



Affordable Housing in Nelson, Tasman and Marlborough: Taking Action

*A report for the Affordable Housing in the
Nelson, Tasman and Marlborough Regions:
A Solutions Study Research Programme*

PREPARED BY

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FOR THE

**Centre for Housing Research,
Aotearoa New Zealand**

AND

Ministry of Economic Development

AND

**Work and Income – Nelson, Marlborough
and West Coast Region**

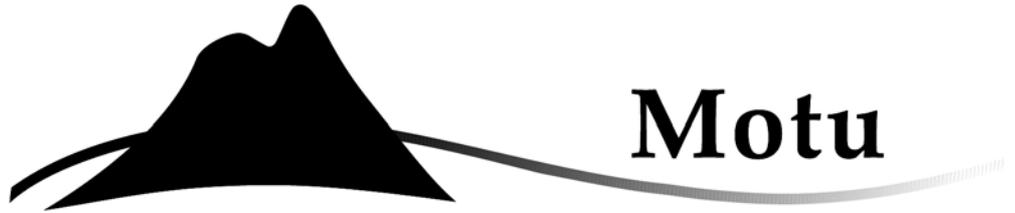
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June 2006

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1 Executive Summary

This final paper in the programme, *Affordable Housing in the Nelson, Tasman and Marlborough Regions: A Solutions Study* presents a range of actions designed to promote affordable housing in Nelson, Tasman and Marlborough (NTM). Improved access to affordable housing will assist workforce recruitment and retention, and so help assist economic performance in these regions. We build on statistical evidence presented in prior papers and on our consultations with local stakeholders, reference group members and the general public.

The research programme is a response to the 70% price surge experienced in NTM house prices between 2002 and 2004. This surge was associated with an expansion in the local workforce and with inward migration from retirees and those seeking vacation homes. New houses have been built in response to this greater demand, but the extra accommodation has not kept pace with the increased housing need. The supply response has been affected by land use controls and limitations of available residential land serviced by appropriate infrastructure. It has also been affected by urban design regulations that effectively limit the degree to which urban density can increase.

The general public in NTM see housing issues as of major concern: over five times as many residents see affordable housing as a big problem as see crime as a big problem. This very real concern creates a mandate for local councils and other local agents to act to improve the situation. Central government also has a role, particularly in facilitating actions by local government that could improve matters.

Based on our evidence, we suggest a range of potential solutions to affordability problems. We invite specific agencies to examine and, potentially, adopt them. The most comprehensive set of actions are those that endeavour to increase and diversify the supply of affordable housing. These relate centrally to issues of land use planning and urban design. They include actions relating to zoning, infill/density regulation and infrastructure provision and planning. Related actions refer to the role of council leadership, and possible new ways forward in

relation to housing tenure models and the role of housing trusts. In addition to supply-side actions, we suggest actions that are designed to improve the quality of housing in the regions and improve access to existing affordable housing.

We recommend that central government appoint and fund a coordinator in these regions - funded by regional development and/or housing allocations - initially for a year. The coordinator's role would be to carry this programme forward. There is a momentum and a wish to address the housing affordability issues in these regions. The presence of a funded coordinator can turn this strong will into actions that make a real difference to the availability of affordable housing in Nelson, Tasman and Marlborough. In turn, the availability of affordable housing can have a major positive impact on the workforce and economic base of the three regions.

2 Introduction

The programme, *Affordable Housing in the Nelson, Tasman and Marlborough Regions: A Solutions Study*, has developed an evidential platform to better align housing and labour markets in the Nelson, Tasman and Marlborough (NTM) regions. We use those findings to identify a range of options aimed at alleviating housing stresses in these three regions.

This final paper in the programme presents a set of potential solutions to address issues of housing affordability in NTM. The potential solutions are offered for consideration to agencies that are in a position to take action to improve the supply of, and access to, a range of affordable housing. Actions may be implemented by a range of parties including local governments, central government agencies and community and business groups. Those involved in various facets of the residential property industry are directly involved, and may play a number of roles in providing affordable housing in these regions.

Key stakeholders in Nelson, Tasman and Marlborough, and in central government, now need to address the findings and potential solutions. They will need to identify specific priorities and actions using the range of potential solutions suggested in section 4 of this report. The final reference group meetings in Marlborough and Nelson/Tasman indicated that some guidance would be appreciated on how to get from the research reports (particularly this final report) to the next steps. We address this matter explicitly in section 5. We suggest that central government appoint and fund a coordinator, initially for a year, to maintain the ongoing forward momentum of this programme.

Our study deals with both economic and social considerations. The first aim is to provide housing solutions that improve the stability, availability and productivity of the workforce in Nelson-Tasman and Marlborough, especially in emerging and critical industries. The second aim is to provide for the housing needs of all members of the community, including the increasing number of retired people, the young and those requiring special consideration. These

objectives require improved access to affordable housing, improvements in housing quality and increases in the supply and diversity of accommodation types.

In seeking solutions, and plans to implement them, we have concentrated on options that are:

- Likely to expand the supply of, and access to, affordable housing,
- Cost effective (i.e. where benefits exceed costs; and both are shared),
- Responsive to local initiatives, conditions, priorities and strengths,
- Practical (i.e. where we can isolate some 'levers'), and
- Consistent with the roles, responsibilities and accountabilities of different players.

In this context, we recognise that good housing development requires the integration of a range of factors. These factors include provision of diverse dwelling types, sizes and styles; diverse housing costs that are suited to a diversity of incomes; access to employment; and access to recreational facilities, shops, and social amenities (e.g. schools, doctors, hospitals).

Urban planning - including planning for residential expansion - requires a considerable degree of forward thinking. It is difficult for anyone to predict when a surge of new residents seeking accommodation will occur. An influx may be related to economic factors in the region (e.g. expansion of a labour intensive sector) or in other regions (e.g. reduction of work opportunities elsewhere), changes in retirement location preferences, changes in vacation location preferences, and a range of other factors. For this reason, we emphasise the need for considerable preparation in terms of planning, infrastructure provision and land availability (infill, greenfield and brownfield) to retain future flexibility.

No one group has a monopoly on the best plans and ideas regarding urban and residential development. We have drawn on the ideas of many people and groups to harness a range of ideas on ways of making housing more affordable. Making some of these ideas happen so as to deliver more affordable housing in Nelson, Tasman and Marlborough will remain an ongoing challenge for local communities and their leaders. We note that we have been fortunate in having very strong local support from councillors, officials (in local and central government), community groups, the property sector and in business more

generally for this programme. We anticipate that these groups will continue to work to implement potential solutions that they see as most appropriate for their own area.

