

# **H**ousing **O**ur **P**eople in our **E**nvironment



The Queenstown Lakes District Affordable Housing Strategy June 2005

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## 1. EXECUTIVE SUMMARY

This strategy sets out a range of actions that the Council and community should take to address issues of reducing housing affordability.

Affordable housing is defined as being affordable if households can access adequate housing by spending a maximum of 30% of their gross income. 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.

The Strategy is centred on the following actions:

- Policy development, advocacy, research and education:

Advocate for improved access to affordable, adequate and good quality housing, supported by research and monitoring and community education programmes. Ensure Central Government policy reflects local issues.

- Planning mechanisms:

Use planning mechanisms to facilitate the provision of high quality, affordable housing by the market place.

- Financial initiatives:

Use financial tools (including the resources of collaborative partners) to facilitate the provision of affordable housing, now and into the future.

- Delivery:

Establish a Community Housing Trust and develop a pilot project to deliver a range of rental and owner-occupied housing aimed at specific segments of the housing market that will not benefit from the above actions. Use council land, private sector funding and central government funding to assist this project.

As it is neither practical nor possible to undertake everything at once, the Strategy prioritises the initiatives and provides an indicative timeline of actions that should be undertaken over the short term (next 1-2 years), medium term (2-4 years) and long term (5+ years)

Three background reports have preceded this Strategy. These are entitled:

- *Housing Affordability in Queenstown Lakes District: The Nature and Scale of Housing Affordability Issues in the District – June 2004. This report reviewed the scale of affordability problems and looked at a range of affordable housing schemes that operate in different communities, including retention mechanisms.*
- *Working Paper One: Issues, Goals and Options for Further Consideration - September 2004. This report set out proposed goals, policies and actions to manage the issues identified in the June 2004 report.*

- ***Stage III Working Paper – Strategy Development - February 2005. This report considered a range of issues identified in the September 2004 report. These include a review of national-level policy, an audit of the QLDC District Plan and a scoping of possible Council funding sources.***

**Whilst the introduction to this Strategy incorporates the key findings of these three papers, you are advised to consult the earlier documents for a more in-depth discussion of the need for a Strategy and the options that were considered in the development of this Strategy.**

**An Affordable Housing working party was established to guide the development of the Strategy. Members were from a variety of backgrounds and provided varying areas of expertise to the process. Development of the Strategy has also involved consultation with developers, rental agencies, business people and social service providers.**

## 2. INTRODUCTION

### 2.1 Purpose of the Strategy

The purpose of this strategy is to set out actions that the Council is proposing to undertake over the next 5 to 10 years to help address the growing problem of people and households in the District not being able to rent or buy houses due to the growing gap between incomes and rental and mortgage costs.

Access to affordable housing is recognised as being very important to a range of community outcomes that have been identified in the Queenstown Lakes District community over the last two years. Access to affordable housing is closely linked to the following desired community outcomes from the Council Community Plan (2004):

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

The affordable housing strategy needs to work in-line with these outcomes. For example affordable housing schemes that try to address the issue through new low cost urban settlements that destroy outstanding landscapes while offering

poor quality living environments for residents are not an option. Equally, affordable housing schemes need to strengthen the local economy by helping to retain and attract skilled workers, not just low income households.

The costs of not addressing affordable housing are large and significant for the community. A key issue is the sustainability of the local economy should high housing costs dissuade people from wanting to shift to the area.

### 2.2. What is Affordable Housing?

Affordable housing means housing that people can rent or buy without financially stretching themselves to a point where housing costs consume most of their income.

For the purposes of this Strategy, affordable housing is defined as follows:

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

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

Affordable housing is not just traditional state housing, although this may be one component of a wider strategy to increase the supply of affordable housing. In the past the housing needs of low income households has been met through centrally-run schemes, such as the provision of state rental units and income support through the housing supplement. Some Councils have also provided rental units to households that meet criteria relating to social and economic needs. Generally the image associated with this type of provision has been of a cluster of rental units in a low cost area of town.

This strategy signals a shift away from this type of provision. The draft strategy promotes a range of housing types, spread across the urban areas of the District, well integrated with existing communities. The strategy promotes rental as well as ownership-based housing schemes, and will combine market-led developments with community-led investment in housing. Therefore the types of affordable housing that will be promoted will be wide ranging. Box 1 sets out a range of affordable housing delivered by community-run schemes in North American mountain resort communities.

*Box 1: Examples of Affordable Housing*

As part of the background work for the preparation of this strategy, a study of the approaches taken to improve housing affordability in a number of other resort communities was undertaken; including Whistler, Banff, Breckenridge, Aspen, Vail, and Nantucket. (See the report: *Housing Affordability in Queenstown Lakes District, May 2004* for further details.) All of these communities are, in different ways suitable to their local context, developing a range of housing types, integrated into existing communities, and using both market-led and community-led investment. The pictures below illustrate some examples from these other communities that have developed locally run affordable housing schemes.

*Whistler: Beaver Flats Duplexes*

12 duplexes grouped into 6 buildings, three-bedroom units designed for young families, restricted to local residents and employees. These houses are available for purchase but resale prices are restricted through a ground lease or housing covenant to retain affordability.



*Banff: Sundance Court:*

**21 units using energy efficient construction and designed for a variety of housing types, sold to qualified Banff residents and employees with affordability retained through sub-lease ownership by the Banff Housing Corporation.**



*Aspen: Marolt Ranch*

**A 100-unit complex organized into 7 two-storey buildings for rent to seasonal workers; ski workers on 6-month leases and music festival students on 3-month leases. The complex includes a communal eating and café area that includes laundry facilities and music practice rooms.**



*Whistler: Examples of long-term rental housing*

**Whistler's large stock of resident restricted rental housing is available only for occupancy to those who meet eligibility residency requirements, such as employed locally. One, two and three bedroom units in a 14-unit complex in a residential neighbourhood.**



**And a 53-unit apartment complex with one and two bedroom units close to the village centre.**



### 2.3 What are the Affordable Housing Issues Facing the Community?

From the *Working Paper on Issues Goals and Options for Further Consideration, September 2004*, (produced as part of the background work undertaken for this Strategy) the following issues were identified, that provide the basic reasons as to why the council needs to take action:

- *There is an increasing shortage of affordable housing, which market forces will not address, given current trends.*
- *Restricted access to affordable housing is having adverse economic, social and environmental effects.*
- *There are a number of specific barriers to the provision of affordable housing in the QLDC area due to the complexity of, and level of interconnection between, the various housing submarkets.*
- *Not all of the affordable housing issues identified are being managed by the various agencies. Many people who are experiencing housing affordability issues are not receiving any assistance and the individual actions of various agencies and the private sector are not integrated and therefore may not be as effective as they could be when actions are coordinated.*

These problems are impacting upon different markets within the QLDC area in different ways, and call for different strategic responses. For example:

- Short-term rental market – the focus may be on facilitating market responses to the growing problems associated with housing the seasonal workforce.

- Long-term rental market – this is an important area in terms of economic and community development. Current obstacles to the market responding to demand may need some intervention, particularly to address security of tenure issues.
- Owner-occupier market – having a pool of affordable housing will help individuals, couples and families get established in the district, and act as a transition between rental and “full” ownership. This is a particular issue for retaining skilled workers who are important to the long run sustainability of the local economy.

Because of the importance of these issues in clarifying the need for an Affordable Housing Strategy, further information on these issues is included in this report as Appendix A.



