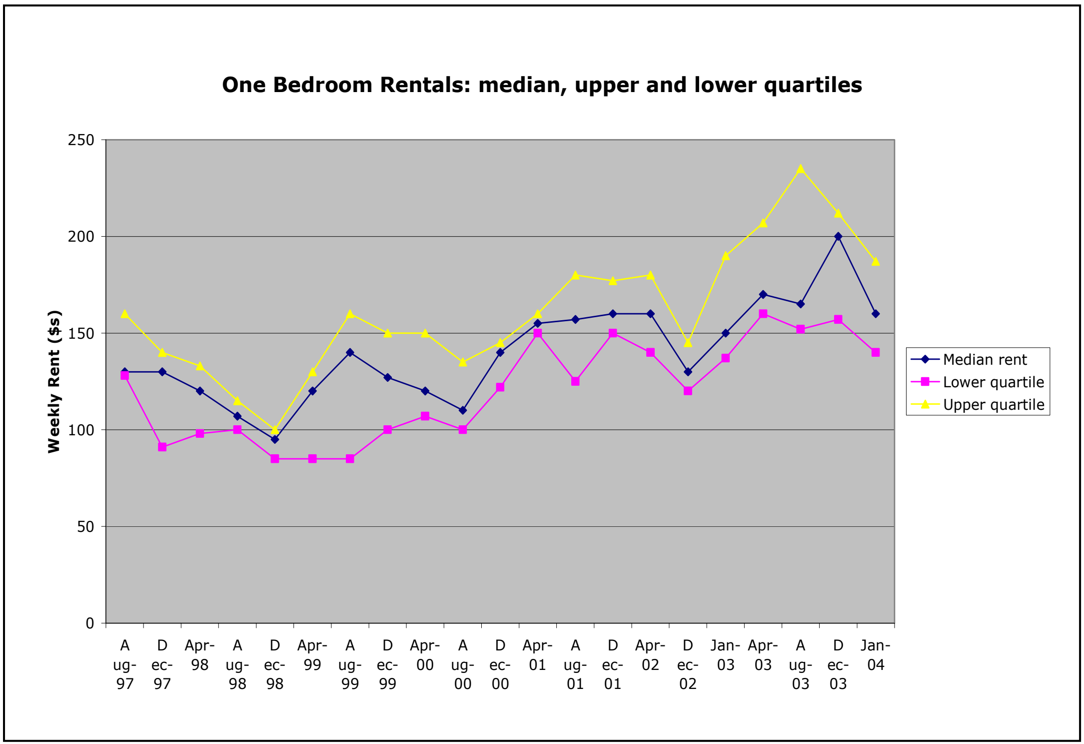
Over the past three years, median rental levels for a three bedroom home have risen from around $220 per week to $300 per week. Rental levels of between $300 to $350 are common in Queenstown.

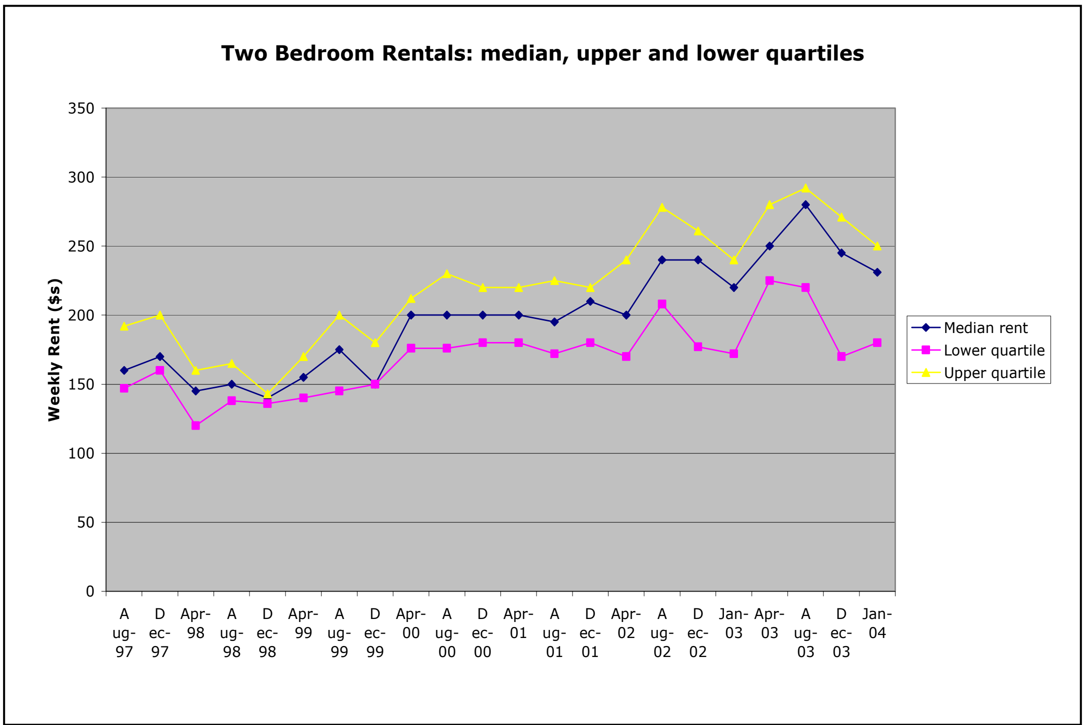


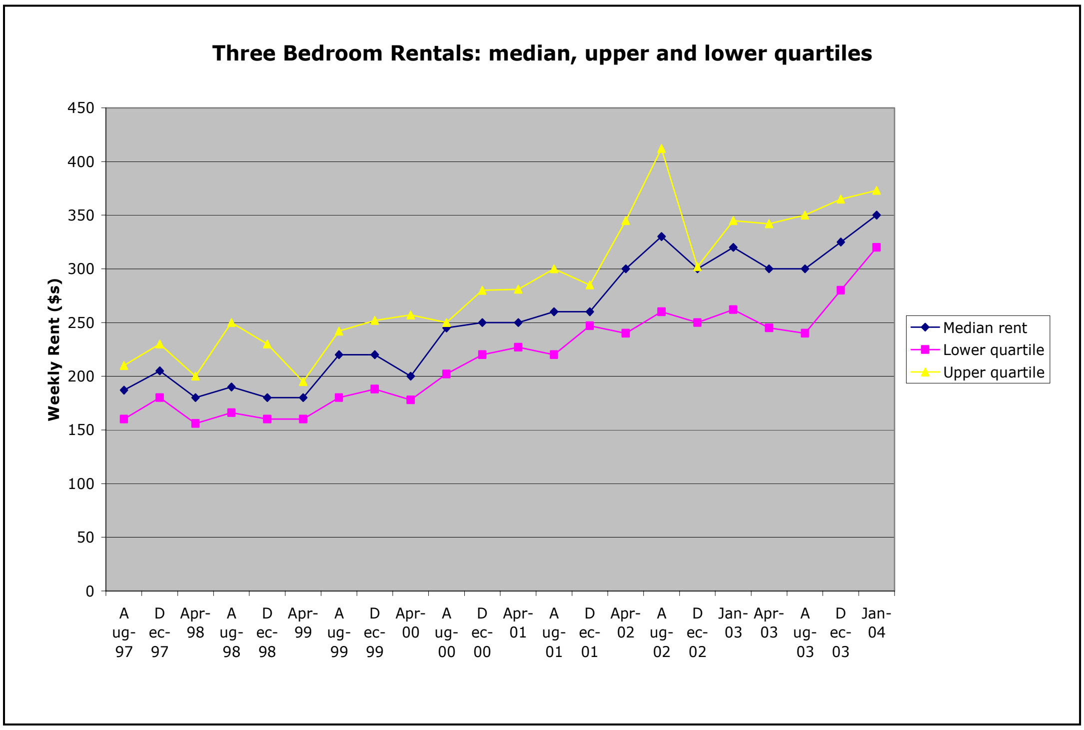
Data Source: QVNZ

Figure 16: Median rental values for QLDC June 2000 to August 2003

Looking at the spread of rental values, it can be seen from the following graphs that there is little difference between the bottom and top-ends of the market. The median rent for the lower-end of the market is around $150.00 per week for a one bedroom unit, $175.00 for a two bedroom unit and just over $300.00 for a three bedroom unit.







Data Source: QVNZ

Figure 19: QLDC rentals: median and upper and lower quartiles – 1997 to 2003

Three bedroom homes are the type of dwelling most sought by families. Rental values for three bedroom homes appear to have grown the most. There is little difference between the upper and lower end of the market for these types of units.

4 Monitoring and indicators

Having canvassed historical and current property market issues, this section of the report sets out suggested indicators of housing affordability.

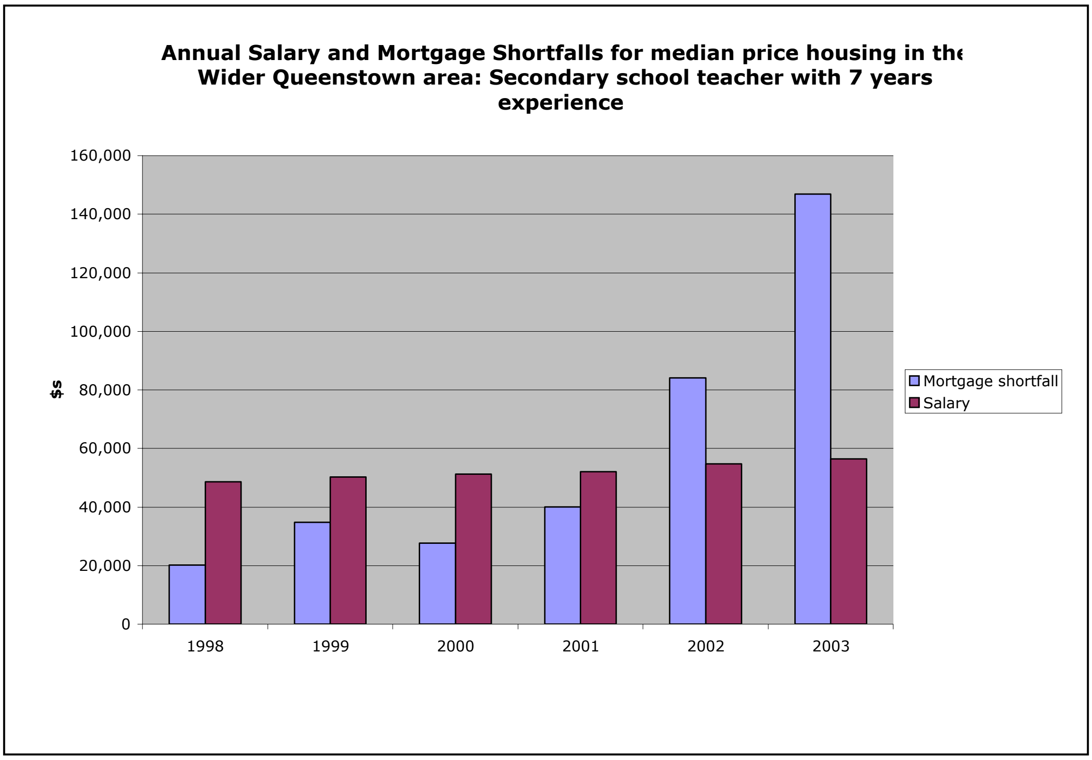
Indicators of affordability are needed in order to understand affordability trends at the local level. As has been discussed, much of the published data on housing affordability is at a regional or national level, which 'hides' many of the particular issues facing Queenstown Lakes. A further issue is that while there is a considerable amount of data on house price movements in the district, there is little data on income movements since 2001, when the current property boom gathered pace. The 2006 census will provide the next comprehensive picture of household incomes. In the interim indicators of affordability are needed to track changes in income to rent and mortgage payment ratios. Indicators are also needed to track the effectiveness of polices that may be put in place to address affordability issues.