This paper briefly summarises the main issues that have arisen through the course of our research and consultations. Section 3 provides a summary of these issues and of the background research and accompanying papers that precede this solutions paper. We follow this with a discussion and listing of possible solutions to the various identified problems. We include an action plan to help ensure that they are addressed. Appendix A: Housing Affordability: Contributing Factors and Policy Interventions, reviews affordable housing programmes that have been established in other jurisdictions. We have drawn on these initiatives in deriving our set of potential solutions. Accordingly, while some of our suggestions may represent a departure from common New Zealand practice, they are not unusual in the light of experience in like countries. Our hope is that by actively improving access to affordable housing in Nelson, Tasman and Marlborough, actions listed in this paper will contribute to the stability, availability and productivity of the workforce, especially in the dynamic industries of each region.

3 Major Issues and Background Research

Five background papers - in addition to Appendix - have been prepared to inform this solutions study. Each study analyses certain aspects of housing in Nelson, Tasman and Marlborough. The studies adopt a number of different techniques and analytical tools in order to provide a range of perspectives on the factors contributing to recent market developments in these regions. Together they provide a rich range of insights into factors underlying the shorter and longer term housing developments in Nelson, Tasman and Marlborough. The background studies (each of which will be available publicly) are as follows:

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

We summarise the five studies below (grouping the final two studies together). Before doing so, we draw together some of the major themes that have emerged from this research and from our consultation with local stakeholders and the general public.

3.1 Major Issues

The five reports identify a number of major issues relating to housing affordability in Nelson, Tasman and Marlborough. Prices and rents have risen sharply in the three regions while incomes have not risen commensurately. The number of dwellings available for local residents (as opposed to vacationers) has not risen in line with the increase in population. Further, much of the new housing that has been developed shows a trend towards increasingly large residences that appeal to higher income/wealth individuals rather than to median or below-median wage and salary earners. Based on our demographic and industry projections, much of the growth in future housing requirements will occur for types of housing properties that are not part of the existing stock, which remains heavily concentrated in properties with 3 bedrooms and large section sizes.

The regions have tended to pursue large section zoning rules on new residential land in the face of local constraints on infrastructure, natural hazards, and the desire for green space. They have also sought to minimise incursions onto productive farmland. The overall result has been to constrain the supply of land for new housing units at a time of considerable demand pressures, with a consequent increase in housing costs and reduction in housing affordability.

The housing affordability issues are similar, but not identical, across the regions. One difference in degree across Tasman-Nelson and Marlborough is the greater prevalence of rental pressures in the latter. This pressure on the Marlborough rental market is apparent both from our statistical sources and from our interviews with stakeholders and the general public. By contrast, greater concern about the ability of first home buyers to enter into home ownership is apparent in Tasman-Nelson.

Quality of housing and ‘value for money’ are seen as critical issues in all regions, while overcrowding (and regulation of hostel-like accommodation) is a particular issue in Marlborough. The expansion of viticulture is highlighting a major set of constraints on industry. It is also highlighting a danger that overcrowding and poor living conditions may pose a threat to the international image of certain locally-based industries. This is most apparent in Marlborough

where the expansion of grape growing (with its year round demand for workers) has not been balanced by appropriate expansion of suitable housing. Nelson-Tasman has had the benefit of temporary housing on farms developed over many decades, but zoning restrictions may limit their use as a more permanent housing buffer in the face of changing industrial and demographic patterns.

Our analysis and discussions with local groups have raised a wide range of possible solutions to the affordable housing issues in NTM. One of the characteristics of these suggestions has been significant emphasis on supply-side responses. Put simply, housing affordability pressures will remain as long as the supply of housing for those on modest incomes is insufficient to meet their housing needs. Specific housing requirements for those in greatest need (often because of other precipitating factors) will remain as long as there is a very limited supply of public sector housing and a very limited supply of community housing (emergency and supported housing).

Many of our suggested potential solutions will impact on the NTM housing markets over a number of years. They are not a 'quick fix'; rather they are designed to contribute to sustainable solutions to housing affordability problems. One benefit of a longer term (rather than sudden) contribution to improving housing affordability is that implementation of these solutions will lead to an orderly market adjustment - most likely a period of rather static prices and rents, while incomes catch up - with no sharp drop in property values. This is important for the stability of the regions and for the financial situation of existing property owners.

Many suggestions made below will involve some tradeoffs (e.g. alteration of "character" in some places); such tradeoffs can be controlled by limiting the scale of allowed developments (like infill) to a specific number of units. Nevertheless, local people must decide what tradeoffs to make and how to balance increasing housing affordability against any perceived negative effects. The community is clearly not happy with the current distribution of house and rental prices. Local residents want change to improve housing affordability, competitiveness of local industry and the health and social status of residents.

In this spirit, we offer a set of potential solutions, grounded in our research and our community consultation, for local (and non-local) agencies to consider. Relevant agencies include local councils, each of which are unitary authorities, so controlling all legislative and regulatory processes regarding subdivisions, environmental effects and community impacts. This improves their ability to implement solutions compared with councils that are not unitary authorities. Other agencies include central government bodies - Housing New Zealand Corporation (HNZC), Department of Building and Housing (DBH), Ministry of Social Development (MSD) including Work and Income (W&I), Department of Labour (DoL), Ministry for the Environment (MfE), Inland Revenue Department (IRD), Department of Internal Affairs (DIA) and Ministry of Economic Development (MED). In some cases, legislative changes may need to be considered by one or more of these bodies to enable local authorities to implement certain planning and related policies. Transport providers, community groups and those directly involved in the property industry also have key roles to play in considering these proposed solutions.

3.2 Nelson, Tasman and Marlborough Housing: Regional Context and Characteristics

House prices rose by approximately 70% between 2002 and 2004 in each of Nelson, Tasman and Marlborough. House price rises occurred across the whole spectrum of housing types, with prices of lower quartile houses increasing at a similar rate to the median. Rents also rose sharply, particularly in Marlborough.

In the early 1990s, the median house price was approximately 7 to 8 times median (individual) income in each of Nelson, Tasman and Marlborough; this was the case also more generally in New Zealand.¹ By 2004, the median New Zealand house price was 11 times the New Zealand median income. By contrast, the corresponding ratios in Marlborough, Nelson and Tasman were 12, 14 and 16 respectively. Thus, by 2004, housing in each of these regions had become more expensive relative to incomes than across New Zealand as a whole. Despite the decline in interest rates since the early 1990s, cash-flow affordability measures (the ratio of median mortgage interest payments to median income) show houses to be less affordable in each of Nelson, Tasman and Marlborough in 2004 than in 1991 (and also than in 1996 and 2001). A factor affecting affordability in each of these regions, is the level of incomes, which are relatively low compared with New Zealand averages.

