

STAFF REPORT

TO: Community Services Committee

FROM: Administration Advisor

DATE: 21 November 2006

SUBJECT: Synopsis of CHRANZ Study on Affordable Housing in the Nelson, Tasman and Marlborough Regions

PURPOSE/REASON FOR REPORT

To brief Councillors on the findings of this study, especially in relation to the Tasman district.

BACKGROUND

CHRANZ (Centre for Housing Research Aoteroa New Zealand) was established by Housing New Zealand to develop and promote policy relevant research on housing. During the years 2002-2004 Nelson, Tasman and Marlborough were identified as being regions that were experiencing enormous problems with housing affordability, both in home ownership and rentals. CHRANZ contracted Motu Economic and Public Policy Research to undertake a study to address the causes of, and solutions to, housing affordability problems in these regions, in the context of labour market, economic and demographic developments. This study was jointly funded by CHRANZ, Ministry of Economic Development and Work and Income.

Motu Economic and Public Policy Research prepared the following Nelson, Tasman Marlborough Housing reports:

- Regional Context & Characteristics
- Urban Residential Land Use and Land Supply 1990-2005
- How Does Nelson, Tasman and Marlborough Housing Adjust?
- Stakeholder Perspectives & Experiences of Housing and Affordability in Nelson Tasman and Marlborough
- Public Perspectives on Housing and Affordability in Nelson, Tasman and Marlborough; and
- Affordable Housing in Nelson Tasman and Marlborough: Taking Action

COMMENT/DISCUSSION

A number of issues were raised in these reports, a brief summary of which is outlined below:

Regional Context & Characteristics

- House prices in the Nelson/Tasman/Marlborough regions rose 70% between 2002 and 2004, rents also rose sharply.
- In the early 1990's the median house price was approximately 7 to 8 times the median (individual) income in each of Nelson, Tasman and Marlborough. This rose to 16 times the median (individual) income in Tasman in 2004. A factor affecting affordability in each of the regions is the level of incomes, which are relatively low compared with New Zealand averages.
- Population has risen, especially in Tasman, because of increases in employment (both permanent and seasonal), retirees and internal migration. Statistics New Zealand projects the population increase in Tasman between 2001 and 2026 will be 12,700 (30% increase). They also estimate the population of people aged 65 and over in Tasman will increase to 144% during the same period.
- The growth in both employees and their families along with retirees and strong growth in holiday house ownership has put upward pressure on demand for dwellings, and underpinned the rise in house prices and rents.
- The structure of housing will need to alter over the next 20 years to take into account the increased population of people over 65 years of age, and houses need to be more suitable for this age group.
- Based on population projections Tasman will require another 6,300 extra dwellings by 2016, with a large number of these being suitable for retired households.

Urban Residential Land Use and Land Supply 1990-2005

- The context and characteristics of residential land use and residential supply has changed considerably since the early 1990's in major towns and settlements across the region.
- Second homes (vacation dwellings) affect the availability of the housing stock for local residents in the regions, especially in Tasman and Marlborough.
- The average dwelling size has increased substantially, and this has placed considerable pressure on house prices, making them unaffordable for lower income earners because of their size. The lack of new supply of smaller houses leads to the prices of such being higher than they would have been otherwise, due to high demand for this market segment.
- Each of the major urban areas, i.e. Nelson, Richmond and Blenheim, has specific zoning features that limit infill development. Constraints on infill housing may affect provision of more affordable homes using less land area than existing dwellings.
- Development at the fringes of each of the three major towns and more rural towns is subject to zoning restrictions where section sizes are frequently required to be larger than is the case with urban centres. This raises the contribution of land to the price of dwellings in these locations.
- There is a concern over potential encroachment of dwellings onto highly productive land surrounding major towns. This highlights tension between retaining productive land in agricultural use (contributing to the economic base of the region) versus development for dwellings.
- Each major urban area has a limited supply of land currently zoned for residential purposes. Estimates of the capacity of Richmond's remaining

available supply depend on lot sizes – the smaller the allowable lot size, the more sections that will be available at more affordable prices.

- Infrastructure availability places constraint on new development, and is particularly acute in parts of Tasman. Development in each of Richmond, Brightwater, Wakefield, Mapua and Motueka is limited by various infrastructure requirements, particularly sewage and stormwater.
- Natural hazards, particularly potential flooding limits development in certain towns. This is the case in Brightwater, Wakefield, Mapua, Motueka and Takaka.
- Subdivision activity responds to demand pressures, subject to restrictions placed on developers by zoning restrictions, infrastructure availability, presence of natural hazards and the available supply of land suitable for residential occupation.
- Responsive construction is vital in times of high housing demand, and Tasman has shown a considerably higher responsiveness to demand pressures. It has had a consistently high level of dwelling consents, although Richmond consent numbers dropped markedly over 2003-05.