## 2.4 Why are House and Rental Prices So High?

The reasons why there is a growing lack of affordable housing in the district are many and complex. This means that any strategies to deal with the problem will have to be multi-faceted. Some of the reasons are local, some are national.

Key reasons include:

- Strong growth in land and house prices, partly driven by a strong investor and holiday home market. This places pressure on the residential housing market
- The mixing of commercial and residential property markets and the strength of the visitor accommodation market. This mixing often means that developments that could be aimed at providing an affordable product for permanent residents are instead directed at the tourism market
- A growing gap between incomes and housing costs. While this is a national issue, the service-based nature of the local economy tends to see relatively low rates of income growth, compounding the problem
- Households unable to save sufficient capital, partly due to higher household running costs in the area (such as heating, transport), partly due to the lack of a savings culture.

Over the last 10 years housing affordability has moved from a problem which was faced by some low income households to a situation where it is a problem that is increasingly affecting middle income groups. Since 2001, average house (sale) prices have increased markedly in the District, whilst average section prices have increased at a greater rate. This is particularly

marked in the greater Queenstown area, with a median house sale price of over \$482,000 in March 2005 (REINZ). Of particular concern for housing affordability is the increase in prices over this period for lower price homes, with an average sale price of around \$300,000 (in 2003) rising to close to \$400,000 by the end of 2004 for this end of the market (QVNZ, 2005). Median rental levels have increased from around \$220 per week for a three-bedroom home (in 2001) to \$350 per week at the start of this year (QVNZ, 2005).

At a national-level, a study undertaken by Housing New Zealand on 'Local Measures of the Ability of Working Households to Become Home Owners in New Zealand' considered two indicators: the ratio of house price to average incomes and the percentage of lower income working households unable to afford a modestly priced house. On both of these indicators, the report found that, in 2001, the Queenstown Lakes District had the least affordable housing in the country.

In the short term, it is likely that there will be a phase of consolidation in the housing market as house price increases level off due to a slowing economy, and additional rental units come onto the market, restraining growth in rental levels. However the fundamentals of the market suggest that over the long run, house and rental prices will continue to climb faster than incomes.

Looking into the future, the problem will not resolve itself. If house prices continue to climb and income levels only increase modestly, then up to 40% of all new households seeking ownership could experience affordability problems. (See the report *Housing Affordability in Queenstown Lakes District, June 2004* for further details). Many of these households are middle-income households who, in other

market circumstances, should be able to access market-rate rental and owner occupied dwellings.

## 2.5 Why an Affordable Housing Strategy?

A strategy is needed because of the nature and scale of the problems facing the Queenstown Lakes District community. Options to deal with the identified problems are not straight forward. The size of the problem is large, yet local resources are few. Integration is required with central government agencies, while a mix of regulatory and market-based mechanisms are needed. The strategy aims to put in place a realistic set of co-ordinated actions.

At the same time as the community has identified housing affordability as an issue, central government has also signalled that it is looking at a range of techniques and tools to improve housing affordability. Many of these tools and techniques are noted in *Building the Future: The New Zealand Housing Strategy*, which was launched by the government in May 2005. It is therefore timely for the QLDC community to consider how it thinks central government should help its community address the issues they face.

## 2.6 What Are the Options to Address the Problem?

The shift in the nature and extent of the problem over the last five years means that traditional solutions to a lack of affordable housing, such provision of subsidized rental units, will not be enough by themselves to meet the needs of the community. *Building the Future: The New Zealand Housing Strategy* recognises this:

*“This Strategy clearly shows a basic ‘bricks and mortar’ approach to housing has been superseded by innovative policies and practices taking account of wider social and economic needs. The shift towards increased community-based housing, more affordable homeownership opportunities, and a mix of new housing reflecting community diversity is re-mapping our landscape.”*

At a broad level the strategy needs to work alongside other policies and strategies towards:

- Increasing incomes and savings so households can afford more expensive rental and home ownership costs
- Restraining cost increases of housing through reducing speculative pressures and managing land and development costs
- Increasing the range of assistance available for households in terms rental and ownership affordability options.

To address the specific housing affordability issues facing the community a mix of planning-based and provision-based mechanisms will be needed. Planning policies and rules (the District Plan) will need to ensure that the market has the opportunity to provide affordable housing (rental and owner-occupied), but, in and of itself, this will not solve the problem.

Direct provision of affordable housing will be needed. This will need to be through central government (aimed at social outcomes) and a locally-controlled Housing Trust (directed at specific local issues and problems, such as retaining workers important to the functioning of the local economy).

Appendix B discusses options in more detail.

## 2.7 Roles and Responsibilities

In terms of overall roles and responsibilities:

- The Council will have a critical role in setting policy, and undertaking further research, advocacy and monitoring. Changes to the District Plan to enable the market place to better deliver more affordable housing units will be an important action. The Council can also provide land for pilot projects, as well as provide some funding for on-going work.
- Central Government is an important partner in terms of policy development, funding assistance for low income households, the delivery of further rental units and the provision of capital for locally-initiated schemes through its Housing Innovation Fund.
- A key response to the issues is the establishment of a locally-driven Community Housing Trust. This Trust will be tasked with providing a range of rental and owner-occupied units. It will be able to initially source national-level funds and direct these funds to particular groups in the community who are in need of assistance. Longer term other sources of funding are likely to come on stream.

To be effective in its role, it is proposed that the Trust be a stand-alone, not-for-profit organisation. The issues associated with setting up a Community Housing Trust are set out in Appendix E.

Action is needed, but the community does have time to put in place a measured response where initial actions can lay the foundation for more comprehensive actions in the future.

### 3. GOALS OF THE AFFORDABLE HOUSING STRATEGY

#### 3.1 The Overall Goal

1. *To increase access to quality, affordable housing that is integrated into the community so as to support the community's outcomes<sup>1</sup> related to the sustainable economic, social and environmental development of the QLDC area.*

This goal reflects three main 'pillars' of a long-term sustainable affordable housing strategy. At a high level, the Strategy needs to signal that it is not just a matter of increasing the supply of affordable housing. Affordable housing also needs to be of good quality and integrated into the community.

Quality therefore refers to:

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

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<sup>1</sup> Note: Community outcomes are identified in the Council's Council-Community Plan (2004)

Integration therefore refers to:

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

#### 3.2 Three Additional Specific Goals

2. *To facilitate initiatives to increase the supply of affordable quality housing for rent to seasonal workers, as an end in itself, as well as the flow-on benefits it will bring to the long term rental market.*
3. **To significantly increase the supply of quality, affordable, and secure rental property to meet the needs of committed local residents, employed in key industries that are important to the economic and social wellbeing of the community.**
4. **To support development of the owner occupier housing market for committed local residents employed in key industries that are important to the economic and social wellbeing of the community, and to ensure the retention of this housing as affordable housing.**

The adoption of these three specific goals for the Strategy reflects the particular issues facing the QLDC area, whilst

recognising the limited availability of resources and capacity to address all housing affordability issues. The targeting of the affordable housing initiatives at particular groups and the one-off or limited nature of the funding sources currently identified suggests that the Affordable Housing Strategy needs, at least initially, to proceed on a project-by-project basis: setting up pilot schemes using available sources of funding, demonstrating high quality design and development, integrated into the community.

Future affordable housing initiatives will then be able to build on the experience of the initial pilot projects. In the future, when a source of funds providing a long term funding stream becomes available (such as linked to contributions from developers), this initial experience will provide some of the necessary institutional capacity.