Population growth in each of the three regions has exceeded that for New Zealand as a whole over the past decade, with growth especially strong in Tasman. Particularly fast growth has occurred in older age-groups reflecting a trend towards NTM being a retirement destination. Employment has also grown strongly in the three regions. Between 1986 and 2001, employment almost doubled in each of the three regions, and employment growth has continued thereafter. Unemployment rates have been consistently low in the three regions.

¹ We use individual rather than household incomes since many of the issues in NTM affect individuals seeking work and housing in these regions. The ratio of house prices to household incomes also rose during the same period.

The growth in employees and their families has combined with growth in retirees and with strong growth in holiday house ownership to place strong upward pressure on demand for dwellings in the three regions. It is this demand growth that has underpinned the rise in house prices and rents. New housing supply has been forthcoming in the face of the price increases but initially was insufficient to place a significant cap on price rises. As demand tailed off and supply rose, prices levelled off, and in some cases prices have fallen a little from their peaks.

Between 1986 and 2001, the absolute number of households owning their own residence increased in each of Nelson, Tasman and Marlborough. However the proportion of households that owns their own home has trended downwards. This is particularly noticeable for (typical) "one family" households; the proportion of such households owning their own house declined by 13 percentage points in Nelson (from 57% to 44%) between 1986 and 2001, with smaller declines in Tasman and Marlborough (6 and 7 percentage points respectively). While 2006 census figures are not yet available, we anticipate that home ownership rates will have declined further over the past five years given the house price and income developments that have taken place.

Looking ahead, we anticipate continuing increases in population across each of the three regions, with consequent continuing housing market pressures. Statistics New Zealand (medium) population projections estimate increases between 2001 and 2026 of 5,500, 9,500 and 12,700 respectively in Marlborough, Nelson and Tasman. These constitute percentage increases of 13%, 22% and 30% respectively.

Importantly, the age structure will alter over this period. The population aged over 65 is expected to increase markedly in each region (144% in Tasman, 89% in Nelson and 111% in Marlborough). By 2026, the projected median age in Marlborough is 51 years; the corresponding figures for Tasman and Nelson are 47 and 45 years respectively. Currently, median ages are in the high 30's for each of the regions. Thus the structure of housing will have to change markedly over the next 20 or so years. Demand for family homes is not projected to increase as markedly as demand for homes suitable for retired people.

Based on these population projections, the overall demand for dwellings is projected to increase. Our central estimates, indicate that Tasman requires 6,300 extra dwellings in 2016 relative to 2001 (40% increase), Nelson requires 5,000 extra dwellings (31% increase) and Marlborough requires 4,000 extra dwellings (26% increase). Further increases will be required by 2026, particularly in Tasman and Nelson. By virtue of the changing age structure, a large proportion of these extra dwellings will have to be suitable for retired households (i.e. one or two person households).

An important aspect of our projections is a wide margin between 'high' and 'low' projections for further dwellings, even based on moderate variations in assumptions. The margin arises from different population projections and from different dwelling density assumptions (people per house). For instance, in Tasman, the projected number of new dwellings required in 2026 relative to 2001 varies from a low of 2,200 to a high of 12,800. The key message arising from this wide projection margin is the importance of retaining considerable flexibility over this planning horizon to enable materially different housing responses to occur in response to demographic and other developments. For instance, if material inward migration occurs, the responsiveness of new housing supply may have to occur quickly to avoid significant price pressures.

3.3 Nelson, Tasman and Marlborough Housing: Urban Residential Land Use and Land Supply 1990-2005

The context and characteristics of residential land use and residential land supply for the major towns and settlements in each of the three regions has changed considerably since the early 1990s. Change has also been experienced across a range of dwelling characteristics, including the occurrence of second homes, dwelling quality, dwelling age and dwelling size. Key changes and issues are summarised thematically.

Second homes

Second homes (vacation dwellings) affect the availability of the housing stock for local residents in each of these regions, particularly in Tasman and Marlborough. This is not to suggest that such dwellings are undesirable. However, it does mean that care needs to be taken in assessing the degree to which new dwelling additions provide increased accommodation for local residents. The increase in vacation homes in some areas of Tasman and Marlborough is a factor placing increased pressure on land prices and construction costs, and consequently contributing to affordability issues.

Average dwelling size

Average dwelling size has increased substantially across each of the three regions, as it has across New Zealand, since 1990. This trend has placed considerable pressure on house prices. Houses are, in part, becoming unaffordable for lower income earners because of their size. The increase in supply of smaller (more affordable) houses is less than that of larger houses. Given that housing overall in these regions is in short supply, the lack of new supply at the smaller end leads to prices of smaller houses remaining higher than they would otherwise, due to high demand for this market segment.

City and town zoning restrictions

Each of the major urban areas (Nelson, Richmond and Blenheim) has specific zoning features that limit infill development. While these restrictions are not markedly more restrictive than many other New Zealand cities, they may

constrain some forms of development. In particular, constraints on infill housing may affect provision of more affordable homes using less land area than existing dwellings. The chosen zoning features reflect existing residents' perceptions of appropriate neighbourhood characteristics. As in many urban planning contexts, this situation creates a tension between meeting the needs of existing residents and meeting needs of potential, possibly less affluent, residents.

Urban fringe and rural zoning restrictions

Development at the fringes of each of the three major towns, and in more rural towns, is subject to zoning restrictions. In particular, section sizes in such areas are frequently required to be larger than is the case within the urban centres. This raises the contribution of land to the price of dwellings in these locations. For instance, Nelson has restrictions on section size in Marsden Valley, Tasman's towns have section size restrictions, as do the outer residential parts of Blenheim. Part of the reason for these restrictions is to preserve amenity values of these areas (primarily for existing residents). One option may be to allow specific areas of high density development within these areas (as proposed for Richmond South), while maintaining lower density development in the remainder. A specific example is the zoning of the "green belt" adjacent to Saxton Field between Stoke and Richmond, an area that may potentially be cost-effective to develop intensively.

Productive land

A concern for both Tasman and Marlborough is potential encroachment of dwellings onto highly productive land surrounding major towns. The resulting zoning restrictions limit land supply, creating barriers to the expansion of affordable housing adjacent to town. This highlights a tension between retaining productive land in agricultural use (contributing to the economic base of the region) versus development for dwellings. The latter is a higher value land use as reflected in the higher price the potential dwellers are willing to pay to occupy the land. Development of land for tourism purposes (requiring new dwellings) is also an economically productive use of land that must be balanced against agricultural uses.

Land availability

Each of the major urban areas has a limited supply of land currently zoned for residential purposes. For instance, recent estimates suggest that, once various topographical constraints are taken account of, Nelson's residential land supply may be exhausted within 6-7 years at current rates of building, even though significant areas were added to the residential land stock in 1989-1991 and 1996-98. Richmond also saw new residential land coming on-stream in 1992-94 and 1996-2000. Estimates of the capacity of Richmond's remaining available supply depend crucially on the assumed average lot size of developments, in turn affected by planning restrictions. The smaller the allowable lot size, the more sections that will be available, at more affordable prices.