How Does Nelson, Tasman and Marlborough Housing Adjust?

- Price rises in any market signal that demand for the item exceeds supply at pre-existing prices. Price pressures may arise from increased demand, or from increases in supply costs. A rise in house prices tends to flow through to a rise in rents, and vice versa.
- House supply is relatively fixed in the short term (over a year) so an increase in housing demand places pressure on house prices. Over time developers respond to profitable opportunities arising from increases in house prices relative to development costs. The extra houses that are released onto the market help to cap house price rises, and possibly induce prices to fall back from their peaks.
- Increased house prices relative to development costs leads to extra new housing supply, whereas increased costs stifle new supply because development becomes less profitable.
- The longer that a new supply takes to come on stream after an increase in housing demand, the greater will be the house price increase for any given demand increase.
- The new supply has to be suitable for the types of housing that have increased in demand in order to match housing requirements to the available stock, e.g. family residences, holiday homes, worker accommodation, pensioner housing etc.
- Restrictions on land use can exacerbate residential land prices, and delays and/or costs in housing consent applications are reflected in higher development costs.
- Tasman has faced stronger residential land price pressure over Nelson and Marlborough, and has also had slower supply responsiveness to price pressures. However it has had a faster overall rate of new housing supply after abstracting from these factors.
- The strong land price increases, particularly in Tasman, highlights the need to ensure a plentiful supply of new residential land with appropriate infrastructure designed to service dense residential settlement. There is a shortage of infrastructure for new developments around some Tasman towns in particular.

Stakeholder and Public Perspectives

- The public of the three regions believe that problems with housing affordability poses a significant restraint on economic development and productivity of the regions.
- The public in Nelson and Tasman are more likely to see access to home ownership as a problem, whereas the public from Marlborough are more likely to see access to affordable rentals as a problem.
- Like the public, stakeholders agreed that a lack of affordable housing has a major negative impact on the local and regional economies. In particular they noted that a lack of affordable housing results in difficulties in attracting and retaining prospective employees to the top of the South, and leads to employees (particularly seasonal workers) living in housing conditions that are generally unacceptable to New Zealand.

In Nelson/Tasman the priorities identified by stakeholders are:

- Review councils' resource consent processes and planning regulations to assess how they can be more facilitative of housing developments.
- Establish emergency and interim housing.
- Establish supported housing.
- Address infrastructure needs related to residential development.
- Deal with speculation.

Solutions suggested by Nelson/Tasman stakeholders include:

- Develop a regional housing strategy for Nelson/Tasman supported by both councils.
- A consistent regional approach and consistency across NCC and TDC planning.
- Develop affordable housing initiatives through partnerships between the public sector, private sector developers and non-profit organisations.
- Consult with industries regarding the best placement of workers accommodation and transport needs.
- Review council's resource consent processes and planning regulations to assess how they can be more facilitative of housing developments. Examples include the minimum size of sections and requirements for two car parks per house.
- Develop initiatives to raise overall median incomes, including encouragement of tertiary education and training, and attraction of high paying industries.
- Investigate a range of tenure modes, such as shared ownership and rent-to-buy.
- Support landlords who are supplying quality affordable housing, e.g. through improving subsidies for replacing wood burners and open fires.
- Central Government to develop policies to assist families and those on low incomes to enter home ownership.
- Support work being done on the bond bank.
- Continue to facilitate the development of 'comprehensive housing'.
- Re-zone land for residential use and ensuring it is correctly serviced.
- Discourage speculation, e.g. impose a levy if on-sold within a particular timeframe.
- Support local housing trusts.

- Develop supported housing for a range of needs including people with disabilities, mental health service users, ex-prisoners, and people recovering from addictions. Central and local government to work together on viable solutions for these groups.
- Provide more information and publicity concerning existing programmes such as EECA's retrofit programme and HNZN's essential repairs lending programme and improve uptake of such programmes.
- Greater involvement of community organisations in HNZN's regional planning processes.

POTENTIAL SOLUTIONS

The study identified three categories for solutions, viz:

- Solutions that improve access to existing affordable housing;
- Solutions that improve the quality of the housing stock; and
- Solutions that increase and diversify the supply of affordable housing.