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

#### Box 2: Targets

Initial targets (see discussion in Appendix D ) are to deliver (in the medium term):

- Planning mechanisms and financial initiatives to encourage the market place to deliver in the order of 250 more affordable rental and owner occupied houses in Queenstown and in the order of 60 in Wanaka.
- Successful lobbying of Central Government to result in an increased Accommodation Supplement levels for the District and in the order of 20 additional HNZA rental units.
- 20 housing units of mixed rental and transitional ownership in a pilot project run by a Community Housing Trust.

Perhaps more importantly for the District will be the development of expertise and institutional capacity, to address housing affordability over the longer term.

## 4. ACTIONS

### 4.1 Overview of Actions

This strategy concentrates on actions that the QLDC community can take in the next 3 to 5 years to help address housing affordability issues. The main part of the strategy deals with council-initiated actions aimed at specific groups within the community. A key proposal is the development of a locally initiated pilot project, undertaken under the umbrella of a Community Housing Trust.

Affordable housing initiatives recommended for the Affordable Housing Strategy can be grouped under the following broad categories;

- **Policy development, advocacy, research and education.**  
Advocate for improved access to affordable, adequate and good quality housing, supported by research and monitoring and community education programmes.
- **Planning mechanisms.**  
Use planning mechanisms to facilitate the provision of high quality affordable housing by the market place.
- **Financial initiatives.**  
Use Council's resources (and the resources of collaborative partners) to facilitate the provision of affordable housing, now and into the future.

- **Delivery**

Establish a Community Housing Trust and develop a pilot project to deliver a range of rental and owner-occupied housing units aimed at specific segments of the housing market that will not benefit from the above actions. Use council land, private sector funding and central government funding to assist this project.

Specific issues associated with the proposal for a Community Housing Trust – its scope, mandate and make-up, are set out in Appendix E.

The following table lists proposed actions, and indicates which Goal the action is associated with, who is responsible, and the suggested timeframe.

S (Short) = within 1 to 2 years

M (Medium) = 2 to 4 years

L (Long) = 5+ years

Goal		Action	Agency			Timeframe
			Council	Community Housing Trust	Central Government	
		<i>Policy, Advocacy, Research and Monitoring</i>				
Goal 1, 2,3,4	1.	<b>Council to appoint a Community Housing Officer to co-ordinate development and implementation of the Strategy</b>	✓			S
Goal 1, 2, 3, 4	2.	<b>Develop a Memorandum of Understanding with central government to work towards the goals outlined in this strategy.</b>	✓		✓	S
Goal 1	3.	<b>Develop and implement a monitoring programme, including undertaking a housing needs assessment every two years and a programme for reviewing this Strategy</b>	✓	✓		S
Goal 1	4.	<b>Develop and implement a communication plan for the community</b> <ul style="list-style-type: none"> <li>- Why the need for the strategy:</li> <li>- What type of housing is likely to provided by the strategy</li> <li>- What it will cost and who will pay for it.</li> </ul>	✓	✓		S
Goal 2, 3, 4	5.	<b>In partnership with the business community, undertake a study of the current costs incurred by businesses due to the lack of affordable housing and distribute the findings back to the business community.</b>	✓	✓		S
Goal 2, 3	6.	<b>In collaboration with local employers develop a framework for maximizing opportunities for employers to contribute to the provision of affordable rental housing that will benefit their employees.</b>	✓			S
Goal 1	7.	<b>Develop and promote employer housing funding schemes for employees. The Council to model its own schemes for its employees.</b>	✓	✓		S

Goal		Action	Agency			Timeframe
			Council	Community Housing Trust	Central Government	
Goal 1	8.	Facilitate access to energy efficiency advice for residential construction, and particularly for any pilot projects developed under this strategy. Facilitate partnerships to implement energy efficient retrofitting projects, targeted to lower income households.	✓	✓		S
Goal 3,4	9.	Advocate for the provision of increased levels of capital and operations funding from Central Government (HNZC and EECA) to recognise the particular housing needs of the QLDC area.	✓		✓	M
Goal 3	10.	Lobby for the expansion of HNZC's housing stock, in recognition of the high levels of housing stress in the area.	✓		✓	M
Goal 1,2	11.	Develop and implement a communications plan for the business sector about the positive aspects of contributing to the provision of affordable housing for their employees, and the tax situation that supports this type of contribution.	✓	✓		M
Goal 2,3 &4	12.	Monitor and evaluate pilot projects developed during under this strategy and ensure that the findings are made widely available to the community, including business and development interests. Ensure that any lessons learned in the pilot projects are used to support future collaborative efforts.	✓	✓		M
		<i>Planning</i>				



Goal		Action	Agency			Timeframe
			Council	Community Housing Trust	Central Government	
Goal 3,4	13.	Encourage developers to enter into voluntary agreements to provide affordable housing as part of larger scale subdivision and housing developments, and ensure that the affordability of any such housing is retained into the future.	✓			S
Goal 3,4	14.	Investigate the potential for the adoption of incentives such as density bonuses for affordable housing, in any proposals for up-zoning and particularly when zoning new urban areas and, if appropriate, include in the District Plan. Tie the provision of affordable housing to a suitable retention mechanism, and introduce location criteria to ensure affordable housing is located close to activities and transport	✓			S
Goal 3,4	15.	Support increases in opportunities for affordable housing in lower density residential areas through the provisions for residential flats (for long term rental) in the District Plan.	✓			S
Goal 3,4	16.	Extend the current assessment criteria for Comprehensive Residential Development in lower density residential areas to include the provision of affordable housing as consideration in whether to grant consent to the development. Improve the implementation of the assessment criteria, to ensure all criteria are assessed. Tie the provision of affordable housing to a suitable retention mechanism.	✓			S
Goal 2	17.	Identify any unnecessary constraints in the District Plan on non-traditional housing forms in locations that are otherwise appropriate for seasonal workers' housing, and, if so identified, work towards their removal.	✓			S

Goal		Action	Agency			Timeframe
			Council	Community Housing Trust	Central Government	
Goal 3,4	18.	Continue to improve the design standards of intensive housing developments so that they are attractive to permanent residents.	✓			S
Goal 3, 4	19.	Introduce affordable housing into the policies of the District Plan so that it can become a relevant matter when Plan Changes/ Variations are proposed, as well as when resource consent applications are considered, for example in relation to discretionary activities. This is so the impacts of planning changes on affordability, both positive and negative, are addressed.	✓			M
Goal 3,4	20.	Investigate how to implement a distinction in the District Plan between higher density visitor accommodation areas and higher density residential areas to provide a stock of housing for permanent residents and ensure that the clear separation is ensured in any new urban zoning. Undertake the implementation.	✓			M
		<i>Financial</i>				
Goal 1	21.	Council to contribute a small grant (funded from the rates) towards the initial running costs of the Community Housing Trust.	✓			S
Goal 1	22.	Advocate so that the particular needs of the District are taken into account in Government proposals to amend the RMA or LGA to allow for contributions from developers to be levied for affordable housing.	✓		✓	S
Goal 1	23.	Identify the most effective way of maximizing the contributions from the Council's limited resources to achieve the goals of the strategy, and in particular, where the provision of land is likely to	✓	✓		S