Infrastructure

Infrastructure availability places a constraint on new development in each region. The situation is particularly acute in parts of Tasman. Development in each of Richmond, Brightwater, Wakefield, Mapua and Motueka is limited by various infrastructure requirements (particularly sewerage and stormwater). Lack of transport infrastructure is a factor limiting development to the south of Nelson. Nevertheless, new infrastructure in Brightwater (sewerage) and Mapua has been critical in allowing development to occur in those areas over the last fifteen years. Similarly, recent sewerage reticulation in Renwick will allow that town to become a development node in Marlborough. The provision of new infrastructure that opens up new residential development is a key factor that may assist provision of new affordable housing, provided zoning restrictions create a favourable climate for such developments to occur.

Natural hazards

The existence of natural hazards, particularly potential flooding, limits development in certain towns. This is the case in Brightwater, Wakefield, Mapua, Motueka and Takaka, and also around Blenheim and Renwick. It is not a factor that is easily amenable to policy, since the cost of reducing the impact of major hazards may in some cases be prohibitive.

Subdivision activity

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. In Nelson, the number of subdivision consents averaged 109 per annum over 1993-1996; over 1997-2003 they averaged just 31 per annum. In terms of lots created, the respective figures are 433 p.a. and 132 p.a. This decline suggests that, notwithstanding a surplus of lots created during the early/mid 1990s, new development in Nelson in recent years may have been hamstrung by a lack of new land development. In addition, as the more easily developed land has been taken up, lot size has increased, making for even less affordable housing. In contrast, subdivision activity has been high in Blenheim over 2003-04, which should be positive for the supply of new affordable housing in that area, provided lot size is sufficiently small to foster lower cost housing.

Dwelling consents and construction

Responsive construction is vital in times of high housing demand, especially in growing regions such as Nelson, Tasman and Marlborough. Nelson and Marlborough, however, each have a low proportion of dwellings constructed from 2000 onwards relative to New Zealand as a whole. This suggests that new supply in those areas has not been particularly responsive to demand pressures. Dwelling consents in Nelson have been running at a lower level since July 1995 than they were over each of 1991-93 and 1993-95 (despite buoyant market conditions). High dwelling consents in and around Blenheim indicate that responsiveness may have risen in Marlborough. Tasman shows considerably higher responsiveness to demand pressures. It has had a consistently high level of dwelling consents, although Richmond's consents dropped markedly over 2003-05 compared with all other two year periods dating back to 1991. Combined with Nelson's limited new dwelling supply, this lower building activity in the area may place continued pressure on Nelson/Richmond house prices.

3.4 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. This behaviour is as relevant for NTM housing as for any other market or region. Price pressures may arise from increased demand, or from increases in supply costs. With broadly stable interest rates, 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 (e.g. 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. House price rises therefore tend to bring forth new supply. Developers build on vacant greenfields and brownfields sites, or subdivide and build on existing urban land (infill housing). The extra houses that are released onto the market help to cap house price rises and may induce prices to fall back somewhat from their peaks.

Empirical work on new house supply across New Zealand indicates that house supply does respond to house prices in this manner. Increased house prices relative to development costs leads to extra new housing supply. Increased costs act to stifle new supply because development becomes less profitable. Development costs include both the cost of land and construction costs. Other costs, such as local authority housing consent processing costs (and delays) are also relevant factors in affecting the responsiveness of new house supply to house price increases. The longer that 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.

A consequence of these findings is that where population and housing demand rises strongly - as in Nelson, Tasman and Marlborough since 2000 - it is imperative that new housing supply comes on stream quickly to mitigate the price impacts of the influx of new residents. Supply needs to be more responsive in regions subject to strong demand fluctuations than in more stable regions. The new supply has to be suitable for the types of housing that have increased in

demand (e.g. family residences, holiday homes, temporary worker accommodation, pensioner housing, etc) in order to match housing requirements to the available stock. In general, market signals will tend to ensure that this is the case, but regulation may constrain new supply within certain market segments. Regulation needs to be flexible in its treatment of residential planning and housing consent processes in areas and market segments subject to major housing demand shifts. For instance, if a region has potential for major changes in seasonal worker requirements, planning regulations and consent processes must be flexible enough for appropriate new supply (e.g. worker hostels) to be developed and built quickly. If the region has potential for major changes in vacation house demand, the same processes must be flexible enough to enable new supply to come on stream quickly.

Relevant planning and consent processes include processes relating both to land use and to house construction. Restrictions on land use can exacerbate residential land price pressures especially where vacant residentially zoned land is already in short supply. Delays and/or costs in housing consent applications are reflected in higher development costs, exacerbating house price pressures and worsening housing affordability. The revisions to the Building Act in 2005, and consequent planning delays and cost increases, may have intensified some of these pressures. In some cases, the delays, processing costs or zoning restrictions may apply to a particular segment of new developments (e.g. worker hostels or coastal housing) creating particular supply restrictions and affordability pressures in those accommodation segments.

Nelson, Tasman and Marlborough are each within the middle 50% of New Zealand local authorities in terms of the responsiveness of new housing supply to changes in demand. Tasman has faced stronger residential land price pressures than either Nelson or 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. Overall, none of the three authorities is found to be particularly restrictive, or particularly permissive, in relation to new residential supply relative to other New Zealand local authorities. This does not mean, however, that supply responsiveness in these regions is suited

to the demand pressures faced in each market. Regions that are subject to sharp fluctuations in housing demand need particularly responsive new housing supply; supply needs to be responsive across the relevant accommodation segments (not just for typical residences). Particularly strong responsiveness of new housing supply to demand pressures is not evident in these three regions.

The strong land price increases witnessed in these areas, particularly 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 in certain areas (particular around some Tasman towns). In Marlborough, expansion of residential housing around the outskirts of Blenheim is stifled by zoning regulations preventing subdivision of horticultural land, despite that land also being suitable for new housing demand.

There is, of course, a need to balance alternative land uses for the benefit of the wider community. Using good horticultural land for housing may reduce employment opportunities within a district; use of agricultural land for housing may conflict with a desire for open space near the existing town. The analysis here does not state that these types of restriction are "wrong". Rather, we note that these restrictions affect the responsiveness of housing supply to demand changes, and so impact on land prices, house prices, rents and housing affordability.

3.5 Stakeholder and Public Perspectives

The public of NTM believe that problems with housing affordability in Nelson, Tasman and Marlborough pose a significant restraint on economic development and productivity in these regions. A survey of 612 Nelson, Tasman and Marlborough households, found that NTM residents saw access to affordable housing as the most serious problem facing the region.² That only 8 percent of NTM respondents described crime as ‘a big problem’ compared to 44 percent describing lack of affordable rental housing and 42 percent describing lack of affordable home ownership as ‘a big problem’ indicates the magnitude of public concern around housing.