Improve Access to Affordable Housing

- Agencies such as Work & Income and Department of Labour develop processes to assist clients/migrants moving to regions to find suitable accommodation.
- Ensure take up of Accommodation Supplement, and that the amount is equal for the whole three regions.
- Employers consider introducing form of assisted housing access, i.e. provide interest free suspensory loan to qualifying employees towards housing deposit.
- Councils and Housing New Zealand expand stock of social and emergency housing.

Improve Housing Quality

- Councils, housing trusts and community organisations work with Energy Efficiency & Conservation Authority (EECA) to promote retrofitting of insulation in older houses.
- Councils and EECA treat landlords same as owner-occupiers in all schemes to improve housing quality of existing dwellings.
- Councils and other official bodies seek legal advice on their responsibility pertaining to managing health, safety and environmental impacts of overcrowding, dilapidation and inappropriate use of home.
- Council ensure Building Act enforced so that all new housing is constructed to required standards.
- Councils consider building conversions to residential use from other uses, while ensuring standards/regulations are met.

Increase & Diversify Supply of Affordable Housing

- Council provide leadership by involving property developers and architects in suggesting development styles suitable for various areas.

- Councils publish and support “easy to subdivide” instructions for house owners to reduce costs and facilitate easy subdivision of existing large urban properties.
- Councils invite proposals from developers for imaginative development of greenfield and brownfield areas, with requirement for community facilities and mix of intensive/affordable and extensive housing.
- Nelson/Tasman Councils treat Nelson/Stoke/Richmond/Hope as one ‘city’ for planning/zoning purposes.
- Councils take a 20 year horizon in planning for new infrastructure around existing urban areas, and fast-forward infrastructure development for Richmond and Motueka to enlarge capacity for new mixed housing.
- Councils survey workers around Nelson/Richmond re potential use of, and willingness to pay for, public transport between home and work at specific times.
- Councils provide support through relief of rates to private employers that provide transport for their workers.
- Councils examine zoning regulations to allow multi-unit accommodation suitable for agricultural/horticultural workers to be built on existing rural land contiguous with existing residential boundaries (to minimise infrastructure costs).
- Councils examine zoning regulations to allow horticultural/viticultural land owners to build worker accommodation on any existing property of at least 10 ha, provided this does not reduce the productive land on that property by more than 10%.
- Councils examine zoning regulations around outskirts of existing urban areas to establish where new residentially zoned land should be allocated.
- Councils examine zoning regulations to allow new camp grounds to be established that are suitable for both holiday and worker accommodation.
- Councils select areas where further infill development is consistent with plans.
- Councils, where possible on greenfields or brownfields or vacant land, allow construction of (low) multi-story, high density, well designed housing, with associated community and recreation areas.
- Councils allow ‘pensioner’ housing units to be built on two-thirds of current minimum lot size, provided it is genuine pensioner housing.
- Councils allow any minor dwelling (“granny flat”) that has been approved to remain permanently once the original occupant has vacated.
- Councils charge all development levies according to number of bedrooms rather than number of units.
- Councils incentivise developers to develop land to the fullest extent in terms of the number of units built relative to permitted units on given areas of land.
- Councils identify council land within urban boundaries, and where this is not zoned residential but suitable for such purposes, rezone to residential.
- Councils consider tenure options to reduce affordability constraints by prospective house purchasers, i.e. leasehold land with right to freehold.
- Councils assist funding of affordable housing development by housing trusts either directly, or by temporary rates holiday.
- Councils incentivise developers to set-aside a proportion of new multi-unit subdivisions for affordable housing.

The report recommends that a co-ordinator be appointed to follow up the potential solutions with the relevant agencies, and facilitate the implementation of such.

WHAT SHOULD TASMAN DISTRICT DO TO ADDRESS THESE MATTERS

Many issues have been raised in these various reports and the list of actions Council could take is quite extensive.

As noted at the start of this report, the purpose was to brief Councillors on the findings of the Study on Affordable Housing in the Nelson, Tasman and Marlborough regions.

However the findings of the report provide an incentive to investigate ways for Council to assist with Affordable Housing.

Possible options:

- 1 Form a Working Group of representatives from Environment and Planning and Community Services, both staff and elected representatives, to consider each of the findings of the study and to prepare recommendations and actions.
- 2 Bear in mind these findings when considering the Draft Policy on Pensioner Housing.
- 3 Take no further action on the studies findings and just receive this report.

RECOMMENDATION:

That:

- 1 Form a Working Group of representatives from Environment and Planning and Community Services, both staff and elected representatives, to consider each of the findings of the study and to prepare recommendations and actions.
- 2 Bear in mind these findings when considering the Draft Policy on Pensioner Housing.

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