One way of getting a better understanding of the impact of the increases in house and section sale prices on the Queenstown Lakes housing market, in the absence of comprehensive income data, is to examine the ability of particular types of household to either rent or enter into owner occupation. By considering wage rates and income levels of hospitality service sector employees and mid-level public sector employees (important sectors for the local economy and for the overall make up of the community of the district) it is possible to develop indicators which summarise the relationship between changes in income levels and the more rapid increases in housing costs.

4.1 Indicators of households ability to move into owner occupation

One useful indicator is based on the concept of measuring the mortgage shortfall or the gap between the maximum mortgage that a household can afford and the median sale price of housing. The ability to pay a mortgage is calculated based on a 5% deposit and normal banking lending practices. Figure 17 below, shows that whilst the rate of pay for a public sector professional (a secondary school teacher with 7 years experience) has increased by $5,000 over the period 1998 – 2003, (reaching $56,393 in 2003) the ability to purchase a median price house in the wider Queenstown area has fallen off sharply in the last 2 years, with a mortgage shortfall of $143,000 in 2003. In other words, the household on an income of $56,393 per annum cannot meet the mortgage repayments on the median priced house, assuming a 5% deposit. One way of closing this gap would be for the household to provide a much larger deposit (or to devote a very high proportion of their income to mortgage repayments – but this will be constrained by bank lending criteria). In recent years the mortgage shortfall has increased to a level where the relevant household is unlikely to be able to save such a deposit, or else they have to rely on other (non-bank) sources of capital to provide such a deposit, such as family members.

Mortgage shortfalls of this extent are also evident for private sector employees: for example, for the last 3 years, the average salary for an Executive Chef / Head Chef position has matched that of the experienced secondary school teacher (Queenstown Salary Survey: Hospitality Industry).



Note: the Wider Queenstown Area includes Arrowtown, Arthur's Point, Fernhill, Frankton, Kawarau Falls, Kelvin Heights, Queenstown, Sunshine Bay.

Figure 17: Mortgage shortfalls limiting ability to purchase a house

In other words, large mortgage shortfalls are becoming evident for a range of professionals (for example in the public sector and the hospitality industry) who until a couple of years ago would most likely have been able to manage a deposit on a median priced house in the wider Queenstown area. If there are two joint buyers (a commonplace situation for first time buyers) both with incomes at this same level, this mortgage shortfall is surmountable in the years up to 2002. By 2003, despite having a sufficient joint income to purchase a house in the low $300,000s these households would experience a significant shortfall of about $110,000 for median price housing.

The mortgage shortfall (or deposit gap) is, of course, larger for those on slightly lower incomes. A similar calculation for two joint buyers can be made for middle management and professional workers essential for the efficient operation of the tourism sector (including front office managers, head housekeepers and sous chefs) with average salaries reaching $40,000 in 2003. Figure 18 illustrates that the mortgage shortfall for this type of household is probably small enough to be met by savings in 2001, but by 2003 there is a large shortfall of over $200,000, for median price housing.

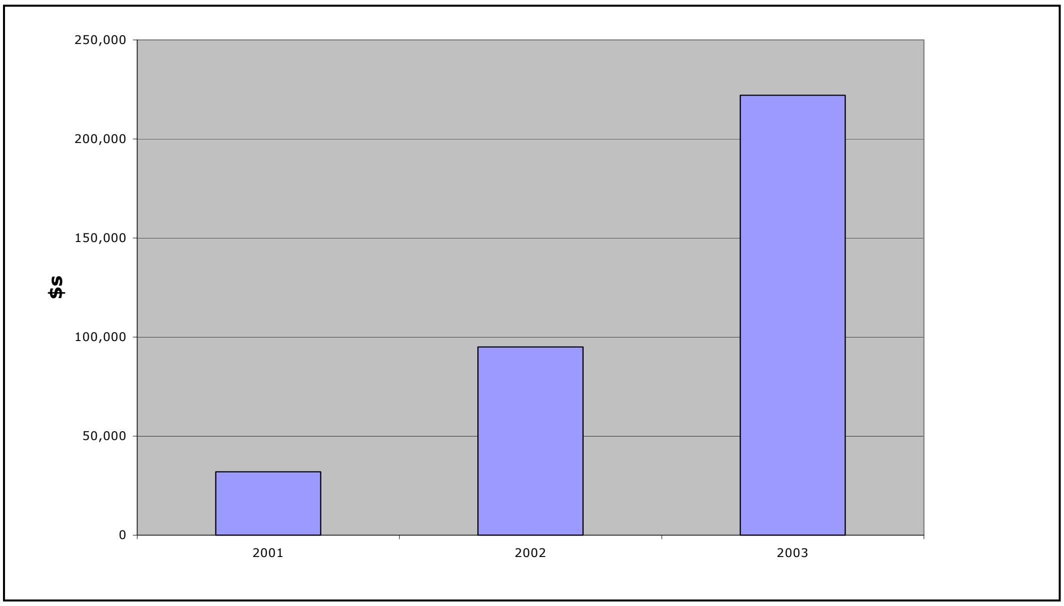


Figure 18: Mortgage shortfalls limiting ability to purchase a median price house for 2 joint buyers in the hospitality sector.

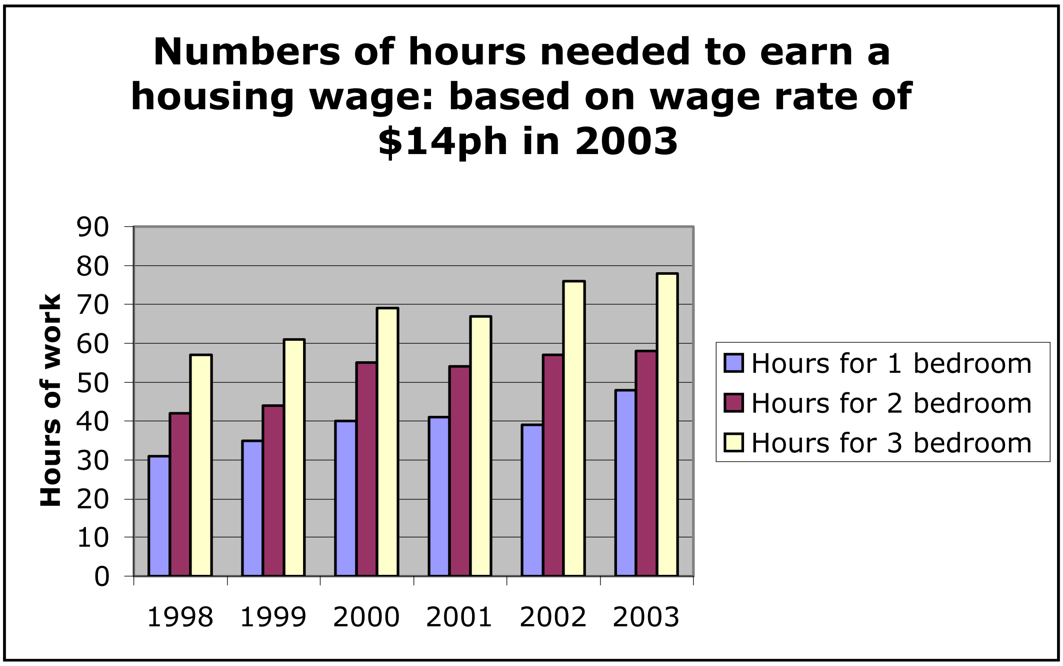
4.2 Housing affordability indicators for the rental sector

For the rental sector there are several indicators that can be used to understand the impacts of rising rental costs on individuals and households, which takes into account changes in hourly wage rates over time.

One possible indicator is based on the number of hours needed to earn a "housing wage", that is to earn sufficient income to pay for median rent housing. Figure 20 below indicates a general pattern of increases in hours needed to earn a sufficient housing wage income to achieve the median rental level for 1, 2 and 3 bedrooms for median rental properties across the Queenstown Lakes District. The $14 per hour (in 2003) represents an average wage rate for a range of occupations in the hospitality industry, involving some level of supervisory duties or skills. By 2003, 78 hours of work (at the $14 per hour rate) was needed to afford to rent a three bedroom median rent house.

In contrast, if the household's incomes are paid at the minimum wage rate, the number of hours needed to earn a housing wage in 2003 for a median rent 3 bedroom house was 124. This is a significant increase from the 97 hours needed in 2001, at minimum wage rates. Effectively this means that rental households dependent on lower paid employment need the equivalent of three full time incomes to achieve affordable housing. And this gives support to the anecdotal evidence from the focus groups about very long hours of work or people working 2 or 3 jobs to make ends meet.

Figure 19: Number of hours needed to meet average rental costs



5 Future prospects

Determining future housing affordability is a complex process. Variables include:

- Future rises in land, house and apartment prices
- Rises in incomes
- Changes in bank lending criteria and rates of interest
- Changes in the prices of other goods and services – that is, the spending power of residual income.

The study is set against a background of significant increases in house and rental prices over the last three years. While these recent increases have brought housing issues to the fore, this study needs to take a long-term view of access to housing. It is possible that the district has been through a house price bubble that might not be repeated in the next 10 to 20 years. It is even possible that house prices may decline over the medium term. Alternatively house prices may continue to increase substantially.

Real (CPI-adjusted) house prices showed widely divergent growth between 1981 and 2002 across New Zealand. At a local authority level, real house prices fell by 50% over this period in Kawerau, while in Auckland City real house prices rose by 152%. Fifteen (out of 73) TLAs had falling real house prices over this period, while six had prices that more than doubled in real terms. QLDC was one of these six areas, recording a rise of 143%.

The figure on the following page (Figure 20) is sourced from a report on structural changes to the housing market[1]. The figure shows changes in average, nominal house prices for Auckland City and Kawerau District, being the two extremes of housing price changes for the last 20 years. The Auckland City data shows how the housing market in that city has moved through a number of cycles over the past 20 or so years. Nominal house prices exclude inflation.