There are some differences between Nelson, Tasman and Marlborough. The public in Nelson and Tasman are more likely to see access to home ownership as a problem. In Marlborough, the public is more likely to see access to affordable rentals as a major problem. Almost half (48 percent) of Marlborough residents believed the supply of reasonable quality rental housing was ‘below average’ compared to 30 percent of Nelsonians and 42 percent of Tasman residents.

Almost half (47 percent) of surveyed NTM residents expressed concern that a lack of affordable housing resulted in people living in poor quality housing, while 59 percent believe that people are unable to find the types of housing they need. A lack of affordable housing is seen as having both regional and family impacts. There is an overwhelming view (80 percent) that housing is unaffordable for needed workers. Associated with this view is a belief among 61 percent of NTM residents that the cost of housing is hurting the local economy. Over three-fifths of respondents agree there are people who want to live in the community that cannot do so due to a lack of suitable long-term rental housing; 61 percent of NTM residents expressed concern that their children, grandchildren or other family members would be unable to live in proximity to them because of housing costs. Almost half of residents believed that their own children would not be able to own their own home in the community.

² The sample sizes and margins of errors are detailed in the papers.

There are differences in Nelson, Tasman and Marlborough regarding perceptions around the drivers of affordability problems. What is consistent across the regions is that only a minority of residents, albeit substantial minorities, consider that the regulatory environment is a generator of housing affordability problems. Residents see both demand-side problems³ and supply side problems⁴ as the key drivers of affordability problems. The perceived relative importance of drivers varies between Nelson, Tasman and Marlborough. In Marlborough, over two-thirds (73 percent) of residents explain affordability problems as being generated by an under-supplied rental market. In Nelson, rental under-supply is perceived by only 44 percent of respondents as a critical driver. Instead, inward migration and the region's income structure are identified as critical factors. In Tasman, regulatory restrictions receive some prominence as a driver of lack of affordability among 40 percent of residents. Most Tasman residents, however, like Nelsonians, focus on inward migration and the income structure of the region. Over half of the survey respondents in NTM as a whole expressed the view that local government efforts to resolve housing issues is "below average".

Over 54 individual and group interviews were held with stakeholders including local government representatives, social service organisations, employers, health organisations, iwi representatives, real estate agents, community housing providers, landlords, property managers, mortgage brokers, building industry representatives and representatives of businesses covering a range of primary industries.

Like the NTM 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 in New Zealand. Attracting and keeping employees were identified as issues affecting a range of industries. It is not confined to seasonal industries or the primary sector, but also impacts on secondary industries such as

³ E.g.: Lack of good paying jobs.

⁴ E.g. Too many people relative to the number of dwellings, or under supply of rental properties.

construction, and tertiary sector industries such as tourism, education and health. A range of occupations from workers to managers, technical staff, trades people and professionals are affected.

Resource-based industries – horticulture, fisheries, viticulture – are particularly affected. Housing pressures are not, however, restricted to employees in those sectors. It is expected that housing pressures will increase in the short to medium terms. The demands of the viticulture industry are particularly pronounced. This industry requires not only a large number of workers at peak times of harvest and pruning, but it is also a year round industry employing an increasing number of workers. In 2006, for instance, the industry will need around 3,000 workers from May to September. More workers, both permanent and temporary, will be needed in future, as a 30 percent growth rate in viticulture is expected within the next ten years.

The viticulture industry is seeking to establish a stable workforce and is interested in employing workers with families. The industry is trying to build a core base of skilled viticulture workers who will train others. Three years ago the industry was 40% reliant on transient labour. From 2005 it is predicted that it will be 75% reliant on transient labour, emphasising the difficulty the industry is experiencing in building up a permanent, core labour force. Retention of a permanent workforce is critical for workforce planning and skill development. For instance, training is a major expense that would be more effectively used if the industry did not continue to lose experienced workers.

A number of developers have sought to establish workers' accommodation, but have met barriers related to planning requirements, and problems in proposed locations concerning the scale of development proposed, lack of infrastructure, impacts on rural residents and environmental issues relating to poor drainage and high water table. Council has stated a preference for workers' accommodation to be located in areas with existing infrastructure for roading, water and sewerage. There are also concerns about the disincentives for housing providers to invest in hostel and worker accommodation where a council is not ensuring compliance to similar standards on stock that is de facto being used in a similar manner.

In Marlborough stakeholder priorities in relation to affordable housing are identified as:

- Establish accommodation for workers in the viticulture industry.
- Increase HNZN stock and re-generate existing stock.
- Establish emergency and interim housing.
- Establish supported housing.
- Address overcrowding and poor quality accommodation.
- Address the issue of the operation of private dwellings as hostels.
- Address infrastructure needs related to residential development.

Solutions suggested by Marlborough stakeholders include:

- The Council or central government appoint a Marlborough housing co-ordinator to work with all stakeholders.
- Focus on infill and 'brownfields' development in Blenheim and the smaller townships, rather than greenfields development.
- Establish accommodation for viticulture workers. There were varied views on who should do this, with key roles seen for private developers, employers and Council.
- More camping grounds, including long stay facilities for motor homes.
- Expansion of Council housing, with consideration of Council's role in provision of housing for groups whose needs are not currently met on the housing market.
- Enabling the development of quality, medium density housing.
- Investigate a range of tenure models, such as shared ownership and rent-to-buy.
- Central government develop policies to assist families and those on low incomes to enter home ownership.
- Review Council resource consent processes and planning regulations to assess how they can be more facilitative of housing developments.
- Employers investigate a collective approach to advocate for the housing needs of the local labour force.
- Support landlords who are supplying affordable housing.
- Develop national standards and codes of practice for landlords. Establish an independent organisation to monitor landlord practices and to provide information and assistance for landlords.
- Establish emergency housing and supported housing.

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 councils' 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 2 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 models, 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's 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, 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 HNZC's essential repairs lending programme and improve uptake of such programmes.
- Greater involvement of community organisations in HNZC's regional planning processes.

4 Potential Solutions

We have formulated three 'bundles' of proposed solutions designed to address key issues identified in the prior research and consultations. These three bundles comprise:

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

A discussion of the generic issues pertaining to each bundle is followed by a number of proposed solutions in each case. The final (supply side) bundle has a number of sub-components, indicating the emphasis placed on increasing supply in order to address housing affordability issues on a sustained basis. The sub-components of the supply bundle deal with a range of urban design, land use and other matters including:

- planning;
- infrastructure and transport;
- zoning;
- infill and density;
- tenure;
- role of housing trusts and related organisations.