Goal		Action	Agency			Timeframe
			Council	Community Housing Trust	Central Government	
		be more effective than the provision of finance. Identify sites suitable for future affordable housing development and purchase if necessary.				
Goal 1	24.	Develop criteria to be applied whenever Council decides to sell council-owned land, to assess whether the proceeds should go towards the provision of affordable housing, and implement.	✓			S
Goal 2,3,4	25.	Undertake an analysis of all council-owned (freehold) land to determine suitability for an affordable housing contribution, based on clear criteria. Select a suitable small site for a pilot project.	✓			S
Goal 2	26.	Support the implementation of other Council policies involving collaboration with the private businesses to help increase wages and salaries in the local economy, in such initiatives as promoting quality tourism.	✓		✓	M
		<i>Delivery</i>				
Goal 1, 2, 3,4	27.	Establish a Community Housing Trust with Trustees drawn from the District Council, the private sector (representing employees and developers in the District), community organisation (with experience relevant to housing affordability) and from the community at large.	✓			S
Goal 3,4	28.	Establish criteria and mechanisms for determining the eligibility of households for any affordable rental housing developed by the Trust. Ensure that these criteria are made known to the community in advance of implementation of the first pilot programme	✓	✓		M

Goal		Action	Agency			Timeframe
			Council	Community Housing Trust	Central Government	
Goal 3,4	29.	Establish appropriate retention mechanisms to be used for the pilot project(s), to ensure that affordability is retained into the future. Ensure that full details of the chosen retention mechanisms are made known to the community (see The Nature and Scale of Housing Affordability Issues in the District – June 2004, for a discussion of retention mechanisms).	✓	✓		M
Goal 3,4	30.	Seek funding from HNZC's Housing Innovation Fund, from the Council, and from the private sector to implement the pilot project.	✓	✓	✓	M
Goal 2, 3, 4	31.	Actively facilitate the development of pilot projects, with employers and / or developers and / or Housing New Zealand, by identifying interested partners, seeking funding, brokering deals, developing retention mechanisms etc. Ensure that the development is small in scale, of high quality design and construction and is energy efficient.	✓	✓	✓	M and L
Goal 1	32.	Building on the experience of the initial pilot project and other actions under this Strategy, and from the ongoing monitoring of housing needs, identify the most appropriate form of affordable housing development for long-term / committed local residents, and actively facilitate the development of further projects.	✓	✓	✓	L

## Appendix A: Key Issues

The following material is sourced from Working Paper One: Issues Goals and Options, (September 2004)

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

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

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

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

- **Economic.** The development of a high quality visitor-based economy, as well as the diversification the economy, will

require a stable, skilled labour force. Access to affordable housing will be important to this transition.

- **Social.** A lack of affordable housing is seeing fewer families move into the area, and higher rates of turn-over of households as individuals and couples stay for only a few years. The functioning of the community is dependent, to a certain extent, upon building networks and relationships. Having some stability in the community will assist with the development of these networks.
  - **Environmental.** Traditionally, lower cost housing has been provided on the fringes of settlements and/or in satellite settlements. In Queenstown, accommodating affordable housing in this way would have significant adverse effects on the natural environment. In Wanaka, there are some options along these lines, but these options are limited due to the need to use future urban land for a variety of uses, and because outer lying settlements do not wish to become dormitory settlements.
- ### ***3. There are a number of specific barriers to the provision of affordable housing in the QLDC area due to the complexity of, and level of interconnection between, the various housing submarkets.***

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

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

**4. Not all of the affordable housing issues identified are being managed by the various agencies. Many people who are experiencing housing affordability issues are not receiving any assistance and the individual actions of various agencies and the private sector are not integrated and therefore may not be as effective as they could be when actions are co-ordinated.**

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

*An important conclusion for the QLDC community is that central government policy is very much directed at national-level social outcomes. The QLDC community is experiencing a range of community-specific economic and social problems, and to address these problems, actions tailored to local conditions will be needed. The community cannot rely on central government to solve all of their problems.*

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

Agency	Short term rental	Long term rental	Owner-occupier
<p><i>Market-place (developers, investors, land owners)</i></p>	<p>Generally have met demand through conversion of existing premises.</p> <p>Whilst some purpose built short-term accommodation has been developed, the rapid increases in land values are likely to impede more developments of this type.</p>	<p>A large number of apartments are coming on-stream, but are mostly directed at the visitor market.</p>	<p>Have attempted to provide more affordable sections, but lower cost sections are often brought by investors and on-sold at much higher costs.</p> <p>Little incentive for residents to buy into apartment type developments due to uncertainty about use/ occupancy of the rest of the surrounding units (in the development or vicinity), for example whether they will be used for visitor accommodation or permanent residence</p> <p>The Jack's Point development has agreed to provide a contribution to affordable housing of 5% of the value of the development, to be available in the form of land, housing and cash.</p>
<p><i>Central government</i></p>	<p>No specific actions</p>	<p>Provides income assistance for low income households. Around 250 people receive assistance.</p> <p>Provides 14 rental units in Queenstown and 6 in Wanaka</p> <p>Housing Innovation Fund is available for locally developed schemes.</p>	<p>Provides income assistance for low income households.</p>
<p><i>Businesses employers</i> /</p>	<p>Some businesses do provide space for workers. They may own houses or they may lease houses for workers</p>	<p>Businesses do try to help workers find longer term rental, but are often frustrated by the limited stock available.</p>	<p>Some businesses do report helping valued employees to find a house and some may provide assistance with a deposit or help provide some guarantee to assist with finance. However the practice is not widespread</p>

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



## Appendix B: Options for Addressing Housing Affordability Issues

### ***B.1 Will Central Government solve the housing affordability problem?***

At a national level the government is supporting moves towards a higher skilled, higher income work force. They are also proposing to support a savings culture with moves towards work-based saving schemes, and are introducing a subsidy for first-home buyers through the KiwiSaver scheme. Economic development strategies include moves to support a higher yield tourism sector, less focused on mass tourism.

In terms of support for lower income houses, the government is also increasing the housing supplement and providing additional tax breaks to working families.

A number of initiatives are underway to increase the provision of different types of social housing, including the adoption of a New Zealand Housing Strategy, the Sustainable Development Programme of Action and the Urban Affairs Statement of Strategic Priorities. However it is clear that Government will not have the resources to address all housing affordability problems. And in the case of the Queenstown Lakes District, the issue is no longer confined to lower income groups, where Central Government has focused most of its support to date. It is becoming a mainstream issue for the community. There is a growing need for a more integrated partnership approach from central government, with the Ministry of Economic Development and the Ministry of Social Development in addition to Housing New Zealand.

Central Government currently offers two sources of funding for local housing provision, in addition to HNZC housing provision and the Accommodation Supplement: the Local Government Housing Fund (LGHF) and the Housing Innovation Fund (HIF).

- The LGHF aims to encourage councils to retain, improve and increase their existing rental housing stock. Funding is available in the form of interest-free suspensory loans for up to 50% of the cost of the project for acquisition of property, with the condition that affordability will be retained for 20 years.
- The HIF aims to encourage not-for-profit, non-government community groups and organizations and Iwi/Maori to increase their involvement in providing rental housing and home ownership opportunities. Funding includes capital funding, grants and low interest loans for up to 85% of the total cost of the project, with the condition that housing must be retained for social housing.

These two funds provide opportunities for partnerships to increase the supply of affordable housing in the District, on a project-by-project basis. The most appropriate fund will depend on the circumstances of each project. For example, whilst the HIF potentially provides a greater contribution of funds, an application to the HIF must demonstrate that there is a need for affordable housing for low to modest income households in the local community context. (The Report *Housing Affordability in Queenstown Lakes District, June 2004* provides this assessment.) In addition an application to the HIF would have to be made from a community-led organisation (and not from the Council or a Council controlled Trust) and need to show that there is community support.

