

Attachment C

MEMO

16 April 2010

TO: Karen Page, Senior Policy Analyst

FM: Scott Figenshow, Senior Policy Analyst-Housing

RE: PC39: Arrowtown South and Affordable Housing

There are four issues presented in the submissions to PC39 that I have been asked to comment. Each are discussed in turn.

- 1) *whether PC39 will allow for opportunities for young families to join the community at a reasonable price point in the market;*
- 2) *whether the sections created will be used for the permanent resident workforce or as holiday/second homes*
- 3) *how Arrowtown compares to resort towns such as Aspen and Whistler;*
- 4) *what is an appropriate form for affordable housing in Arrowtown?*

Visitors to the District often find Arrowtown to be one of their favourite places, for its charm and character. That subset who chose to purchase a second home in Arrowtown do form a valuable part of the community and are part of Arrowtown's history as a 'summer crib' destination. Most households able to afford a second home have disposable income above what is available to the local workforce, which makes it extremely difficult for the local worker to compete in the housing market. Census data using the unoccupied dwelling count provides one estimate of the second / holiday home market, given that the Census occurs in the shoulder season. Across the district, 30% of homes were unoccupied, compared to a national average of 10%. Many second home buyers may also desire to locate in the PC39 area.

What this indicates is that for every three young families seeking a home they can afford in Arrowtown on their locally-based income, they are competing with a buyer of a second home.

Arrowtown doesn't function as a separate real estate market to Queenstown; the whole of the Wakatipu basin appears to work as a single market, differentiated by properties of varying size, outlook, and amenity. Arrowtown is contained now, has been for some time, and its prices are still in line with the overall Wakatipu price vs amenity factors.

A containment strategy is a key tool in order to preserve landscape amenity and the clear separation of urban from rural that forms part of Arrowtown's high amenity value. The containment strategy need not have adverse effect on affordability of housing for the local workforce and permanent resident market so long as provisions are made to ensure that some proportion of the supply meets the needs of this market segment. The debate is then on what are the appropriate provisions that meet the needs of the local worker/young family over the long haul. It is appropriate that the focus is placed on this market segment, and the

unrestricted market tends to look after the second home segment on its own, due to its ability to purchase at a higher price level.

Whistler, British Columbia is a very relevant example for the Queenstown Lakes District for the following reasons:

- Both are mountain resort communities with a rate of growth higher than many other communities
- a key driver of its economy is as a “playground”, where its residential real estate market has a high degree of second home ownership
- visitor and resident growth is dependent on its natural features, which place constraint on development land
- Whistler has a well developed history of addressing growth issues and their effects on affordability
- Regulatory similarities between Canada and New Zealand enable translation of the Whistler approaches into the New Zealand context more readily than US examples. For example, Statistics New Zealand and Housing New Zealand Corporation have adopted the Canadian National Occupancy Standard for use in New Zealand; Canada like New Zealand does not allow deduction of the interest paid on a residential mortgage for one's primary home from personal income taxes.
- New Zealand and Canada both have public healthcare systems funded at the central government level. Other than this aspect of health, social and economic wellbeing outcomes are delegated to the local authority.
- Housing, land use and spatial planning are responsibility of the local authority. Central government policy and financial support are provided for the most in need, but do not address the workforce housing needs unique to high-growth resort communities.

Whistler has continued to see its median home price rise, even as significant affordable housing has been provided. Clearly, the provision of affordable housing has not made development difficult in that region. But it has ensured that the local workforce can remain, and continue to drive its tourism economy, which includes being a part of the Winter Olympics.

Aspen is an equivalent example of the problem that resort communities face in terms of housing affordability, however they differ substantially in the learnings they offer. Aspen did not advance the development of affordable housing in parallel with their growth controls, and as such did not secure local affordable housing as their prices increased. Although they are taking action on the issue, the key lesson is that there was not an effective linkage between new development and an affordable proportion in the context of a contained development strategy.

If the median home price in Arrowtown were to reach over \$1M as it has in Whistler or Aspen, and if there were no affordable housing available, the scale of the problem would be even more difficult to tackle. However Whistler has a well developed (restricted) affordable housing programme that has delivered 1874 units (6000 beds). This inventory is two-thirds ownership and one third rental units, for a community of 10,000 permanent residents with a peak season workforce of 14,000. Half of the local workforce lives in (restricted) affordable

housing, with the other half in market housing (mostly rental). This level of provision enables Whistler to house 79% of its workforce within the community. Aspen has had to rely on long commutes from elsewhere in the region.

This would argue in support for the provision of affordable housing, with evidence that it will be retained as such, as an effective tool to be used for all new development proposals.

#### What is an appropriate form of Affordable Housing for Arrowtown?

The HOPE Strategy contains “Part B: Guidelines for Development” which set out a set of criteria that affordable housing should strive to achieve. These guidelines were adopted in October 2007 by Strategy Committee for notification with Plan Change 24: Affordable Housing.

The ‘Guidelines for Development’ include two key criteria (other criteria referenced below):

*Criterion 3: Affordable Housing should be designed and constructed in accordance with the urban design principles of the wider development.*

*Criterion 5: Affordable Housing sites should be spread throughout the development.*

As Council has sought to give effect to housing outcomes in communities throughout the district, one could replace “development” with “Arrowtown” for Criterion 3 and 5:

*Criterion 3: Affordable Housing should be designed and constructed in accordance with the urban design principles of Arrowtown.*

*Criterion 5: Affordable Housing sites should be spread throughout Arrowtown.*

*With regard to Criterion 3*, the Arrowtown Design Guidelines (2008) are a ready source of the urban design guidance that any projects to be developed on Council-owned land would need to ascribe to.

*With regard to Criterion 5*, the spread affordable housing throughout Arrowtown can be achieved through a combined clustering and “pepperpotting” arrangement. For example, the current “Shared Ownership Programme” operated by the Queenstown Lakes Community Housing Trust is an excellent example of pepperpotting, having delivered 5 homes in Arrowtown. However it is unlikely that this programme can deliver the entire quantum of affordable housing needed in Arrowtown. Therefore, the HOPE Strategy indicated an interim goal of 250 residential units for the Queenstown / Wakatipu portion of the district, of which Arrowtown represents approximately 20% of the resident population. Thus an indicative number of 50 affordable housing units would be a “fair share” to meet existing demand. This is being addressed through the Trust’s Shared Ownership programme, and through proposals for development on council-owned land. It is by no means certain that these methods will achieve the 50-home target. Every opportunity to achieve affordable housing should be taken, within the context of Arrowtown as a contained, defined community.

In addition, to contribute housing supply for future demand for affordable housing, proposals such as PC39 would appear able to contribute toward the demand for affordable housing. Doing so in a manner that ensures the housing is retained as affordable over time is an effective mitigation for the uncertainty of what market segment may consume the additional supply.