Each proposed solution is aimed at addressing some aspect of the issues identified as causing housing stress in the regions. None of the solutions is regarded as critical in its own right; all are offered to the local community and other responsible bodies for consideration. We identify agents who we believe may be suited to considering each proposed solution without implying that it is necessarily incumbent on that agent to follow through. Nevertheless, we would hope that these agents will consider whether they should explore the proposed solution and make a decision as to whether or not to action all or some aspects of it.

In some cases, legislative change to the powers of local authorities may be required to enable councils to implement certain proposed solutions.

Accordingly, we consider that central government agencies - especially HNZA, DBH, MSD, MfE and DIA - examine the list of potential solutions. In doing so, they should ascertain whether the powers of local authorities need to be broadened in specific directions to facilitate their taking particular actions designed to enhance the availability of affordable housing. We return to this central government role in the Action Plan (section 5).

4.1 Improve Access to Existing Affordable Housing

While increased housing supply is the most important long-term ingredient in resolving housing affordability problems, there are also demand-side and information problems that can be addressed. Improved information and coordination regarding housing has a role in improving access to affordable housing. Government agencies (especially W&I and HNZA) and local authorities' housing/information services have roles in improving matching of workers to housing and to other support services. In addition, some employers and contractors are actively engaged in worker-housing matching.

The stakeholder interviews show, however, that current approaches are not always fully effective. Stakeholders tell us that many people do not contact HNZA for housing because of perceptions that they would be ineligible or that waiting lists are too long, while local authority housing is seen as primarily pensioner oriented. Some W&I clients that move from other localities (particularly on their own initiative) to take up employment opportunities in NTM are not being connected to appropriate housing or adequately followed up to ensure that their housing needs are being resolved. Some international migrants destined for seasonal work similarly are not connected to appropriate housing. Seasonal employment coordinators provide lists of possible housing contacts, but there appears to be no active housing matching activity. The income structure in NTM is relatively low, and problems arise in some industries (particularly those under severe pricing pressure) because of poor employment practices including: non-payment for work, below minimum wages and employers charging for services such as transport. These issues need to be addressed.

Solutions that could directly improve access to affordable housing fall into a number of categories:

- Accommodation search services, information and facilitation;
- Improving ability to pay, including accommodation supplement (AS) settings;
- Employer housing assistance, including key worker assistance;
- Expansion, and responsive targeting, of social housing stock.

Potential solutions within these categories are set out below.

Accommodation search services, information and facilitation

4.1.1 Evaluate the case management of inter-regional movement of W&I clients with a focus on developing better processes to ensure housing-client matching into housing of acceptable quality suitable for family circumstances. In particular, W&I continue to support the seasonal coordination role and other seasonal housing initiatives. W&I also develop a concerted information campaign for other W&I regions regarding the need for people to secure their accommodation in advance of moving to the region. As an extension of its current role, MSD could consider a pilot programme whereby W&I is responsible for ensuring that workers who are encouraged to the NTM regions find suitable accommodation; and evaluate the working of this pilot after two years.⁵

Agencies: W&I (MSD)

4.1.2 Conduct a similar pilot programme with respect to DoL whereby DoL is responsible for ensuring that international migrants brought to NTM for seasonal work find suitable accommodation; evaluate the working of this pilot after two years.

Agencies: DoL

4.1.3 Contract/establish an outsourced accommodation search and matching service (with joint funding from W&I, DoL, HNZC, local authorities and/or employers/ contractors) to act as a preferred provider for the funding agencies with respect to their clients' housing needs. W&I case managers, seasonal co-ordinators, local authorities, community groups and HNZC refer workers seeking affordable housing (especially those who are not high priority for HNZC stock) to this preferred provider. The contracted agency would be required to develop alliances with quality housing providers and to "quality assure" housing referrals. They would report on housing demand and supply pressures in their regions to the sponsoring bodies to assist monitoring.

Agencies: W&I, DoL, HNZC, councils, large employers/contractors

⁵ We recognise that this pilot programme would represent an extension of existing W&I responsibilities. A suitably resourced pilot programme may be an appropriate method to ascertain the suitability of W&I providing this service more generally in areas with significant housing pressures associated with inward migration.

4.1.4 Adopt industry-wide best practice in vulnerable industries in relation to employment conditions (including housing facilitation). Extend the criteria for local Chamber of Commerce industry awards to include firms' responses to employees' housing needs.

Agencies: Chambers of Commerce, MED, councils, DoL

4.1.5 Ensure compliance with statutory employment requirements and establish easily accessible outreach mechanisms for workers to make complaint to regulatory agencies for breaches of requirements.

Agencies: DoL, unions, industry associations, community groups

Improving ability to pay, including accommodation supplement (AS) settings

4.1.6 Ensure appropriate take-up of AS. In particular, W&I actively engage with workers with whom they are involved to ensure that they understand eligibility. Community groups and employers disseminate information about AS eligibility to both renters and owner-occupiers (who have a greater tendency not to apply when eligible) and ensure referral to W&I.

Agencies: W&I, community groups, large employers, employer groups

4.1.7 Review levels of AS in each region as part of the current broader AS review. Examine the case for equalising AS contributions across all of Nelson, Tasman and Marlborough.

Agencies: MSD

Employer housing assistance, including key worker assistance

4.1.8 Employers consider introducing forms of assisted housing access. One possibility is to provide an interest free suspensory loan of \$5,000 towards a deposit for qualifying employees, forgiven after 5-years with the firm. The assistance could be assisted, and encouraged, by tax credits. More immediately, it could be assisted by a reduction of fringe benefit tax (FBT) on the staff benefit, which could be considered as part of the current review of corporate tax issues.

Agencies: Large employers & employer groups, IRD/Treasury

Expansion, and responsive targeting, of social housing stock

4.1.9 Councils work with HNZC to expand the stock of social and emergency housing by building new units. The HNZC Housing Innovation Fund may be a vehicle that enables councils and HNZC jointly to work on this solution. Council may wish to consider a temporary rates holiday for new social/emergency housing as its contribution to expanding this stock.⁶

Agencies: Councils, HNZC

4.2 Improve Housing Quality

Our consultations indicate that there is a degree of overcrowding, particularly in Marlborough, and especially for seasonal workers. In addition, some accommodation is of poor quality. Quality is normally the responsibility of the property owner; however some assistance in improving and monitoring quality can be offered by official agencies.

The consultations reveal that there are currently some grey areas regarding council responsibilities over ensuring suitable quality of existing housing. Further, there are uncertainties and/or limitations regarding local authorities' powers and effectiveness to enforce standards pertaining to dilapidated, unsanitary and overcrowded dwellings.

We identify a number of proposed solutions to address these issues.