## ***B.2 Will the Council be able to solve the problem on its own?***

An initial examination of potential sources of Council funding to address affordable housing has been undertaken, including general rates, targeted rates, Council housing, Land development and Investment Land. This initial examination suggests that rates are a problematic source of funding, with the exception of the provision of an annual grant to help cover the operating expenses of a Housing Trust. It could be argued that general rates based funding should not be used to address effects that are driven from the growth of the economy rather than across the community. A rate targeted at businesses raises a number of implementation and compliance issues.

There is some potential to generate finance or assets on a one-off basis, which could be used during the initial stages of the Affordable Housing Strategy. This includes the funds from the Jacks Point development, and potentially either from devoting a proportion of the sale proceeds from council land development or from suitable Council's investment land. Additional sources of funding, such as from the levying of a required affordable housing contribution on future developments, could potentially provide a source of funds. However, at this stage the legal position is unclear, and introducing such a scheme is best addressed at the national level. It is likely to be some time before such a policy is in place. Nevertheless the council needs to push for such a provision.

While additional funding is needed, anticipated demand for affordable housing, (based on estimates of the number of households likely to be facing affordability issues, over the next 10 years) is likely to be considerably higher than the

supply of housing that could be generated from these local sources. This suggests that the level of affordable housing provision generated from local sources could be targeted at certain groups that are particularly important to the functioning of the economy and the community (see the *Stage III Working Paper – Strategy Development*, for further details). This also means that the strategy needs to use a number of market-based as well as publicly-funded tools to promote a greater number of affordable units.

## ***B.3 Will the business sector address the problem?***

A key issue is the extent to which high housing costs are affecting the ability of the business sector to attract and retain staff. Whilst some employers do provide housing for workers (either owned or leased) there is only limited stock available. And there is no requirement for employees to supply housing for their workers. Few employers are large enough to develop housing solutions. Smaller employers may be interested in participating in solving housing problems, if an opportunity is provided that matches their level of resources and if access to good quality affordable housing can be assured for their employees under the scheme. Inefficiencies and transaction costs may be addressed by facilitating a scheme in which all employers can participate. There are benefits in increasing the supply of affordable quality housing for rent to seasonal workers, both to the employers and the employees. The development of small-scale mixed-employee development of quality housing is considered likely to produce a better living environment than if living with workmates.

#### ***B.4 Will the development sector address the problem?***

A number of developers have proposed subdivision schemes that were initially pitched at the affordable end of the market, but their experience was that cheaper sections were often brought by speculators who quickly on-sold the lots at a considerably higher price, defeating the intention to deliver an affordable product to the local market place. This experience suggests that the market place will not be able to deliver affordable sections and houses.

A common perception amongst developers is that community - imposed restrictions on the development of land forces up development and housing costs. A related issue is that the Resource Management Act limits the ability of the council to effectively manage the urban growth pressures that the community is facing, and that this has flow on implications for housing affordability.

The Partly Operative Queenstown District Plan has been examined to see if it provides any particular regulatory barriers to the provision of affordable housing and if there are any opportunities within the Plan to encourage the development of affordable housing. A wide range of opportunities for housing development is provided in the Plan, with possibilities for more affordable housing in the Queenstown / Wakatipu area in the higher density zoned areas, and in the more affordable areas of the wider CBD, Frankton Road and Frankton Flats. In Wanaka there are fewer options for higher density (and potentially more affordable) housing, however, townships such as Albertown and Luggate provide more affordable options. Also, the Wanaka Structure Plan provides significant opportunities for new High and Low Density Residential

greenfields development over the coming decades. Opportunities in the lower density residential areas are more limited by minimum lot sizes, and currently new sub-divisions are occurring at lower densities than allowed in the plan. In addition higher design standards that are being considered by the Council for the higher density zones (to make them more attractive for permanent residents and the community) may reduce the number of units that can be accommodated on any one site.

Whilst there are substantial opportunities for additional affordable houses for permanent residents, the market place will need to re-orientate itself to the market opportunities available (which largely lie in the higher density areas). Encouraging more affordable units for permanent residents in higher density areas will require a strong regulatory framework and incentives. Good design outcomes are essential and this is in line with the current moves to achieve better quality outcomes through design-based controls. To give certainty, a distinction also needs to be made between higher density development for Visitor Accommodation and higher density development for residents.

In terms of incentives, if the Council should contemplate significant up-zoning for specific areas, such as areas in the wider CBD, (or allow more intensive development via resource consents) a density bonus provision in return for affordable units should be strongly considered.

Opportunities for affordable housing in lower density residential areas include provisions for residential flats and comprehensive residential development. Residential flats (currently the subject of a plan change by the Council) have the potential to provide more affordable rental housing in a residential area for permanent residents.

A further option is extending the current assessment criteria for Comprehensive Residential Developments in low density areas to include the provision of affordable housing units as a reason to grant consent. This would signal to the community the Council's willingness to consider the provision of affordable housing and would provide opportunities for the private sector to contribute to the supply of affordable housing. Additional voluntary opportunities could be made available, by encouraging developers of large subdivisions and housing developments to enter into voluntary agreements, similar to Jacks Point. These opportunities are addressed in the Priority Actions in the Strategy. Also, the Council could consider the relaxation of certain rules if the developer offered up affordable housing (as a discretionary activity) in High Density Residential and other zones.

To assist with these, and related actions associated with managing growth pressures (and therefore pressures on the residential housing market) it would be appropriate to introduce the issue of affordable housing into the policies of the District Plan.

**Table 1: Strategic Directions**

	Increase Household Incomes		Reduce Housing Costs		Widen Assistance Options	
	Increase incomes	Increase savings	Reduce speculative /commercial pressures	Limit land / development costs for affordable housing	Increase rental options	Assist with home Ownership
National-level	Support tourism strategy, regional economic development initiatives	Support moves to introduce savings schemes  Widen eligibility criteria for income assistance	Support moves to create level playing field between different asset types to reduce over investment in property  Review RMA to better address urban planning issues in fast growing areas	GST rebates for qualifying affordable housing  Widen tax base of the council, e.g. bed / tourism tax to reduce reliance on rates / development contributions	Increase HNZ stock	Support moves to provide mortgage assistance  Ensure central government funding criteria reflect particular local circumstances – not just low income households

	Increase Household Incomes		Reduce Housing Costs		Widen Assistance Options	
	Increase incomes	Increase savings	Reduce speculative /commercial pressures	Limit land / development costs for affordable housing	Increase rental options	Assist with home Ownership
Local-level	Support moves to widen economic base, marketing as a quality destination	<p>Arrange budgeting advice, other assistance for working families, such as child care</p> <p>Help reduce heating and transport costs through energy efficiency schemes, supporting public transport</p>	<p>Continue to develop growth management strategy to help slow growth through improved quality, design and mix of development</p> <p>Maintain rates differential between visitor accommodation and residential developments.</p> <p>Investigate clearer zoning distinction between commercial and residential areas</p>	<p>Monitor housing costs</p> <p>Remove planning barriers to smaller housing types – e.g. minor household units</p> <p>Reduce development contributions for qualifying development</p> <p>Make higher density development more attractive to permanent residents</p>	<p>Pilot mixed rental / ownership scheme</p> <p>Impose affordable housing requirement as part of any proposals to up-zone land.</p> <p>Lobby for changes to LGA / RMA in relation to development contributions and inclusionary zoning</p>	<p>Develop alternative tenure models – transitional forms of ownership and use in pilot scheme</p> <p>Impose affordable housing requirement as part of any proposals to up-zone land.</p> <p>Lobby for changes to LGA / RMA in relation to development contributions and inclusionary zoning</p>