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[1] HOUSING AND STRUCTURAL ADJUSTMENT. Arthur Grimes, Suzi Kerr & Andrew Aitken. *Paper prepared for Centre for Housing Research Aotearoa New Zealand, June 2003*

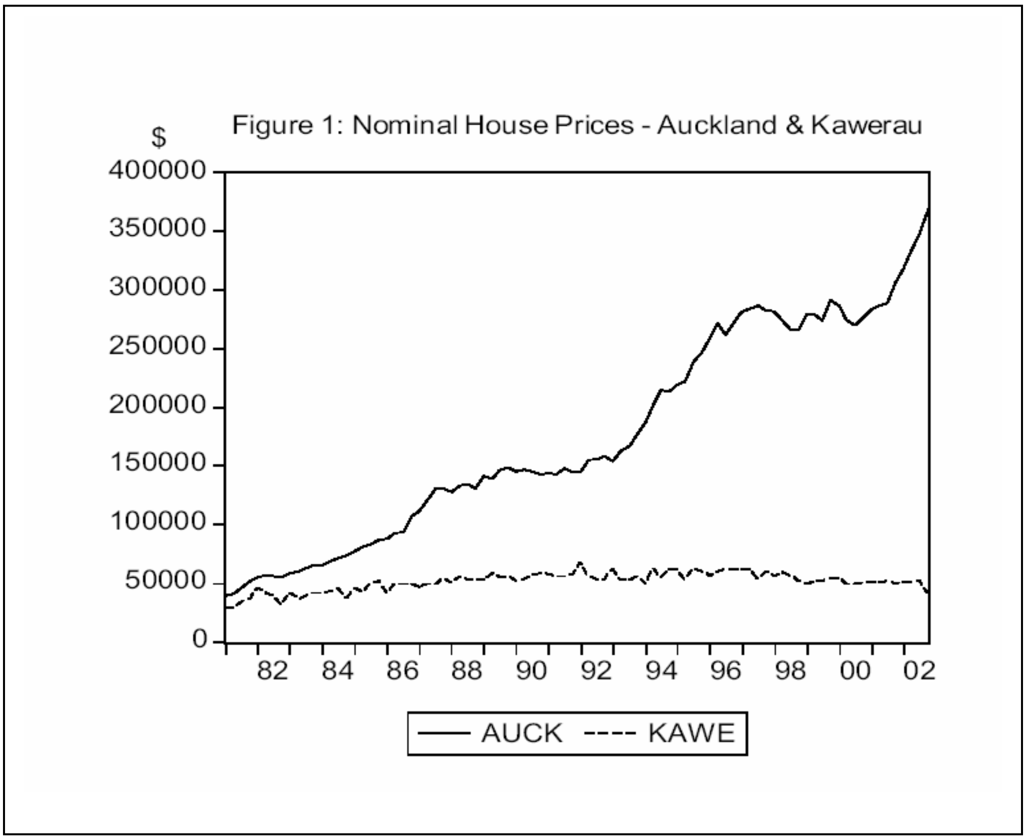
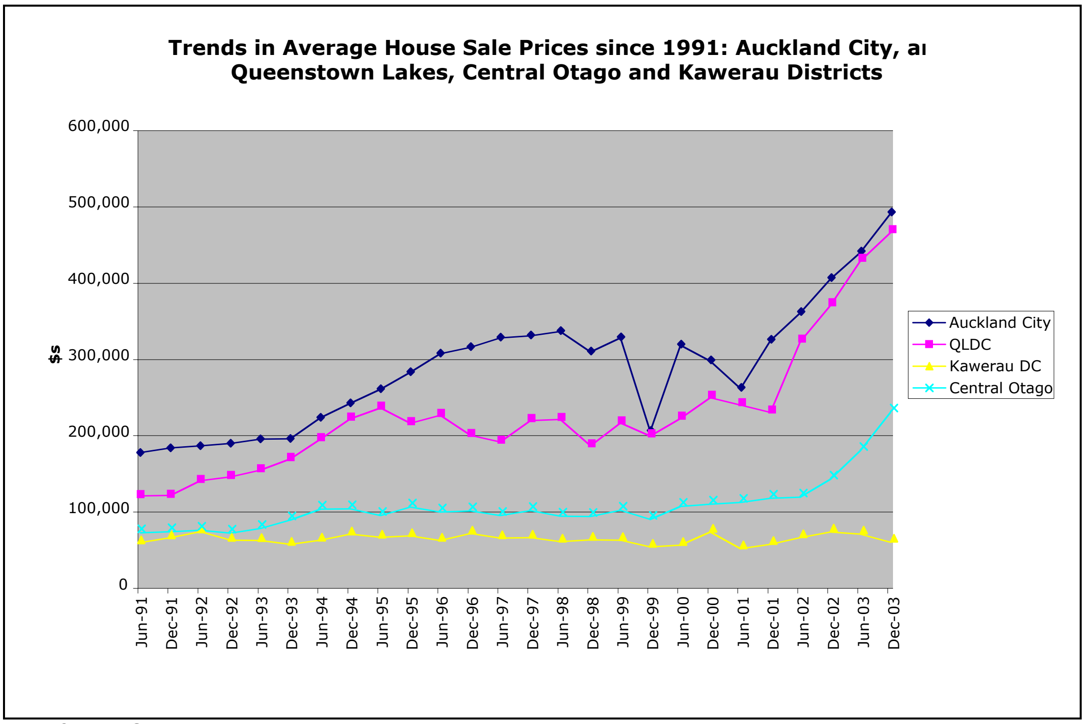


Figure 20: House Price Movements 1981-2001

The study from which the figure is sourced notes that in general, areas that move through a house price "shock", such as that experienced by Queenstown and Wanaka, rarely see house prices decline:

> *At Regional Council level, real house prices that experience (statistically significant) "permanent" shocks; that is, factors which cause real prices to jump (upwards or downwards) are not normally subsequently fully unwound.*

Constructing a similar figure for the trends in sale prices for houses since 1991, but including figures for Queenstown Lakes District and Central Otago District illustrates how the housing market in Queenstown has become aligned with that in Auckland City. On the other hand, average sale prices in Central Otago do not appear to have increased much during the period 1991 to 2001. It is only in the last three years that average sale prices have risen significantly in Central Otago.



Data Source: QVNZ

Figure 21: Trends in average house sale prices since 1991

The local market therefore appears to have entered a new phase. The question is where will the market be in 10 years time? There is little evidence as to what is driving the higher market prices.

One view is that the reality of the real estate market is that a proportion of homes are being purchased as second homes, lifestyle homes or investment properties by people from outside the district. Under this view house prices tend to get set by what prices outsiders are familiar with in their home town. Usually they are comparing prices with a larger centre, and are often able to pay above-market rates for dwellings due to the higher cost of housing in their home area, which gives them greater capital or leverage. Under this view, house and section prices will continue to tend to move ahead, at least to a point where they are comparable to the prices in the buyer's home area.

An alternative view would be that demand for housing has leapt ahead of supply. There are insufficient properties on the market, and not enough sections. In particularly there is a perception that there is little additional land available for greenfields housing, especially in Queenstown. Higher construction and labour costs will also drive up prices. Under this view demand and supply may come into line in the future, provided additional land is made available. However as there is a limit to the amount of land which could be released for development, this suggests to potential investors that prices will rise in the future, hence investors are willing to pay higher prices in the anticipation of more substantial capital gains in the future.

A third view would be that the strength of the visitor accommodation market means that most new housing stock is being aimed at the needs of investors and the managed apartment market, rather than owner-occupiers. This trend is seeing little new rental stock added, while in places where affordable new housing could be provided, such as around the CBD area and Frankton Road in Queenstown, visitor accommodation units now dominate. Under this view, unless there is a significant downtown to the visitor market, prices for rental units will continue to rise, while there will be few opportunities for lower cost housing to enter the market place for permanent residents.

All views seem to have some validity. Combined, these pressures operate in what is actually a small market, and so it is likely that the market can quickly become distorted, and overshoot normal demand and supply relationships. This compounds affordability problems in the short term.

The range of influences also mean that even if one possible influence is mitigated through changes to policy (such as additional land supply reducing growth in land prices), the other factors may still drive up prices.

5.1 Future demand for affordable housing

Over the period 2001 to 2021, if current trends continue, there could be demand for around 5,400 new, permanent households in the Queenstown urban area (with a further 2,000 odd in and around the basin) and 2,600 households in Wanaka. Assuming that these households will be similar to the economic profile of current permanent households, then the majority of these households will earn around $30,000 to $50,000 per year, in 2001 dollar terms. On this level of income it is increasingly difficult to meet rent or mortgage repayments on an average property. However it is likely that more of the new households will be in the middle-income brackets of between $50,000 to $70,000. This is because the settlement does not tend to attract retired households or households on fixed incomes - these households tend to have low household incomes (although the retired sector can often be asset rich).

To gauge the current and future size of the affordability problem, the following section sets out a desk-top analysis of the number of households who are likely to be experiencing some form of affordability issue. This analysis is based on 2001 income data, and therefore, to a certain extent, is already out of date.

5.1.1 Rental affordability

The rental sector is the major component of the housing market in the urban area of Queenstown, and therefore understanding the impact of increased rental levels on households is particularly important. The following table (Table 7) sets out how much household income would be devoted to covering rental costs, given different income bands and weekly rental levels. The cells within the table list the percentage of income needed to meet the different weekly rental levels. For very low income households, rental costs exceed total household income, but in reality, households with zero or very limited income may have other sources of income that they do not declare, they may rent much cheaper places, or they do not rent at all. Highlighted in yellow are the income bands where rental costs are likely to be a high percentage of total income (in this case more than 30% of household income).

The 2001 income bands have been inflated by 10% and 20%, to represent possible increases in household income levels in the future.

Table 7: Rental costs and household income bands

2001 Household income band	Income Mid point ($)	Weekly Rent					
		$200	$250	$300	$350	$400	$450
2001 Incomes							
$0 - $15K	$7,500	139%	173%	208%	243%	277%	312%
$15 to 30K	$22,500	46%	58%	69%	81%	92%	104%
$ 30 - 50K	$40,000	26%	33%	39%	46%	52%	59%
$ 50 - 70K	$60,000	17%	22%	26%	30%	35%	39%
$ 70 – 100K	$85,000	12%	15%	18%	21%	24%	28%
$ 100K +	$120,000	9%	11%	13%	15%	17%	20%
2001 Incomes Inflated by 10%							
$0 - $15K	$8,250	126%	158%	189%	221%	252%	284%
$15 to 30K	$24,750	42%	53%	63%	74%	84%	95%
$ 30 - 50K	$44,000	24%	30%	35%	41%	47%	53%
$ 50 - 70K	$66,000	16%	20%	24%	28%	32%	35%
$ 70 – 100K	$93,500	11%	14%	17%	19%	22%	25%
$ 100K +	$132,000	8%	10%	12%	14%	16%	18%
2001 Incomes Inflated by 20%							
$0 - $15K	$9,000	116%	144%	173%	202%	231%	260%
$15 to 30K	$27,000	39%	48%	58%	67%	77%	87%
$ 30 - 50K	$48,000	22%	27%	33%	38%	43%	49%
$ 50 - 70K	$72,000	14%	18%	22%	25%	29%	33%
$ 70 – 100K	$102,000	10%	13%	15%	18%	20%	23%
$ 100K +	$144,000	7%	9%	11%	13%	14%	16%

Based on the number of different households in these income bands, an estimate can then be made as to the proportion of households that may experience some sort of a rental affordability issue. Table 8 sets out the percentage of all households who rent, by income band, for both the Queenstown urban area and for Wanaka.

Looking first at the situation in 2001, the average rental level in QLDC was around the $200.00 a week mark. Table 7 highlights those household income bands that would have spent a considerable proportion of their income on rental costs. Households in the below $30,000 income band were likely to have experienced significant problems. Turning to Table 8, around 11% of all households in Wanaka and around 14% of all households in Queenstown rented houses and fall into the below $30,000 income bands.