4.2.1 Councils, housing trusts and community organisations work with Energy Efficiency and Conservation Authority (EECA) to promote retrofitting of insulation across older houses in NTM.⁷

Agencies: EECA, councils, housing trusts, community/Iwi groups

4.2.2 Councils and EECA treat landlords identically to owner-occupiers in all schemes intended to improve housing quality of existing dwellings, including schemes such as the replacement of old wood-burners and open fires.

Agencies: Councils, EECA

⁶ In building new stock, construction should preferably be undertaken at a time when private building turns down so as not to 'crowd out' other building activity.

⁷ We note that this action has recently been established in each of Marlborough and Nelson-Tasman.

4.2.3 Councils and other official bodies (e.g. fire brigades) take legal advice regarding their responsibilities pertaining to managing health, safety & environmental impacts of overcrowding, dilapidation and inappropriate use of houses. Enforce all regulations pertaining to hostels on hostel-type accommodation that may currently be "bending the rules".

Agencies: Councils

4.2.4 Councils ensure that the Building Act is enforced so that all new housing is constructed to required standards. Handle consent applications and subsequent inspections expeditiously to encourage voluntary compliance with building codes and consent processes. DBH review whether the Building Act is imposing onerous costs and delays on councils and applicants that are disproportionate to the benefits of certain provisions of the Act.

Agencies: Councils, DBH

4.2.5 Councils consider current regulations that affect the ability to undertake building conversions to residential use from other uses, while ensuring that suitable quality standards are met.⁸

Agencies: Councils

⁸ Conversions can increase supply of quality affordable housing provided the conversion process includes inspections ensuring that the resulting standard is of high quality, including retrofitted insulation. Conversion from other uses to high quality (but not necessarily expensive) residential use leads to better use of current unused or under-used stock. For instance, existing barns may be converted to high quality dwellings; but this may require more flexible zoning for rural areas.

4.3 Increase & Diversify Supply of Affordable Housing

Our research and consultations indicate that increasing the supply of accommodation in Nelson, Tasman and Marlborough is crucial for improving housing affordability. Ideally, this increase in supply will occur primarily at the more affordable portion of the housing spectrum where it will directly increase the provision of affordable housing. Increases in housing supply higher in the spectrum help indirectly to alleviate affordability issues as houses 'filter down' to those with less ability to pay. For instance, if an existing resident builds a new expensive house to which they move, their existing (possibly modest) house becomes available for another household. We note two caveats here, however. First, to the extent that houses are built which end up as vacation homes this filtering down effect is lessened. Second, there is an opportunity cost of building an expensive house especially where it uses an extensive parcel of land which could otherwise be subdivided for a greater number of more affordable units. This latter caveat is particularly relevant where there is a limited supply of residential land as occurs in much of NTM.

These observations signal the crucial roles played by land use planning and urban design in facilitating affordable housing. We have divided potential solutions designed to increase and diversify the supply of affordable housing into a number of sub-categories: planning, infrastructure/transport, zoning, infill (density), tenure options, and accommodation provision by housing trusts and similar providers. In large part, issues of infill and some aspects of planning and infrastructure relate to issues of urban design; issues of zoning, plus some aspects of planning and infrastructure relate to land use planning. The other two sub-categories, tenure and alternative accommodation providers, seek to address institutional and related issues pertaining to provision and ownership of affordable housing.

Planning

Councils can establish a climate conducive to the provision of affordable housing by taking a leadership role in this field. This leadership role falls naturally within their current powers and involves little or no cost on their part. Examples are listed below.

4.3.1 Councils provide leadership by involving property developers and architects in suggesting development styles suitable for various areas. This might involve the establishment of regional housing advisory boards by councils; and making generic styles and development plans available publicly. In all cases these plans and styles would be optional - i.e. not mandated; the purpose is to share knowledge of what works well within the respective areas.

Agencies: Councils

4.3.2 Councils publish and support "easy to subdivide" instructions for house owners to reduce costs and facilitate easy subdivision of existing large urban properties.

Agencies: Councils

4.3.3 Councils invite proposals from developers for imaginative development of greenfields and brownfields areas, with requirements for community facilities and a mix of intensive/affordable and extensive housing. Where relevant, proposals should include evidence of consultation with public transport and/or roading agencies.

Agencies: Councils

4.3.4 (Nelson/Tasman specific). Treat Nelson/Stoke/Richmond/Hope as one 'city' for planning/zoning purposes. Establish a joint council committee to consider urban form, density and all regulation in this area (including existing green belt zoning and zoning restrictions pertaining to land contiguous with existing urban areas).

Agencies: Councils

Infrastructure/Transport

Our research shows that infrastructure shortfalls pose major constraints on urban expansion in parts of NTM. Up-front costs of new infrastructure are often high and have to be paid for in advance of their use. This highlights the importance of planning for residential expansion. We note that the issues of payment for new infrastructure and its funding can conceptually be separated, although practical constraints on borrowing capacity and servicing, together with legislative provisions, will affect the nature of the funding decision. Potential solutions to consider are listed below.

4.3.5 Take a 20 year horizon in planning for new infrastructure around existing urban areas. Fast-forward infrastructure development around Nelson, Richmond, Motueka, Blenheim, Renwick and Picton to enlarge capacity for new mixed housing. Raise funds for infrastructure development by a combination of:

- development levies;
- the existing rates base (including commercial/industrial rates, reflecting the benefits to firms of an enlarged supply of residential accommodation);
- infrastructure loans where the loans (and interest) are repaid fully over time from a levy on future rates specifically for the newly developed sections.

Where the final two options are used, reduce developer levies accordingly.⁹

Agencies: Councils

4.3.6 Survey workers in and around Blenheim/Renwick and Nelson/Richmond on the potential use of, and willingness to pay for, public transport between home and work at specific times. Depending on the outcome of these survey results, work with existing providers to improve public transport between towns such as Picton/Seddon/Ward and Blenheim/Renwick; or Motueka/Hira/Wakefield and Nelson/Richmond. The aim is to enable people to reside in nearby towns and work in the labour-intensive areas surrounding Blenheim and Nelson. Depending on the survey results, investigate the role of small subsidies for public

⁹ Transferring funding from developer levies to infrastructure loans does not change the incidence of the infrastructure costs; in each case the cost is met by the property purchaser. However the timepath of cashflows differs, with the property owner having reduced upfront costs and greater servicing costs over time. If housing affordability is primarily a problem at time of purchase, this change in the timing of cashflows can assist the development of affordable housing for new home buyers with little existing equity.

transport links, funded from rates (residential, commercial/industrial, rural - reflecting the widespread benefits to residents and employers of an improved transport system).

Agencies: Councils, Land Transport New Zealand, existing PT providers

- 4.3.7 Councils provide support to private employers that provide transport for their workers through relief of any rates elements that are targeted at public transport subsidies. Chambers of Commerce recognise firms' transport provision for employees in the criteria for industry awards.