## Appendix C: Discussion of Goals

### Goal 1: Increased Access to Quality Affordable Housing

*To increase access to quality, affordable housing that is integrated into the community so as to support the community's outcomes related to the sustainable economic, social and environmental development of the QLDC area.*

#### **Discussion:**

The adoption of goal for the Strategy reflects the particular issues facing the QLDC area. Whilst recognising the limited availability of resources and capacity to address all housing affordability issues, the Affordable Housing Strategy needs, at least initially, to proceed on a project by project basis – setting up pilot schemes using available sources of funding, demonstrating high quality design and development, integrated into the community. Future affordable housing initiatives will then be able to build on the experience of the initial pilot projects. In the future, when a source of funds providing a long term funding stream becomes available (such as linked to contributions from developers), this initial experience will provide some of the necessary institutional capacity.

The most appropriate vehicle for such an approach is an organisation dedicated solely to the implementation of the Affordable Housing Strategy. It is recommended that a Community Housing Trust should be set up to coordinate and implement actions. Options for the most appropriate form of the Community Housing Trust are considered in Appendix E.

In developing this approach the overall goal of the strategy must not be forgotten. Indeed the actions recommended, under the overall goal of the Strategy, will sit alongside and support the more targeted initiatives proposed in this Strategy, in addition to broadening community support and enabling a collaborative approach to implementation.

### Goal 2: Rental Housing for Seasonal Workers

*To facilitate initiatives to increase the supply of affordable quality housing for rent to seasonal workers, as an end in itself, as well as the flow-on benefits it will bring to the long-term rental market.*

#### **Discussion:**

A starting point could be an increased understanding of the current costs incurred by businesses due to the lack of housing – such as the cost of staff recruitment and retention, and training and overtime costs, in addition to the skill levels of the people employed and the size of the pool of employees to fill vacant positions. Once the magnitude of the problem is more fully understood, various types of solutions can be developed depending on the particular needs of the businesses willing to collaborate on the venture; including desired type of housing, preferred ownership structure, the level of financial commitment and the return desired, and the role of the Community Housing Trust. In establishing these initiatives, the emphasis should be on the benefits of collective action, enabling the sharing of costs of development and management, and the potential for low-season marketing opportunities.

The internal finances of any development should be structured so that businesses have an incentive to maintain high

occupancy levels by renting directly to their employees. Indeed employees of businesses that have contributed resources to the development of the housing will be given priority, or will be allocated space according to the relative proportion of their contribution. Rental to employees of other businesses will be secondary, but possible to achieve full occupancy. Similarly it may be appropriate, in any one development, for a proportion of the units to be available for rental on a long-term basis, to provide an element of stability. These issues will have to be considered on a case-by-case basis depending on the businesses collaborating on the venture. The first pilot project will be a key driver: to promote the benefits of collaboration; to get business and community buy-in; and to demonstrate the ability of the Community Housing Trust to facilitate such a project.

### Goal 3: Long Term Rental Housing

*To significantly increase the supply of quality, affordable and secure rental property to meet the needs of committed local residents, employed in key industries that are important to the economic and social wellbeing of the community.*

#### **Discussion:**

The short term rental market, as well as the visitor accommodation market puts pressure on the supply of long term rental housing. As a result the long term rental stock appears to be declining and few purpose built, long term rental developments are proposed which are aimed at the local resident market. There is a need to reduce the pressure from

the short term and visitor accommodation markets on this segment.

There is also a need to ensure that committed local residents employed in key industries that are important to the economic and social well-being of the community have access to secure rental accommodation. The two key factors of affordability for committed local residents and security of tenure (to ensure long-term residential stability) are missing from the market provision of long term rental housing in the District.

To work towards this goal, there needs to be a clear understanding of the term committed local residents. Whilst people who have a clearly established residential, family or workplace connection with the Queenstown Lakes District might appear to fall within the ambit of this goal, the limited nature of resources available, suggest that initially a more targeted approach will be needed. The criteria to consider, in the first instance, might include:

- Full time permanent employment in the Queenstown Lakes District
- Household incomes less than 120% of the median income
- Queenstown Lakes as the place of permanent residence (i.e. no ownership of another dwelling outside the District)

The possibilities of joint venture projects, utilizing Council and Government resources and / or finance and businesses in the Key Industries that have been facing retention difficulties with their permanent employees, should be explored. In this regard, Council and Community Housing Trust funds should be used in the most efficient and effective way possible to leverage contributions from public sector agencies and the private sector.



## Goal 4. Owner Occupied Housing for Committed Local Residents

*To support the development of the owner-occupier housing market for committed local residents, employed in key industries that are important to the economic and social wellbeing of the community, and to ensure the retention of this housing as affordable housing.*

### **Discussion**

The owner occupier market appears to be affected by the high prices driven by the second home and investment home market. As a result, there is a growing deposit gap, which is seeing individuals and couples unable to get onto the owner occupier housing ladder. Some form of transitional home ownership may be needed to provide a bridge between the rental market and the owner occupier market.

The most appropriate form of transitional owner occupation is one that:

- ensures that the housing is affordable to the target households and that this affordability is retained in perpetuity;
- promotes resident ownership and control of the housing and rewards the household for maintaining or improving the dwelling;
- gives the household a fair return on their investment, when they decide to sell, but limits the gain that can be made, in order to retain affordability for the next “owner”
- provides an incentive for the household to move to the “real” owner occupier market housing, to more fully

achieve the potential for capital gain, thus freeing up the dwelling for the next household.

There are a number of different retention mechanisms in use in the various resort communities considered in the development of the Strategy. See the report, *Housing Affordability in Queenstown Lakes District, June 2004*. The appropriate choice will depend on the sources and amount of funding available for any developments and the terms of the Community Housing Trust. (See Appendix E) What may be significant is that if the cost of land continues to rise at a faster rate than the cost of the dwelling, then the retention mechanism should focus on the cost of land.

There are two retention mechanisms that would appear to be most suitable for consideration, depending on the exact form of the collaboration that is brought to bear on the development of individual projects. In the first mechanisms, retention of affordability takes place through the attachment of a covenant to the title of the property, limiting resale to the original purchase price plus a percentage appreciation (linked to the c.p.i.) per annum of occupancy. In the second mechanism, ownership of the land is retained by the Community Housing Trust. This is effectively a leasehold relationship with the owner of the dwelling, with the ground lease being used to restrict occupancy or on-selling of the dwelling, on the basis of local employment, household income or (re) sales price, as appropriate. This Land Leasehold mechanism has been found to be particularly effective where land prices are rising significantly faster than dwelling costs. It is likely to be of particular value in the Queenstown Lakes District.

## Appendix D: Note on Targets

Work undertaken as Stage One of the project identified that up to 10 to 15% of existing households and perhaps up to 40% of new households moving into the Queenstown and Wanaka areas could be facing housing affordability problems, if prices continue to rise. See the report *Housing Affordability in Queenstown Lakes District, June 2004* for further details.