By 2003, assuming that average rents have increased to $300.00 per week, but household income has remained stable, then Table 7 shows that households in the $30,000 to $50,000 income bands would have begun to experience rental affordability issues. Turning to Table 8, it can be seen that around 18% of all households in Wanaka and 25% of all households in the Queenstown urban area were therefore likely to be experiencing some form of affordability issue.

Table 8: Renting households by income band

2001 Household Income	Wanaka	Queenstown
	% of all households in income band	
Loss + Zero	0.3%	0.1%
$0 - $15K	4.2%	3.6%
$15 to 30K	6.6%	9.9%
$ 30 – 50K	7.5%	11.8%
$ 50 – 70K	4.8%	9.2%
$ 70 – 100K	2.4%	7.4%
$ 100K +	1.8%	4.4%
Total	27.6%	46.4%

Yellow area = households likely to be experiencing some form of rental affordability issues in 2003

Into the future, should rental levels climb somewhat more modestly and incomes increase, then if incomes grow by 10% while rental levels increase to say an average of $350 per week, then the number of households experiencing rental affordability issues will be similar to the 2003 level.

However should average rental levels climb to say $400 per week, and incomes rise by only 10%, then the percentage of all households experiencing affordability issues due to rental costs is likely to jump to 23% in Wanaka and 35% in Queenstown. This is beginning to become a sizeable proportion of the population of these settlements. A 20% rather than 10% increase in incomes will not necessarily reduce this impact.

5.1.2 Ownership Affordability

Turning to home ownership, a similar exercise can be undertaken, but this time focused on mortgage repayments.

Table 7 shows which household income bands are likely to see a significant proportion of their income devoted to mortgage repayments, given different weekly repayment amounts. The shaded areas show which income bands are likely to have to devote more than 30% of their income to mortgage repayments. Of course, for higher income households, this is less of a burden than for lower income households, as the higher income means that there is a greater residual income to spend on other household goods and services.

Table 9: % of income devoted to different mortgage repayments

2001 total household income band	Income midpoint	Weekly Mortgage Repayments				
		$300	$400	$500	$600	$700
2001 Income						
$0 - $15K	$7,500	208%	277%	347%	416%	485%
$15 to 30K	$22,500	69%	92%	116%	139%	162%
$ 30 - 50K	$40,000	39%	52%	65%	78%	91%
$ 50 - 70K	$60,000	26%	35%	43%	52%	61%
$ 70 – 100K	$85,000	18%	24%	31%	37%	43%
$ 100K +	$120,000	13%	17%	22%	26%	30%
2001 Income Inflated by 10%						
$0 - $15K	$8,250	189%	252%	315%	378%	441%
$15 to 30K	$24,750	63%	84%	105%	126%	147%
$ 30 - 50K	$44,000	35%	47%	59%	71%	83%
$ 50 - 70K	$66,000	24%	32%	39%	47%	55%
$ 70 – 100K	$93,500	17%	22%	28%	33%	39%
$ 100K +	$132,000	12%	16%	20%	24%	28%
2001 Income Inflated by 20%						
$0 - $15K	$9,000	173%	231%	289%	347%	404%
$15 to 30K	$27,000	58%	77%	96%	116%	135%
$ 30 - 50K	$48,000	33%	43%	54%	65%	76%
$ 50 - 70K	$72,000	22%	29%	36%	43%	51%
$ 70 – 100K	$102,000	15%	20%	25%	31%	36%
$ 100K +	$144,000	11%	14%	18%	22%	25%

Assuming that the desire for home ownership remains the same as it did in 2001, and that new households coming into the area have the same household income profile as the current population (an uncertain assumption), then currently (2003), about 30% of new households entering the area may be unable to sustain mortgage payments on a $350,000 house in Queenstown, possibly even more households in Wanaka. This assumes that the households in question can provide a $50,000 deposit, and that weekly repayments are around $500 per week.

Table 10: Housing affordability

2001 income band	Wanaka	Queenstown
	% of all households	
Loss + Zero	0.0%	0.1%
$0 - $15K	6.0%	3.0%
$15 to 30K	19.2%	9.1%
$ 30 - 50K	15.0%	12.1%
$ 50 - 70K	14.4%	10.6%
$ 70 – 100K	6.3%	8.6%
$ 100K +	5.4%	7.1%
Total	66.4%	50.6%

Yellow area = new households likely to be experiencing some form of ownership affordability issues in 2003

In reality, most households moving into the area are likely to be in the $30,000 plus income band, rather than having no, or minimal income.

If house prices continue to climb (as they are bound to in the medium term), and income levels only increase modestly, then up to 40% of all new households could experience ownership affordability problems.

In effect, recent land and house price rises mean that for people on average incomes, a double income household is needed to service a mortgage, rather than a one or a one and a half income household that was sufficient in 2001.

There are a variety of issues associated with this trend:

- The small labour market in both settlements may make it hard for double income households to establish in the settlements, so it may be even harder to attract people in the future than it is now.

- Rates of renting may increase, and people may see the area only as a step along a path towards home ownership in another settlement.

- Households formed by families where one person is employed for only part of the time are likely to be discouraged from locating in the area.

This is likely to see home ownership rates fall, and demand for rental units increase. If long-term rental units are not provided by the market place, then a substantial housing problem will occur. It will also have substantial implications for the make-up of both settlements and their continued economic growth.

Combined, rental and ownership affordability is likely to be currently affecting perhaps 20% to 30% of households in both settlements. Continued increases in rents and house prices, but only modest increases in incomes could see up to 50% to 60% of new households struggle to meet their housing costs. In all likelihood, housing affordability problems will never reach this level as people will seek additional sources of income (such as working longer hours, taking on additional work), rent instead of buy, or more likely shift out of the area in response to these pressures.

5.2 Possible market responses

This section looks at the possible response of the market place to the affordability issues outlined. The three main housing markets set out above – short-term rental, long-term rental, and owner-occupier – are dealt with in turn. However as there is a high degree of interdependence between these different sub-markets, the discussion commences with an examination of the whole market.

The fundamental problem facing the two communities is that while average house prices have increased by over 50% over the last three years, incomes are likely to have increased by a much more modest amount. The main question to consider is whether the market place will close this gap. This could come about from:

1. A flattening of the housing market
2. A significant expansion of the whole housing market, lowering all prices
3. The market place delivering more affordable rental and ownership units than at present
4. A significant increase in incomes, off setting the increased house prices.

5.2.1 Cyclical downturn

Under this scenario, the recent gains in property prices would be unsustainable, and they will sow the seeds of their own demise. Ever higher prices would eventually deter investors and buyers, while a lack of affordable housing would slow economic growth. The speculative element in the market would subside. Other external events may kick start such a process, for example a higher kiwi dollar may dissuade overseas buyers, while the shift towards higher yield tourists may slow demand for visitor units. As some point, a significant readjustment of the property market would occur and prices would move downwards to reflect actual demand.

Relying on a downturn to 'right-the-balance' is a risky strategy that has adverse implications for all people and businesses in the community, while there is little evidence that such an outcome will happen. It is likely that the housing market will experience periods of decline over the next 20 years, for example the property sector went through an upswing in the mid 1990s and then prices retreated by 10% to 20% in the late 1990s, but it is unlikely that such downturns will be to a level that will alleviate all housing affordability problems.

5.2.2 Expansion of the housing stock

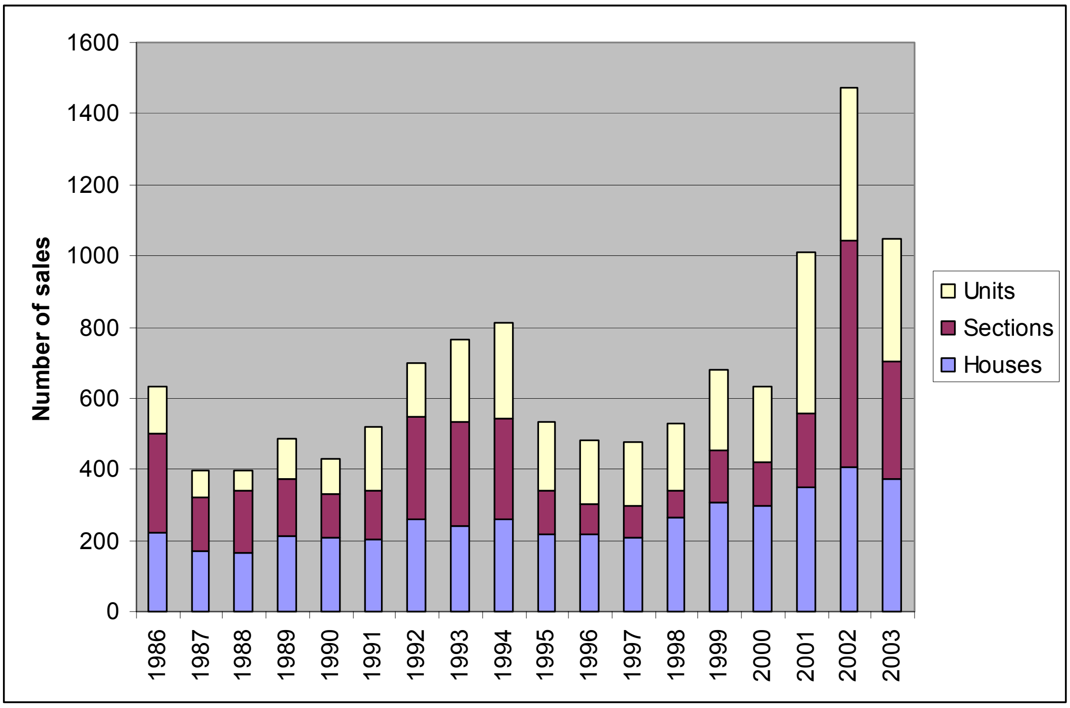
An expansion of the middle and higher end of the property market fuelled by the rises in prices, may help to expand the stock of more affordable housing if as part of this process, current households move into newer, more expensive residences, releasing more of the older housing stock onto the market. On the face of it, there is considerable potential for the stock of dwellings to expand in both the Wanaka and Queenstown / Wakatipu areas. In the normal course of events, an expansion of the stock of homes for both rent and ownership should help to control price rises and add more depth to the market.

However relying on this dynamic to bring more affordable housing onto the market assumes that the housing stock can increase at a faster rate than the population. This is an unlikely prospect given the difficulty of building in the Queenstown area, the shortage of labour, the fast population growth and the strong competition that the commercial sector is likely to exert on the domestic market for land and labour. Again there are risks relying on such a market response to correct current imbalances.

5.2.3 More affordable housing.

In the Queenstown / Wakatipu area, council estimates suggest room for a further 7,600 dwelling units, after an allowance has been made for visitor accommodation units, and second and holiday homes. Over 50% of this capacity is located in what are now the more expensive housing areas of the Basin and Kelvin Heights. Around 40 to 45% of this capacity is in areas where the market is likely to be able to provide a more affordable product, namely Frankton Flats, Frankton Road and the wider CBD area. However in these areas the competition with the visitor accommodation sector is likely to be strongest, possibly forcing up land values and reducing the extent to which an affordable product can be provided.

Nevertheless, a notable feature of the Queenstown housing market has been the growth of units and apartments. Units now comprise 30 to 40% of sales, but this segment covers owner occupier, investment and apartments directed at the visitor market.