A number of other studies have highlighted the scale of the problem, including a recent HNZC report that estimated 75% of lower income, working households in the Queenstown Lakes District area are experiencing affordability problems.

In considering the size of the affordable housing project, and what may be a reasonable response to the problem, given local resources, the Stage III working paper (Stage III Working Paper – Strategy Development, February 2005) set out a way of subdividing the housing market on the basis of income, ownership/ rental and employment characteristics. These market segments are different ways of looking at the long term rental and owner occupier segments discussed in the strategy. They are subdivided in this way so that the housing market is broken down in a way that more closely matches likely actions that could be taken by central and local agencies.

Thus the overall figure for the rental and owner-occupied market were broken down in the Stage III report, very roughly, into three sub-markets as follows:

- Low income households who are likely to mostly rent houses and always need income assistance, most likely from central government.

- Middle income households who may be able to afford market rate rental and owner-occupied homes, provided there is sufficient affordable stock.
- Middle income households who are involved in occupations that are important to the local economy, and who may particularly benefit from some sort of transitional home ownership scheme.

The figures in the Stage III report have been amended somewhat to take out some double counting of households that occurred due to the way that they were categorised. The following table sets out the percentage of households in the three different categories listed above who may need some form of housing assistance.

**Table 2: Number of Households Possibly Needing Some Form of Assistance 2006 - 2016**

Type of Household	Queenstown		Wanaka	
	% of all households	Number of households	% of all new households	Number of households
Low income (less than 60% of average household income) – needing income assistance/subsidised rental	17%	720	16%	220
Middle income , households requiring access to -affordable market rate rental/owner occupied housing	19%	800	15%	200
Middle income households, with ownership aspirations and who may be in jobs important to the long term stability of the economy	6%	270	8%	110
<b>Total</b>	<b>42%</b>	<b>1790</b>	<b>39%</b>	<b>530</b>

Based on these percentages, an estimate is then made of the number of households in each category.

Growth estimates for QLDC suggest that, in round terms, between 2006 and 2016, up to 4,200 households may locate in

the wider Queenstown area, and up to 1,300 households in the Wanaka area. These figures are based on a continuation of high growth rates.

Taking only occupied dwellings (not holiday homes or second homes); these growth projections can then be translated into the number of households for permanent residents who may fall into the categories listed.

The targets set out in Box 2 take into account the above figures. The targets are for a 5 year period, and recognise that in the initial stages of the Affordable Housing Strategy, it is unlikely that the strategy will be able to deal with all of the problems identified. The targets set are therefore driven by what is realistic.

- A figure of 20 additional Housing New Zealand Corporation properties recognises that they only have a small presence in the District. Most benefit is likely to come from lobbying to having the housing supplement raised.
- The target for market-rate housing takes 60% of the middle income market, translating into 250 units in Queenstown and 60 in Wanaka over the next 5 years.
- The target for a pilot project of 20 units recognises that it any initial scheme will need to be small, due limited local capacity, and will only deal with part of the problem.

### **Targets**

Initial targets (see discussion in Appendix D) are to deliver (in the short to medium term):

- Planning mechanisms and financial initiatives to encourage the market place to deliver in the order of 250 more

affordable rental and owner occupied houses in Queenstown and in the order of 50 in Wanaka.

- Successful lobbying of Central Government to result in an increased Accommodation Supplement levels for the District and in the order of 20 additional HNZN rental units.
- 20 housing units of mixed rental and transitional ownership in a pilot project run by a Community Housing Trust.

Perhaps more importantly for the District will be the development of expertise and institutional capacity, to address housing affordability over the longer term.

## Appendix E. Queenstown Lakes District Community Housing Trust

### *E.1 Rationale for a Community Housing Trust*

There are a number of reasons for the Council to support the development of a Community Housing Trust that will be dedicated to addressing the community's affordable housing issues and working towards the goals of this Affordable Housing Strategy. These reasons include:

- Efficient use of local public resources as a Trust has the ability to source funding that is not available to the Council
- Strength of a Community partnership approach, likely to be most effective in achieving the goals of the Strategy
- Efficiency in building institutional capacity
- Efficiency gains in having a single trust (rather than one for Jacks Point, one for community initiatives etc) to bring

together expertise and to proactively collaborate towards community goals

- Ability to address the long-term sustainability of housing affordability, by implementing agreed retention mechanisms
- Acceptability of a single-purpose Trust removed from local political cycles
- Can be established so as to reduce risk to any public resources committed, by requiring these resources to be returned if they are not used for the specified purposes.

### *E.2 Structure*

The critical issue for a Community Housing Trust is the element of control of the Trust by the Council. This will require the Council to make appropriate policy decisions. There are several options and these are discussed below, with strengths and weaknesses noted where relevant.

The Working Party and the consultants consider Option 6 to be the preferred option as it directly addresses issues of control and independence, by the establishment of an independent community-led Trust and a unit within the Council both working towards an agreed Affordable Housing Strategy.

***Option 1: The Community Housing Trust is established as a wholly owned subsidiary of the Council.***

***Strengths***

- The Council (Mayor or CEO) could appoint all of the Trustees, including those from outside the Council.
- As the Trust would belong to the Council, there should be no difficulties in the Trust entering into legally binding agreements to use funds raised by the Council, for example from the rates (or as a result of any future amendments to the LGA or the RMA enabling the council to levy contributions from developers).
- The Council could require that the Trust provide regular (quarterly) reports on work in progress and financial matters.
- The Trust would be eligible for consideration for HNZC's Local Government Fund, for an interest free suspensory loan for up to 50% of the costs of a housing project for low – income households.
- If the Trust is wound up, the assets would remain with the Council.

***Weaknesses***

- The community might not see the Trust as being independent from the Council.
- The Trust might have difficulty is generating stakeholder involvement or stakeholder contributions to the overall goal.

- The lack of independence might raise difficulties for the receipt of negotiated contributions, such as from the Jack's Point development.
- The Trust would not be eligible for consideration for HNZC's Housing Innovation Fund.
- The Trust might have difficulty in seeking funds from, or going into partnership with, a range of other organisations, if it is seen as simply part of the Council.

***Option 2: The Community Housing Trust is established independent from the Council***

***Strengths***

- The Trust will be independent from political cycles and be seen to be so by the community.
- The Trust will involve key community stakeholders with a strong interest in the provision of affordable housing.
- As an independent non-profit community-based Trust, its projects will be eligible for HNZC's Housing Innovation Fund, for up to 85% of the total project cost.
- Regular (annual or more frequent) reporting back to the community on the work of the Trust could be an establishment requirement.
- If the Trust is wound up, the assets of the Trust would be returned to the community.

***Weaknesses***

- The Council (Mayor or CEO) would have no control over the appointment of Trustees from outside the Council.
- Whilst the purposes of the Trust could be to give effect to the Affordable Housing Strategy in the first instance, it is

possible that, over time, there may be divergence between the Council and the Trust.

- Depending on future amendments to the LGA and the RMA (involving contributions from developers) there may (or may not be) be barriers to the Trust being eligible to receive funds.

### ***Intermediate Options***

Given these strengths and weaknesses, intermediate options - which fall somewhere between complete independence and Council control - should be considered for the Trust. The following structures have been used in similar situations overseas and may serve to inform the decision here.

#### ***Option 3: Trustees as “Constitutional Custodians”***

Guidance in the U.K. for the appropriate governing structures for Community Trusts for affordable housing states:

“Where gifters land (e.g. public authorities or private landlords) have contributed significant assets, their inclusion as “constitutional custodians” is a desirable feature.”

This approach would require one (or several) of the Trustees of an otherwise independent Trust, to be specifically appointed by the Council in a “constitutional custodian” role, and for this role to be specified in the Trust Deed. However, there is a need to ensure that the independence of the Trust is not significantly compromised from the point of view of other stakeholders.

#### ***Option 4: Control through leasing the land***

Alternatively, where public funds are used to purchase land, the Council could hold the freehold of the asset (the land) and lease it to the independent Trust, exercising effective control through the terms of the lease.

This approach would ensure that public assets remain in public ownership. It would be most suitable where the Housing Trust adopts a retention mechanism based on a land lease model, but could place constraints on the Trust’s ability to use other mechanisms.

#### ***Option 5: Controls attached to the grant of resources or land***

As a condition of the grant of land or resources to the Trust, the Council could set grant conditions that will establish controls on the use of the property for affordable housing; that is set “permissible purposes” for the use of the grant. For example, in the case of properties (affordable housing) on-sold to households, the condition could require either that the funds are used by the Trust for the provision of further affordable housing, or that they must be returned to the Council. Any growth in equity value should be returned as well as the grant, in proportion to the Council’s original contribution to the housing asset that was funded by the grant.

### **Option 6: The establishment of two organisations**

***(This is the option that is promoted in this Strategy)***

In this option there is a clear distinction between the activities of the Council (undertaken by a unit within the Council) and those of a non-profit independent trust, although both are working towards a common Affordable Housing Strategy. The clearest and most relevant example of this approach is the Whistler Housing Authority. The WHA is an umbrella organisation which co-ordinates the efforts of the Whistler Valley Housing Corporation (a subsidiary of the Municipality of Whistler) and the Whistler Valley Housing Society (a non-profit independent organisation). This structure enables greater access to funding sources and strong community acceptability, whilst efficiently directing efforts towards the achievement of the Whistler Housing Strategy. This structure has implications for resourcing and organizational capacity, however the establishment of clear distinct roles for the two organizations may result in efficiency gains.

#### **E.3 Overall Purpose**

*The overall purpose of the Queenstown Lakes District Community House Trust is to promote the provision of affordable housing for the benefit of the community in the Queenstown Lakes District.*

*The QLD Community Housing Trust is being created to oversee the implementation of the QLD Community Housing Strategy, which has one overall goal:*

*To increase access to quality affordable housing that is integrated into the community so as to support the community's outcomes related to the sustainable economic, social and environmental development of the QLDC area.*

*Affordable housing is defined in Paragraph 2.2 of the draft QLD Affordable Housing Strategy.*

#### **E.4 Status**

*The Queenstown Lakes District Community Housing Trust (QLDCHT) will be established as a Charitable Trust.*

The Council's solicitor's advice supports this recommendation. It is important that the charitable purposes of the Trust are integrated throughout its stated structure and purpose. See sections 5 and 6 below. See also the discussion of the various Options for the Trust above.

#### **E.5 Board of Trustees**

*The Board of Trustees should initially consist of up to 8 members:*

- *Two from the District Council (one serving councillor and one member with professional qualifications or experience in a relevant area, such as land development or planning);*
- *Two from the private sector (representing employees in the district and developers);*
- *Two from community organisations (with experiences relevant to housing affordability); and*

- *Two community representatives.*
- *Additional Trustees may be appointed in the future, to enable people who have experience of the affordable housing programmes of the Trust or have special skills to become Trustees. All Trustees to be appointed initially for a 3 year term with a programme of rolling replacement established thereafter.*

Once the issue of the degree of Council control versus Trust independence has been resolved, questions of Trustee appointment (e.g. who makes the initial appointments) and particular Trustee roles can be addressed.

### **E.6 Aims of the QLD Community Housing Trust**

*The QLD Community Housing Trust is being created to oversee the implementation of the QLD Affordable Housing Strategy. Within this framework, the Trust Board should have the following aims:*

- *To oversee the development, administration, management and maintenance of affordable housing, that is of good quality, in the Queenstown Lakes District, directly and in partnership with central government, the private sector and other community organisations, as appropriate.*
- *To promote the production and retention of affordable housing in the Queenstown Lakes District, by encouraging private sector initiatives to develop a variety of types of affordable housing to address local housing needs.*

- *To advocate for other public, private and non-profit organisations and agencies to contribute to the provision of affordable housing, alone or in partnership with other appropriate organisations.*
- *To promote affordable housing as good quality “adequate housing”, that is suitable to meet the specific needs of the household, in terms of size, quality of the design and construction 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 and community facilities without long trips by car.*
- *To develop and implement mechanisms to ensure the retention of affordable housing, produced with the support or involvement of the QLD Community Housing Trust, as affordable in perpetuity (or into the future).*
- *To develop financial sustainability, by establishing a revenue stream or by other means, to support its ongoing operational funding requirements.*

### **E.7 Powers of the QLD Community Housing Trust**

The powers of the Trust will need to include (in addition to operational matters, employment of staff, payment of expenses, requirements of organisational efficiency and risk management, involved in establishing and running the Trust) the following powers:



- *To purchase, lease, hire or otherwise acquire land and property.*
- *To sell, lease, let, mortgage or otherwise dispose of or deal with any of the land and property of the Trust.*
- *To construct, maintain or alter any buildings or property.*
- *To borrow, raise, invest or loan money in any manner and on any terms suitable to the Trust.*
- *To manage any rental property owned by the Trust.*
- *To enter into any arrangement or contract with any individual, Government Department or corporate body.*

*As the QLD Community Housing Trust is being created to oversee the implementation of the QLD Affordable Housing Strategy, actions taken by the Trust, using these powers must be in pursuit of the goals of the QLD Affordable Housing Strategy.*

### ***E.8 Accountability Requirements and Reporting Back***

*The Trust should develop an annual plan, which should be made available to the community and the Council.*

*Appropriate accountability requirements, transparent processes, and reporting back to the community on a regular basis, as to how the Trust is achieving its overall purpose, will be required.*

Any additional requirements for reporting to the Council will depend on the decision over Council control vs. Trust independence.

### ***E.9 Geographic Ambit of the Trust***

The geographic ambit of the QLD Community Housing Trust will extend across the District, as the Trust gains expertise through initial projects.

Where the Trust receives a funding contribution from a developer (be it a residential development or an employment development) the resultant affordable housing should be located within the ward from which the funding contribution came.

### ***E.10 Community Housing Trust Resources are to be used to promote the provision of affordable housing for eligible households.***

The QLD Community Housing Trust, in partnership with the Council, should establish eligibility criteria for residents of affordable housing created as a result of the activities of the Trust, to ensure that affordability benefits accrue to those members of the community in line with the goals of the QLD Affordable Housing Strategy.

Regular housing needs assessments and monitoring should be undertaken by the Trust.

### ***E.11 Retention Mechanisms***

*In order to retain affordable housing as affordable for the long term, the QLD Community Housing Trust should develop, in partnership with the Council, appropriate retention mechanisms, for implementation in line with the goals of the QLD Affordable Housing Strategy.*

## Acknowledgements

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

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For further information please contact the: Queenstown Lakes District Council, email [service@qldc.govt.nz](mailto:service@qldc.govt.nz) mail Private Bag 50072, Queenstown, New Zealand, ph 03 441 0499

[www.qldc.govt.nz](http://www.qldc.govt.nz)