Data source: Robertson Property

Figure 22: Number of sales by type

The sale price of units shows a discount to that of stand-alone houses, which assists with providing a more affordable product, but as can be seen from Table 11, the price of residential units has increased in-line with the increase of stand-alone houses. This is a feature noticeable in other markets – the price for units tends to be set at a differential to stand-alone housing, and as stand-alone housing increases, so do does the price of apartments and units. Table 11 also shows how average prices for tourist apartments exceed those of residential units, highlighting the greater market return from the tourist market.

Table 11: Queenstown / Wakatipu average sale prices 1993 - 2003

	HOUSES	RES'UNITS	INVEST' UNITS	TOURIST APART
1993	$193,556	$159,997	$134,370	$150,656
1994	$257,382	$194,862	$163,361	$241,231
1995	$256,127	$195,354	$167,537	$293,269
1996	$243,506	$191,415	$147,100	$220,079
1997	$234,646	$203,954	$161,920	$247,947
1998	$202,095	$179,424	$183,163	$291,852
1999	$246,308	$206,528	$163,276	$260,700
2000	$258,101	$208,844	$156,336	$250,252
2001	$281,270	$245,472	$202,324	$293,124
2002	$363,978	$274,372	$216,891	$295,477
2003	$493,203	$369,743	$241,699	$512,020

Source: Robertson Property

5.2.4 Increased incomes

Households are likely to seek to increase their incomes in response to increased housing costs. Strategies include up-skilling, working longer hours, and taking on an additional job. Other strategies include taking in a boarder or flatmate to help generate additional cash flow. As recently highlighted in Auckland, there are also now cases of single people buying a house together with another (unrelated) single person to help share housing costs. Additional funds could be generated by getting teenage members of households to contribute to running costs.

While these strategies are likely to help lift income levels, there will be limits to the extent that they can extend incomes and there is a range of social and community issues associated with households that occupy all of their time and energy with work.

Average incomes are likely to rise, especially for skilled and valued workers that businesses wish to retain. Over the past few years, the general trend has been for higher income households to see larger increases in their incomes than middle to lower income workers. This means that for some people at least, their incomes will keep pace with rising house prices, but for the bulk of the population in the district, incomes are unlikely to rise much faster than inflation. Unless the structure of the local economy is significantly altered, the service-based nature of the economy is likely to see average incomes rise only modestly, and the economy will remain dependent upon a large number of lower paid workers.

5.2.5 Short-term rental

The market place should be able to respond to the needs of this segment, but there is likely to be continuing periodic periods of crisis, as demand outstrips supply. Factors that suggest that the market place will seek to find a balance between supply and demand include:

- The willingness of short term renters to sacrifice some space and living conditions for cheaper individual rents by joining together.

- Short-term rentals to visitors and casual workers during the peak periods appear to offer landlords and absentee owners higher rates of return. These returns would suggest that the market place will generally meet short term rental needs.

- Businesses with high seasonal and/or short term workforce issues appear to support normal market processes by either supporting private rental (such as agreements with rental agencies to underwrite the rental of a certain number of houses for a set period of time) or through the direct provision of rental housing for workers.

While there is some suggestion that the market place should meet the needs of the seasonal market, this segment does appear to have an affect on the general housing market by occupying housing stock that would otherwise be devoted to the long-term rental market. There therefore may be a justification for intervention in this segment on the basis that by expanding the stock of short-term rental opportunities, there will be less pressure on the longer-term rental market, as well as supporting business growth.

A recent review of the role of local government in the provision of affordable housing noted that one area where there may be justification for some form of public intervention in housing provision by a local authority is in Queenstown. The report suggests that 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 through an appropriate, council-initiated funding instrument 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. Boarding type houses, trailer parks and other forms of temporary accommodation are likely to help expand supply, but often opportunities for such forms of housing are constrained by planning controls. Equally, while the range of opportunities may need to be broadened, the Council also has a role to ensure that basic health and safety standards are maintained.

5.2.6 Long-term rental

This is a large part of the overall housing market, especially in Queenstown, and one that is likely to increase as the tourism sector moves toward a year-round operation. The size of the market will also reflect higher housing costs, and a relatively youthful, transient population who may prefer to rent rather than buy. Having some stability in this market is also likely to be very important to the business community. Being able to attract and retain middle managers and junior professional staff will depend, to an extent upon rental levels and availability.

The housing capacity work undertaken by the Council would suggest that in both Queenstown and Wanaka, there is the ability to add to the housing stock in both areas, at least in the short to medium term. Therefore to a certain extent demand and supply should be able to come into line, and recent increases in rental prices may not continue at such a fast pace.

However given current land and house prices and the location of available capacity, which is clustered in the expensive area, real rental levels are unlikely to substantially decline. Realistically, the size and importance of the visitor accommodation market means that there will be continued competition for sites between the two markets. A sustained down turn in the visitor market would obviously have a beneficial effect in terms of access to rental properties, but this is not a strategy the Council can rely upon to solve rental housing issues.

Consequently the outlook must be for stable or reduced rental affordability in the medium term, under a business-as-usual scenario. As discussed above, this could have a substantial effect on the economy of Queenstown.

5.2.7 Owner-occupier market

This market segment is particularly important to the longer-term economic health of the district. In Wanaka, it is obviously a very important component. In Queenstown, areas outside of the Queenstown urban area appear to have taken much of the owner occupied market over the period 1991 to 2001, but price rises in these areas means that this may not be the case in the future. Traditional sources of more affordable housing, such as some areas within the basin, Arrowtown and parts of Queenstown and Hawea and Albert Town in Wanaka, appear to have become much less affordable in the past few years.

As with the rental market, there is the ability 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, given the opportunity, is likely to respond to the growing affordability gap in some way. In Auckland it is apparent that the flat/apartment market is expanding out from its initial base focused on singles and couples to include families and other households. This is partly due to affordability issues.

A similar response can be expected, in Queenstown at least. The apartment market is likely to expand out from its current focus on the visitor accommodation sector, although it may require some encouragement to do this. Obviously this raises issues about the acceptability of this form of housing, especially given more traditional housing options available in other settlements in the southern South Island area. However if the lifestyle attractions of Queenstown or Wanaka are strong enough, then people will be prepared to adjust their living arrangements.

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 to ensure that these areas have the amenities to make these areas attractive. There is a known incompatibility between the needs of families and older persons resident in apartments-type complexes and the environment created by the short term visitor market. The analysis of household income would suggest that in the future, a substantial number of households will be looking for housing in the $250,000 to $350,000 bracket, so the areas for more intensive residential development would need to be large if they are to meet market needs. It seems unlikely that the market will respond to this degree, especially if the top end of the market continues to drag the bottom end up.

As a result of these trends and forces, over time home ownership affordability is likely to worsen, in Queenstown in the short to medium term at least. In Wanaka, expansion of the housing stock may help in the short term, but longer term the prognosis must be continuing pressure on land and house prices.

6 Affordable Housing Approaches in Use in Other Resort Towns

This section provides a summary overview of approaches taken by other communities, predominantly resort towns, to addressing issues of housing affordability for the resident population. The most relevant resort towns are those where a combination of physical constraints (topography or bodies of water), land tenure patterns (national parks or cultural landscape management areas) and policy constraints (such as growth controls) make it difficult for employees to find housing they can afford at reasonable commuting distances.

In all of the resort town case studies described below, policy decisions have been taken to support the provision of affordable housing. The justification for intervention has been based on consideration of the costs of non-intervention, which, in most cases, forces employees to commute long distances to areas where housing is cheaper. A study of North American resort towns undertaken by the Urban Land Institute (1995) considered that the costs to the community of this non-intervention response to be of three types: commuting costs, employee costs and social costs.

Commuting costs include the impacts of increased traffic, a reduction in air quality and increased parking requirements on the environmental quality of the resort community. Attempts to reduce the impacts of individual commuting by subsidising public transport can be costly. A 1993 study of the Roaring Fork Transit Authority, transporting tourists and workers between Aspen and Snowmass resort towns and down the valley, found that whilst 1 million trips a year were made by commuters travelling into the resort towns and recreational areas, the annual community subsidy was over US$1.8 million (cited in Urban Land Institute, 1995).

Direct costs to major employers in resort towns, in the form of assistance with housing costs, master leases or employer-owned and managed units may also be significant. The Urban Land Institute's 1995 study estimated that 5% of the total payroll costs for Vail Associates were directly attributable to supporting, in a variety of ways, more than 800 affordable housing units. The subsidy included staffing, foregone rent on master-leased units in the off-season and capitalisation of units owned by Vail Associates.

Indirect employee costs include higher staff turnover, and the associated costs of training and retention. These costs are likely to be carried by both the resort / tourism businesses and by the non-tourism related businesses and public sector employers. Other employee costs include reduced reliability, especially when commuting in mountain conditions in winter. For example, Snowbird, a resort town that is less than 20 minutes drive from Salt Lake City, Utah, has found that a large percentage of their operating staff are unable to reach the resort during major storms, and as a result is developing affordable housing adjacent to the resort base. In addition, understaffed operations have been identified in resort towns in Colorado, as prospective employees are either unable to afford the housing that is available or unwilling to accept substandard or overcrowded living conditions. Understaffing and employees unhappy with their housing conditions are likely to impact on the quality of the service provided (Urban Land Institute, 1995).

Social costs have also been identified in a number of studies of resort towns in Colorado and Utah, including social stress on families, long hours of work to afford reasonable housing, and the need for affordable childcare. The relationships between a strong and diverse local community and the character and functionality of the town may be an important factor in a resort town's ongoing economic success. Volunteer organisations closing, local boards unable to fill positions and locally-owned businesses closing are viewed in studies of Aspen and other Colorado resort towns as indicators of loss of authenticity and 'sense of place', and as potentially undermining the character of the vacation destination (Urban Land Institute, 1995).

In addition, where the resort town has spread into a resort region, as local workers move and commute from outlying communities, the economic and social costs on those communities should not be ignored. For example, local residents and local businesses in those communities will be facing higher property prices, without necessarily receiving any direct benefits from the resorts' activities (Clark, 2002).

It is clear from the information provided by focus groups and key informants, undertaken as part of this study, that these three types of costs of non-intervention, namely commuting costs, employee costs and social costs, are highly relevant to a consideration of Queenstown.

The following case studies, describing policy interventions to support the provision of affordable housing, have been selected because of their similarity to Queenstown in terms of physical environment and tourism based economies and to illustrate the range of approaches that have been adopted: Whistler, BC, and Banff, Alberta, Canada; and Breckenridge, Aspen and Vail in Colorado, U.S.A. Nantucket Island Massachusetts, U.S.A. is also described, to illustrate different policy responses to local circumstances. Case studies which illustrate additional approaches that are not specific to resort communities but that may be relevant to Queenstown, have also been selected: Community Land Trusts used in Vermont U.S.A., the Brisbane Housing Company from Brisbane, Australia, and the use of Shared (or Split) Equity and Resale Restricted Dwellings in Auckland and Christchurch.

6.1 Whistler, British Columbia, Canada

Whistler is a resort community located in south-western British Columbia, at the base of Whistler and Blackholm Mountains. It is approximately 2 – 2 1/2 hours drive from Vancouver. In the early 1960s an alpine ski community was proposed as a possible site to host the 1968 Winter Olympics. In 1975 Whistler was incorporated as a Resort Municipality, with strict development and design guidelines that supported pedestrian-centred development.

Whistler has a permanent population of approximately 9,600. Demographically, the population is very youthful (with more than 68% under 34 years, in 1999). During the winter season, the total numbers employed in the town (including management and local owners) reaches approximately 14,000, with the majority working in tourism-related sales and services. The number of total winter employees has grown steadily (10,300 in 1997 to 14,400 in 2002) but the growth appears to be levelling off, with a small decrease anticipated in 2004. Whilst about 10,600 employees are housed within the municipal boundaries of Whistler, about 27% of all Whistler employees commute from outside the municipality.

To maintain the natural environment, Whistler's 1993 Official Community Plan capped future development. This cap plus strong demand from the high-end recreational market resulted in rapid house price increases: from an average US$468,000 (1996) to US$818,000 (1999). Local residents own only 25% of Whistler dwellings, whilst half are owned by people resident in the greater Vancouver area. The low average incomes of residents in Whistler (US$18,000 p.a. in 1995) contributes to housing stress for tenants, with over 60% of households paying more than 30% of income on rent, with rents inflating during the winter ski season.

Intervention in response to affordability problems started in 1984 with the first Employee Housing Project, initiated by Whistler Valley Housing Society (WVHS: a volunteer non-profit society). The 1990 Employee Service Charge By-law made it mandatory for commercial, industrial and tourist accommodation development to contribute either cash in lieu (to the Employee Housing Fund) or housing for employees (with covenants to restrict use to employees). The contribution from a developer is based on a "bed unit" (1.5 times the number of bedrooms): e.g. for commercial development the requirement is 1 employee bed unit for every 50 sq. m. of new development; for tourist accommodation, the requirement is 1 employee bed unit for every 5 new hotel rooms.

During the 1990s, Council passed an Amendment to the OCP exempting resident housing beds from the growth cap. In 1997 the Whistler Housing Authority (a wholly owned subsidiary of the municipality of Whistler) was formed to oversee the development of the employee restricted housing using the Employee Housing Fund. In 2000, a total of 4,093 employees were estimated to be living in resident restricted housing, of which approximately half are rental and half ownership. The WHA prices its rental units towards the lower end of prices found in the private sector. The homeownership market for employee-restricted housing has created a separate market; purchasers must resell to the WHA or to a Whistler resident. These houses now sell at one quarter to one third of the price of a similar private market dwelling. In 1999, the WHA began to link the resale value of the ownership housing to the Housing Price Index (HPI) of the Greater Vancouver Area. On sale the original purchaser receives the greater of either the original amount paid or the house price related to the HPI.

More recently zoning has been amended to encourage construction of employee housing in existing neighbourhoods; to develop secondary dwellings (employee restricted); and to encourage the development of resident restricted seniors housing. (2003/4) A recent development, Beaver Flats, consisting of a 57 unit apartment style building and 6 duplexes won gold awards from the B.C. Canadian Home Builders Association for its energy efficient designs. In addition, Whistler Housing Authority undertakes an annual survey (housing needs assessment) of employers to gain a clear understanding of changing numbers of employees, housing requirements and any difficulties in employment or retention related to the availability or quality of housing in the community.

6.2 Banff, Alberta, Canada

The Town of Banff in the Rocky Mountains is a year-round tourist destination, with 4.2 million annual visitors. The current population of the town is 6,098, a number that grows by an estimated 25% when seasonal service workers are included. Because of the ecological integrity of Banff National Park (a World Heritage Site) the resident population of the town is not to exceed 10,000 residents. Residency is limited to persons who are employed in the town and their dependents. There is little greenfield land available for residential development. The town's boundaries can only be altered by an amendment to the National Parks Act.

Of all the people employed in Banff, only 8% own their own homes, 50% rent, 35% reside in accommodation provided by their employer, and 7% reside outside of the National Park. There is an inadequate supply of affordable housing: seasonal and service industry staff are often forced to live in overcrowded and less than desirable living conditions.

Initially the non-profit Banff Housing Corporation (founded in 1993) focused on the provision of single-family housing with a form of ownership tenure, utilising a BHC sublease percentage ownership to bridge the affordability gap. By 1999 the BHC was attempting to maximize the use of the land it owned and starting to address housing affordability with a range of housing options. For example, in a 1999 BHC development the Council agreed to adopt Alternative Development Standards for affordable housing to enable 21 units (seven groups of 3 row houses) to be built on a 2.1 acre site, utilizing, increased density, narrower streets and open parking areas. This development used energy efficient construction and was designed for a variety of different family types. The units were released in 2001 and sold to qualified Banff residents / employees for approximately 3/4 of their market price, BHC retained a sublease percentage ownership for the difference.

A 2002 study for the BHC found that 40% of renters were living in housing that is not affordable. The group most impacted was the lower wage earners (under CAN$40,000 pa) 19 – 40 years of age. Middle-income families are moving to neighbouring towns and communities. The BHC is now developing strategies based around short-term residency, Long-term residency and seniors housing. Approaches included supporting the expansion of the YWCA, increasing mandatory development contributions and targeting them for the new employees; developing higher density multi-family housing options and developing seniors housing options; encouraging diversity of design, layout, varied price points, and tenure options. In addition the BHC is also considering introducing an option for owner occupiers to be able to purchase the BHC percentage sublease, but linked to the length of time living in the residence and other community based criteria.

6.3 Breckenridge, (Summit County), Colorado, USA

The Town of Breckenridge is approximately 90 minutes drive from Denver. Summit County (including Breckenridge) has a growing population: 17,248 (in 1995) to 21,314 (in 2000). A 1998 study found that 40% of households were paying more than 30 % of their income for housing, with over 7% of households paying more than 50%. Over the period 1990 to 1997, wages increased 35%, whilst house prices rose by 121%. The study found approximately 29% more jobs in the ski season than in the summer, or 2,300 seasonal jobs.

As a result of negotiated development approvals over several years, by 1997 there were 220 units of affordable housing in the town, with varying degrees of deed restrictions. A further 196 affordable dwellings were negotiated with individual developers 1998 – 2000. These included some stand alone developments and some dispersed affordable housing, with a range of restrictions on sale and rental ranging from no restrictions, to local employees only through to households meeting income restrictions and limited price appreciation on resale.

The Town Council acknowledged that the future affordability of some of these dwellings could not be guaranteed; that the supply of affordable housing was not catching up with need; and that the year round rental stock was being reduced by seasonal tenancies. In 1998, an 85 acre site was purchased (USA $12,000 per acre compared with $200,000 per acre Breckenridge average). Following clean-up of past mining activities (funded by the EPA) and wetland reclamation, 20 acres were reserved for open space and 122 single family houses built according to New Urbanist principles. The dwellings were sold at less than half the median selling price in Breckenridge. 80% of purchases were reserved for local employees; targeted at those households earning between 80% and 120% of the area median income; with resale deed-restricted to 3% appreciation per annum.

The current strategy adopted by the Council is for the Town of Breckenridge to set policies, goals and regulatory standards and to enforce covenants. Summit County Housing Authority is to develop and manage the affordable housing inventory. The Affordable Housing Strategy adopted in 2000 attempts a more comprehensive approach than in the past, including:

- Identifying sites for future affordable housing development and land banking.
- Creating opportunities for employers to address housing need: particularly to enable smaller employers to contribute to housing for their employees.
- Funding deposit gap and providing mortgage assistance from the cash-in-lieu contributions for commercial development.
- Strengthening the Accessory (Secondary) Dwelling unit programme, from incentives (such as density bonuses) through design and occupancy requirements.
- Augmenting the Housing Fund, by identifying dedicated revenue sources and implementing mandatory inclusionary zoning (affordable housing development contributions) for commercial and residential development.
- Exempting affordable housing developments from growth control standards, such as density standards.

6.4 Aspen (Pitkin County), Colorado, USA

Aspen is located in the Rocky Mountains about 200 miles south west of Denver, and has approximately 6,000 year-round residents, with approximately 30,000 in town at the height of the winter season. Housing is expensive with an average house price of US$1.7 million in 1997. The Aspen / Pitkin Housing Board and Aspen/Pitkin Housing Office were established to address the issue of affordable housing. In 1990, voters in Aspen enacted a provision to add 0.45 % to the local sales tax and dedicate this portion for the purposes of affordable housing and childcare. Additional revenues for the housing fund come from the local real estate transfer tax and from development contributions. All new development or redevelopment is accompanied by the construction of affordable housing (deed restricted) for a percentage of the resultant employees. The Board's preference is for the affordable housing to be on site, followed by off-site development. Only under certain conditions will the Board accept cash or land in lieu.

The Aspen/Pitkin Housing Office administers the three programmes: ownership, permanent rental and short-term rental for people who work in Pitkin County. Over 1400 rent controlled units are rented at approximately 40% below market rates to eligible households: eligibility being determined by income level, local full-time employment or retired from a minimum of 4 years full-time local employment. The approximately 400 "for-sale" deed restricted dwellings are administered as follows. Priority for purchase of the deed is given to people who have lived in the County for at least 4 years. When a house becomes available, a lottery is conducted among the priority residents on the waiting list.

The location for local residential development has altered over time: in the 1993 master plan, 60% of the resident workforce was to be housed up the valley, in Aspen and Snowmass. The up-dated plan (2000) locates local residents housing on infill sites, at higher densities, using redevelopment and heritage retention. This is partly in response to concerns about the displacement of the local resident community, and partly to address historic preservation issues, including silver mining cabins and post-World War II Ski Lodges. The Historic Preservation Ordinance is based on incentives for preservation, including a zoning bonus for adding affordable housing for local workers.

The development of Marolt Ranch in the early 1990's by the Housing Office was, in part, also a response to locational issues raised by the lack of in-town affordable housing. The Music Associates of Aspen (MAA) faced with the difficulties of trying to find accommodation during the summer for the music students attending the Aspen Music Festival, considered relocating the festival to another town. Marolt Ranch provided an opportunity to protect 63 acres of public open space close to the centre of town and provide 4 acres for an affordable housing development.

Marolt Ranch is a complex of 100 units of seasonal singles housing, split ski workers (6 month leases) and summer music festival students (3 month leases) located half a kilometre from the downtown area. Each unit consists of 2 rooms separated by closets, minimal kitchen facilities and a bathroom, with basic furniture supplied. The units are organised into seven two-storey buildings, with 8 to 20 units in each. One of the units, strategically situated, is assigned for an on-site manager. Five of the units are for full time occupancy for tenants meeting the Housing Office's criteria for affordable housing, in order to provide stability and security during the shoulder seasons. There is a two-storey communal eating / café area for the complex, that also includes laundry facilities and music practice rooms. In response to tenants' concerns there have been modifications to the development to increase on-site parking and improve cooking facilities; and more hands-on management of the complex during the winter season including designating some blocks of units as "quiet" units.

MAA holds a master lease on 94 units from June 1 to August 31. The Housing Office arranges winter seasonal rentals on a first come first served basis for six months for anyone employed at least 30 hours per week in the town. Maintenance activities, reduced rents for short-term rentals and some conference letting occur in the shoulder seasons. Whilst Marolt Ranch is a unique response to local circumstances it illustrates the possibilities for providing affordable housing to meet fluctuating seasonal needs.

6.5 Town of Vail, Colorado, USA

Vail is a relatively recent mountain resort town, with the creation of Vail Ski resort in the 1960s. Affordable housing has become a growing issue in Vail and in the surrounding Eagle County since the late 1980s. Changes in housing needs can be linked to the maturing of the resort community from an emphasis on seasonal workers to the local population expressing a stronger desire to live long-term in the area, with increasingly larger households and longer term employment commitments.

One of the first affordable housing developments completed in 1994 was Lake Creek Village, consisting of 270 rental units. The development is located in Edwards, a bedroom community, about 30 km west of Vail, and is serviced by the Valley's public transportation system. The creative financing package for the development of Lake Creek Village includes some innovative elements. Existing Linkage zoning required the developers of the resorts and other large employers in the community to provide a certain number of affordable housing units for employees housing. Eagle County provided three of the largest resorts with off-site housing credits in return for bond purchases. This supported the provision of affordable housing at Lake Creek Village without any direct public subsidy and allowed the resorts to fulfil some of their affordable housing requirements. These bonds (known as junior bonds) were a subordinated debt issue that helped to support 30 year tax-exempt bonds. The resorts returns on the bonds are linked to Lake Creek Village's ability to service secondary debt issues. So the resorts have a significant incentive to direct employees to Lake Creek Valley for housing especially if leasing is slow or vacancy rates are high. And after 30 years, Eagle County receives the 270 affordable housing units free and clear.

The Town of Vail Housing Division was created in 1996 and sets policy direction, initiates projects and manages assets. There are currently 242 deed-restricted rental and for-sale employee housing units within the Town of Vail, with eligibility for some units being restricted to Town of Vail employees. The Town is also involved with Eagle County in developing additional housing, for first home buyers, at Edwards, in a mixed design development including single family houses, duplexes, rowhouses and mill lofts. The Town of Vail operates a number of programmes to assist households to purchase their own housing, including an annual Housing Lottery, a Town of Vail employee assistance programme (that provides interest-free housing loans to eligible council employees), and down-payment and mortgage assistance programmes.

Units sold through the Town's Housing Lottery are priced at up to 40% below the market rate to applicants who must meet four eligibility criteria: they must not own any other residential land in the Town of Vail and Eagle County; the residence must be used as an owner-occupied primary home; they must be employed locally for a minimum of 30 hours per week over the course of a year and meet that requirement until retirement, with over 75% of their income coming from a local business; and they must agree to a re-sale cap of 3% annual appreciation. Eagle County operates similar eligibility requirements for its deed-restricted housing, but chooses to give priority to applicants with a longer history of local residence and to critical public employees.

6.6 Nantucket, Massachusetts, USA

The median house price on the Island of Nantucket has tripled in the ten years 1992 – 2002, reaching US$826,000 in 2002, way out of reach of the average local resident. These increases in house prices have been driven by wealthy people seeking second or third homes on the Island and by its increasing popularity as a tourist resort. Local families are leaving the Island; others move between living in comfortable housing during the off-season and insufficient housing during the season; and the difficulties of housing seasonal workers is impacting the local tourism economy. (Jonathon Rose and Assoc. 1998) The Nantucket Comprehensive Community Plan (NCCP, 2000) considered *that "the housing crisis, caused by the escalation of real estate prices, lies at the heart of most of Nantucket's economic, social and even environmental problems."*

In comparing Nantucket's circumstances with the long employee commutes often found in mainland USA resort towns, the NCCP continues:

"Because Nantucket is an island, this process has developed more slowly, even though housing costs have risen more rapidly. It is not so easy for employees to live in less expensive towns and just commute a little farther. A fortunate by-product of our isolation is that we have been able to remain relatively diverse socially and economically, and only recently has our basic identity been seriously threatened by the cost of housing. This identity is threatened now, and in ten years or less Nantucket could become no more than an exclusive resort destination, with most employees commuting by airplane and fast ferry or living (legally or illegally) in over-crowded employee compounds or caretakers cottages on-island. The island's year round population could gradually shift, as families with a long-term stake in the community leave and are replaced by a transient population of young single people living in group housing."

The Nantucket Community Housing Action Plan (adopted in 2002) includes creating over the next 8 years, 400 owner occupied units (restricted to year round local residents earning between 80 and 150% of median household income) and a minimum of 200 affordable year-round rental units (linked to local employment and / or residency). The approaches taken to achieve these targets includes the use of publicly-owned land; inclusionary zoning and targeted development density bonuses; employee contributions; the use of secondary dwelling conversions with covenants to ensure housing is for locals; an amnesty on illegal rentals in return for a commitment to supply year-round housing; and, potentially, the use of a room occupancy tax for seasonal accommodation. Gap financing programmes to assist local residents with large deposits, high interest rates and the need for additional mortgage insurance and house repair funds are also being made available through the Nantucket Housing Office. And, in 2003, the Town agreed to a one-time fee (of $8 per square foot) on all new residential development, over 3,500 sq. feet, to be paid by the first home owner.

Perhaps most innovative, given the resort characteristics of the Island, is the House Recycling Program, which has been in operation since 1996. Replacement zoning is used in a number of other American communities, requiring the developer to replace on a one-to-one basis any affordable housing that is destroyed. In Nantucket, it was noted that traditional wooden houses on large lots were being demolished and replaced by new residential development, for the resort and second home market. The Nantucket Housing Office recycles these "teardown" house, relocates them to scattered sites provided by the town and deed-restricted to affordable housing uses by the Nantucket voters, and rehabilitates and rents the properties to eligible local residents. According to the Nantucket Housing Office, this programme promotes recycling, is cost effective and creates dispersed affordable housing. The houses for the most part, exhibit the characteristic architectural style common to the island and blend into established neighbourhoods. A local ordinance which requires "demolition delay" and a requirement to advertise the houses for local "adoption" has resulted in a rapid increase in the number of houses in this programme.

6.7 Community Land Trusts: Vermont, USA

In Vermont, median sales price increased 36% since 1996, but incomes have only increased by 19%. Wages are low in the state, with 68% of all Vermont job's paying less than the housing wage: calculated as the amount needed to afford a modest 2 bedroom apartment. Employees at the resort of Stowe commonly experience 1 hour drives-to-work.

Vermont has made significant use of the Community Land Trust approach to addressing affordable housing. The Vermont Housing and Conservation Board (VHCB) was established in 1987, with the twin aims of providing affordable housing and conserving natural, agricultural, historic and recreation areas. To date, 6,675 units of affordable housing have resulted, approximately 445 p.a. The VHCB has adopted a partnership approach, it is often the first to award some money for an affordable housing project and this is used to leverage other public and private sector funds. The Community Land Trust model has been found to ensure perpetual affordability and long-term maintenance.

A Community Land Trust [CLT] is a non-profit entity that retains ownership of the land and leases or sells the dwelling to a low-income household. A ground lease governs the relationship between the CLT and the dwelling owner. This ground lease can be used to restrict occupancy of the dwelling (or purchase of the dwelling) on the basis of local employment, household income or (re)sales price, as appropriate.

The dwelling owner only purchases the dwelling, and, with resale limitations on price, this will be below market price. The formula for the limited equity price on resale can include adjustments for improvements made, in addition to any capital outlays and adjustments for inflation. The dwelling owner thereby has an incentive to improve the property.

In practice, formulae vary between CLTs. However, they all operate according to common principles. Namely, to the extent that the individual has contributed value – through actual cash towards the purchase, amortisation, improvements and upkeep, or through sweat equity – the individual is entitled to a return of equivalent value plus some degree of appreciation. To the extent that the housing market values the property more highly at the time of sale, that excess in value remains with the property - in effect being retained by the CLT as landowner.

The fact that capital gain is regulated may encourage turnover, that is movement into traditional owner occupation once the household is established in the community. If this occurs, this will free up CLT houses for those who need them. However the extent of this movement is likely to depend on the differential that develops between the two markets.

6.8 Brisbane Housing Company, Brisbane, Australia

The Brisbane Housing Company was established in 2002 in response to rapidly increasing rents and values in Brisbane's inner city areas and a desire by the City Council to find a 'safe way' into affordable housing. Brisbane Housing Company is an independent "not for profit" public company with no dividends, surpluses being reinvested in the company. BHCs initial funding comes from equity from state and local government. It is structured to ensure financial (tax) efficiency; to receive developer contributions; to leverage debt finance; and to access rent assistance etc. Key objectives of the company include *"to attract appropriate long term investment; remove elements in the procurement process that add cost; and provide flexible tenure products that give choice and pride to the customer."*

The current business plan is based on the following assumptions:

- State equity of AU$50m, BCC AU$10m over 4 years
- Developer Contributions AU$12m over 12 years
- Land Sales Contribution AU$20m over 10 years
- Debt AU$14 m
- NPV of rent assistance AU$16m
- NPV of GST saving AU$8m.

The Company plans to develop a housing portfolio of approximately 600 units costing AU$80m over the next 4 years. It will concentrate on developing (possibly building itself if this is financially appropriate) a range of dwellings in the inner and near city for low-income households. Rents (or housing costs, depending on the tenure arrangement) will be set at a discount to the market (not linked to household income), but are unlikely to be affordable to those on the basic benefit.

Australian analysts have commented that the ability of the BHC to provide more housing (over and above the 600 units) will depend on finances: particularly its ability to attract long term investment funds; the flow of financial contributions (from developers); the extent of reduction in costs of provision; and the extent of partnerships with the private sector.

6.9 Shared or Split Equity in Auckland and Christchurch

Whilst shared equity schemes are common in some countries, (for example approximately 5,000 shared ownership homes are sold each year in the U.K.), there is limited experience with them in New Zealand. In these schemes, low to moderate-income households buy a share of a property (from 25% to 75%) and pay rent on the other share. The benefits of the scheme are security of tenure, lower costs, more affordable purchase price (as only purchasing a share of the dwelling) and the opportunity for some of the housing outgoings to be an investment in the dwelling, and not simply paid as rent.

Some of Auckland City Council's Pensioner Units (e.g. Carrick Place) are owned under a shared equity arrangement, with the Council and the resident each owning a 50% share of the property. New residents (who have to meet Council criteria with respect to assets, income etc) pay 40% of the current market valuation. When the resident vacates the unit the Council buys back at 40% of the current market valuation less one-half of the excess of that 40% over the original price paid by the owner to the Council. If prices have fallen during the period of residency the Council buys back at the original purchase price. The scheme enables households to purchase a share of the property (using less assets than would be required to purchase a complete dwelling) and pay proportionately less rent on the remaining share.

A unique shared ownership arrangement between Christchurch City Council and the Beckenham Housing Trust separates the ownership of the land from the ownership of the dwellings. The City Council has built 11 units on land leased from the Trust on a 50year lease. The Council is responsible for structural maintenance of the dwellings. The Trust rents the dwellings from the Council (at 80% of the market rent) and is responsible for internal fittings, management and daily running costs.

6.10 Deed Restrictions in Auckland

Auckland City currently has a deed of covenant with respect to 95 pensioner units in the city. For a number of these units the Council has the first right to purchase when the occupant decides to sell; the properties being bought and sold at 80% of the current market value. The units can be bought directly by the new occupant (at the same restricted price) but the Council often uses the opportunity to undertake maintenance and redecorating of the property, before on-selling to the next pensioner household. In addition, the Council has various criteria relating to the purchasing household’s assets, income, super annuitant status etc. and requires the purchaser to occupy the unit themselves. Similar schemes operate in North Shore City and Christchurch City.

6.11 Relevance of these approaches to Queenstown Lakes District

These case studies illustrate that there are a number of different approaches to the provision of affordable housing, once a resort town or community has recognised that the costs of non-intervention are too high. The earlier this recognition occurs the better, in terms of land costs and the ability to mitigate the impacts of rising property prices, driven by the resort and second home market, on the local residents housing market. The case study communities have also gone through a learning curve, from one or two initial programmes through to the adoption of an Affordable Housing Strategy, incorporating a more comprehensive approach and links to other community and environmental goals. Whilst some of the communities have used planning and zoning mechanisms, the need to identify a revenue stream to underwrite the subsidy required to make sufficient housing affordable is also evident. These initiatives require the development of local capacity and expertise, such as for a non-profit housing trust, and the co-ordination of programmes and projects.

7 The Potential Effects of Intervention

A final step of the project is to consider the potential effects of intervention on the housing market.

In thinking about how to structure the opportunities for intervention and provide a logical framework for evaluation, it was decided to adopt a simplified life-cycle housing provision process that mimics the demand/supply chain of housing provision. The elements of the supply chain can be described as follows:

Planning – includes opportunities to influence policy and statutory planning outcomes at local, regional and national levels.

Land availability and location – recognises the importance of the supply of land in appropriate and affordable quantity and location.

Consents/permits – includes opportunities for reducing the time and financial cost of processes involving consents and permits, infrastructure costs and issues around the timing and sequencing for the taking of reserves and financial contributions.

Finance – includes means by which access to funding and funding providers can be improved and/or made more relevant to particular circumstances. Alternative mechanisms for the holding of land and property are also relevant concerns.

Design and Construction – includes the cost structure of labour and materials, the efficient use of existing housing stock, appropriate design parameters for affordable housing, and alternative ways by which packages can be put together.

Community integration – includes the means available to minimise community opposition to affordable housing schemes.

Conveyancing and purchase – includes all the hidden costs of entry to the housing and rental market and ways to reduce the immediate impact of these on prospective clients.

On-selling and retention – includes means by which a degree of certainty can be reached that affordable housing/rental stock is not subsequently lost to this segment of the market or, at worse, capital gain margins are retained within the affordable housing provider sector for re-use. Retention is one of the more difficult policy issues.

7.1 Case studies

The case studies illustrate that resort communities in North America with tourism-based economies have developed a range of initiatives to provide affordable housing for the resident population; and that there are Australian and New Zealand examples of some innovative affordable housing approaches that Queenstown can learn from. The resort town case studies also indicate the adoption of more comprehensive strategies with a range of policies, and that whilst each town can learn from the experience of others, the chosen forms of policy development and intervention are likely to be unique to meet different local circumstances.

Using the simplified demand / supply chain of housing provision set out above illustrates the diversity of policy intervention in the case studies. It is worth noting that there are a number of additional techniques that can influence the supply of affordable housing, which are not included in these case study examples.

Intervention points along the supply chain	Examples from the Case Studies
Planning	Whistler lifted the development cap for residents' housing. Breckenridge allows increased density for affordable housing developments. Aspen and Breckenridge utilise inclusionary zoning, requiring larger housing developments to provide some affordable housing, Whistler and Breckenridge allow Secondary Dwellings, but only for local employees. Aspen's Historic Preservation Ordinance provides a Density Bonus for affordable housing, and the option of a Transferable Development Rights incentive. Whistler's Employee Service Charge By-Law is an example of linkage zoning, requiring resorts and larger employers to support the provision of affordable housing Nantucket utilises a targeted development density bonuses in return for the provision of affordable housing.
Land availability and location	Breckenridge purchased brownfield site for restoration and resident housing development. Breckenridge is land banking, acquiring sites for future affordable housing.

Intervention points along the supply chain	Examples from the Case Studies
	Aspen's Marolt Ranch combines perpetual public open space with affordable housing at the front door of Aspen.
Consents / permits	Banff agreed to alternative development standards for affordable housing, reducing processing time.
Finance	Whistler, Banff, Breckenridge and Aspen use development contributions. Vail developed innovative financial arrangements linking development contributions to employee housing. Aspen and Nantucket use the Real Estate Transfer Tax (a state tax on the sale of property) as a source of finance for their Housing Funds. With Vermont's CLTs ownership of the land is retained, in a non-profit entity, developers only have to finance the dwelling. Vail has made use of reduced (local taxes) rates to initiate affordable housing development. The Brisbane Housing Company, The Banff Housing Corporation and the Vermont Housing and Conservation Board are all forms of Housing Trusts, set up 'at arms' length' to provide affordable housing.
Design and Construction	Breckenridge adopted New Urbanist design principles. Banff requires energy efficient standards of development. Marolt Ranch, Aspen used prefabricated construction, communal facilities and reduced parking to keep per unit costs low. Aspen's Historic Preservation Ordinance links affordable housing with heritage preservation.

Intervention points along the supply chain	Examples from the Case Studies
	Vail is utilising mixed design, dwelling size and style in its latest development at Edwards.
Community integration	Aspen now plans for resident housing on infill sites and refurbished heritage buildings. Vail's Middle Creek Development includes an early childhood centre. Nantucket's House Recycling programme re- utilises traditional older dwellings. Aspen's Marolt Ranch provided an opportunity to protect 64 acres of land in public open space in perpetuity
Conveyancing and Purchase	Nantucket provides gap financing assistance and low interest loans to eligible households. Vail provides interest free housing loans to the town's eligible employees. Whistler Housing Authority provides advice on housing options and funding sources.
Information	Whistler's annual Housing Needs Assessment Survey provides a better understanding of the seasonal housing market.
On-selling and retention	Whistler, Breckenridge and Aspen have deed restrictions on resale, linked to employment and/or income levels. Vail uses a 3% cap on appreciation. Vermont CLTs use ground leases, to retain ownership of the land and affordability of the housing. Banff Housing Corporation uses a sublease of approximately 25% of 'ownership" dwellings, a form of split equity arrangement. Auckland City uses a 50% shared equity

Intervention points along the supply chain	Examples from the Case Studies
	scheme for some pensioner units Whistler's Beaver Flats are highly energy efficient leading to lower household running costs.

7.2 Efficacy of intervention in Queenstown and Wanaka

The question here is, given the market dynamics of Queenstown and Wanaka, is intervention in the market place to promote affordable housing outcomes likely to work, or perhaps more importantly, be worth the effort.

Any form of intervention involves costs, costs that fall directly or indirectly on the community. Such costs need to be justified. Later stages of this project will need to look at costs and benefits in more detail. At this stage a general appreciation is needed of whether intervention in the market place is likely to be efficient. The following points can be made about the need for intervention:

- The data suggests that rent and house prices are now at a point where they are having a noticeable impact on the housing market. Upwards of 30% of future households may experience housing affordability issues, up from 5 to 10% of households at present.

- House and rent prices are unlikely to retreat, while incomes are likely to rise only modestly in the future. Housing affordability may not get worse in the future, should house and rent prices stabilise, but it is unlikely to get better.

- In both settlements, the visitor accommodation market and the demand for holiday and second homes influence the workings of the permanent housing market. These demands place added pressures on the housing market, pressures that aren't necessarily experienced by other towns and cities. As a result there is more justification to intervene.

- Further justification stems from the fact that in Queenstown, options to export lower income households to other settlements are very limited. Wanaka has some more options in this regard, but not many.

- In Queenstown and Wanaka, longer-term, house and land prices must escalate, and so intervening in the marketplace now, while prices are lower than in the future, is sensible. There is the ability to start to create a stock of affordable housing now in a relatively efficient way, rather than wait until the problem substantially escalates in the future.

- Housing costs will have a substantial impact on the economy of the area, as highlighted by the Workforce report. Businesses are likely to respond to this is a variety of ways, but mostly in one–off, incremental ways. It may be more efficient to collect together these individual efforts so that greater efficiency can be gained from the expenditure of the combined resources.

- The case studies have highlighted many resort communities that have successfully intervened in the housing market in a way that has helped their economies, not hindered them, while also contributing towards wider social and community goals. However they have had to put substantial effort into tailoring that intervention to suit particular needs. In most cases there is a history of trial, adjustment, and capacity building to deliver affordable housing. It takes time to get it right. Consequently starting now, while the problem is small, is sensible to give time for the development of experience.

- A key issue is likely to be the community's acceptance of different forms of ownership that are involved in affordable housing schemes. People may not be willing to buy houses where capital gains are controlled, for example. In other words the critical issue is likely to be the form of intervention, rather than whether intervention is or is not warranted.

8 Conclusion

The overall conclusion is that both Queenstown and Wanaka have a growing housing affordability issue that is unlikely to be addressed by the normal operation of the property market.

Both settlements have seen a significant increase in house and section prices over the last three years, while incomes have increased only modestly. House and rental costs are now at a point where households that are in middle-income brackets have to devote a high proportion of their income to renting or mortgage repayments. Effectively a two or more income household is needed to meet housing costs.

A number of factors mean that continued rises in prices can be expected in the future, and that housing affordability will increase as an issue:

1. Higher household running costs will reduce the income available for rent or a mortgage, such as higher heating, clothing and transport costs, compared to other centres. The region also faces higher building costs than other areas.

2. Despite the district having higher average incomes than New Zealand as a whole, there is a concentration of households on average to below-average incomes in the Queenstown urban area and in Wanaka, reflecting the service-orientated nature of the economy in these areas. It is unlikely that the Region will see average incomes rise substantially, at least for that part of the economy dependent upon the mass-tourism market.

3. The visitor accommodation market appears to exert a considerable influence on the domestic market by competing for land and building labour. In particular, the rental market appears to be more geared towards the visitor sector. The second and holiday home market further stimulates market prices.

4. In Queenstown at least, there are few options to increase land supply to help reduce prices. While there is considerable capacity for additional dwellings, a substantial proportion of this capacity is located in higher priced areas. There is the ability for the market to provide more affordable housing through more intensive development, but in general, prices for residential units are increasing as fast as stand-alone house prices. Wanaka has more options than Queenstown in terms of growth options but in both settlements high growth rates means that the housing market is mostly lagging behind demand, rather than over-supplying product.

The lack of affordable housing will have significant social and economic impacts on both settlements. Overseas experience, as well as anecdotal evidence from both settlements, highlight the range of costs that communities face when housing costs increase to a point where people are dissuaded from settling in an area. These costs include social, economic, transport and environmental costs.

Some form of intervention is warranted, and there are benefits from beginning that intervention now, rather than waiting until it is a much larger problem in the future.

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Appendix One: Working Party Members

WORKING PARTY MEMBERS

Representation	Person
Council (Wanaka)	Leigh Overton
Council	Councillor Christine Kelly (Chairperson)
Central Government (social/ community)	Angela Dolan
Social/ community	Kenneth Walker
Real estate/ property development (Wanaka)	Alan Dippie
Real estate/ property development (Queenstown)	Barry Robertson
Employer/ worker accommodation representative	Rachel Reece
Project Manager	Vicki Jones
Project Secretary	Sallyanne Walker