Agencies: Councils, Chambers of Commerce

Zoning

Zoning restrictions can play a major role in constraining the amount of land available to be used for residential development. We consider ways in which zoning regulations may be modified to enlarge the scope for affordable housing development.

- 4.3.8 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). In particular, extend residential boundaries in towns not surrounded by intense horticulture/ viticulture (e.g. Picton, Ward, Takaka).¹⁰

Agencies: Councils

- 4.3.9 Examine zoning regulations to allow any horticultural/viticultural land owner to build worker accommodation (e.g. for up to 10 people) on any existing property of at least 10 ha, provided this does not reduce the productive land on that property by more than 10%. Ministry for the Environment will need to check that legislative provisions are appropriate to enable zoning regulations to be drafted so that this does not allow carte blanche rural development for other uses.

Agencies: Councils, MfE

¹⁰ There is a trade-off between losing some productive land and relieving the constraint of lack of accommodation for "productive workers". If worker accommodation cannot easily be built within existing urban boundaries, some rural encroachment may be warranted provided this is used for intensive rather than for extensive housing.

4.3.10 Examine zoning regulations around outskirts of existing urban areas to establish where new residentially zoned land should be allocated. Discuss with the existing land owner as to whether they wish the land to be rezoned residential (from rural). Where there is mutual agreement to do so, negotiate a share of the increase in land value that is due to rezoning, with a view to a fair split of the surplus (e.g. 50:50) between the existing land owner and the council. This can be achieved through the council purchasing the land from the existing owner at a premium relative to existing rural-based valuation. Recycle the profits from rezoning to fund other housing-related initiatives.

Agencies: Councils, rural land-owners

4.3.11 Examine zoning regulations to allow new camp grounds to be established that are suitable for both holiday and worker accommodation (with appropriate quality controls); and/or tender new permits to establish camp grounds on existing rural land within each of Marlborough & Nelson/Tasman. Recycle the tender proceeds to fund other housing-related initiatives. Department of Internal Affairs and Ministry for the Environment will need to examine whether local authorities can conduct land use auctions of the type discussed here.

Agencies: Councils, DIA, MfE

Infill and density

All the major urban areas in NTM currently have low residential density. Facilitating greater density would increase supply of affordable land (i.e. of smaller lots) and reduce calls on surrounding rural land for new housing. Enabling greater infill has to be considered within the broader urban design intentions and desires of councils and the local community. We provide some illustrations of potential solutions that could be considered in this light.

4.3.12 Select areas where further infill development is consistent with plans. Investigate the option of reducing the minimum lot size in these areas. Alternatively, where more limited development within these areas may be considered desirable, decide how many infill lots will be allowed within these areas over and above existing allowed subdivision - e.g. by allowing subdivision down to 200-250m² rather than an existing 300m² minimum. Establish and/or auction a limited number of permits, each of which would allow an individual householder to subdivide to a smaller lot size than is currently allowed, with a proviso that each subdivision require council approval as being in keeping with existing community character. Recycle the auction proceeds to fund other housing-related initiatives.

Agencies: Councils, [& MfE, DIA to examine powers to auction permits]

4.3.13 Where possible for new developments on greenfields, brownfields or vacant land, allow construction of (low) multi-story, high density, well designed housing, with an associated requirement on developers to provide recreational and community areas and/or upgrade/redevelop existing community/recreation facilities.

Agencies: Councils, developers

4.3.14 Allow 'pensioner' housing units to be built on two-thirds of current minimum lot size, provided it is genuine pensioner housing. If regulatory issues make this proviso difficult to enforce, restrict this development ability to registered housing trusts, local Iwi, and council. As an alternative, use an age restriction as in Christchurch.

Agencies: Councils, housing trusts, Iwi providers

4.3.15 Allow any minor dwelling ("granny flat") that has been approved to remain permanently once the original occupant has vacated. In addition, examine whether the criteria for the addition of a minor dwelling could apply to people other than relatives (e.g. others requiring some form of 'sheltered' care).

Agencies: Councils

4.3.16 Charge all development levies according to the number of bedrooms/studies in the development rather than on the number of units.¹¹

Agencies: Councils

4.3.17 Incentivise developers to develop land to the fullest extent in terms of the number of units built relative to permitted units on a given area of land. One possible incentive is to allow development to a higher density than is currently permitted; another is to provide a density bonus through a temporary rates holiday or a reduction in development levies. Alternatively, councils could require new multi-lot subdivisions over a specified size to include a minimum proportion of small lots (e.g. 300m²) and/or multi-unit developments to enable small/more affordable houses to be built and to encourage diversity of accommodation type.

Agencies: Councils

4.3.18 Identify current council-owned land within urban boundaries. Where this land is not zoned residential but is suitable for residential purposes, rezone it to enable it to be used for this purpose. Invite developers to tender for the right to develop the land for mixed density residential use, subject to council approval of the development (to include a moderate to high proportion of affordable houses).

Agencies: Councils

¹¹ The purpose is to encourage the building of a greater number of smaller units. This mechanism is also likely to more closely reflect the actual use by residents of infrastructure than is pricing by number of lots.

Tenure

Alternative tenure options may be explored that reduce affordability constraints faced by prospective house purchasers, especially by first home buyers who lack equity and find the required deposit for a house prohibitive. Examples that may be explored are discussed below.

4.3.19 Where council owned land is being developed for residential purposes (e.g. as in proposals 3.3.10 and 3.3.18 above), allocate a percentage (e.g. 50%) of the land as freehold and retain the remainder for affordable housing, initially as leasehold land owned by council. Charge home owners market rentals on the leasehold land component, with residents having a continuous option to purchase the land at current RV.

Agencies: Councils

4.3.20 Facilitate a shared ownership structure for new housing. An anchor agency (e.g. a housing trust, HNZC, council, large employer catering for its own workers, or a private firm) develops new dwellings available for shared ownership for lower income households. The purchasing household buys a parcel of shares in a dwelling. Rent of the non-owned portion of the house is payable to the trust and is set relative to market rents. The household has the option to buy more shares over time, priced according to RV.¹²

Agencies: Housing Trusts; HNZC; councils; large employers

¹² The value of this scheme lies in the household securing tenure through joint ownership with the trust, while relieving the equity constraint, and at the same time giving the household opportunities for capital gain on their share. It is a variant on the leasehold option described above.

Housing Trusts

A housing trust exists in Nelson/Tasman and is currently fulfilling a role that promotes provision of affordable housing, particularly to those in serious need; it also plays a role in improving housing quality (e.g. retrofitting). No such trust exists in Marlborough, although local Iwi play some role in this regard. Under current central government policies, housing trusts are well placed to access central government funding for affordable housing and related purposes. Potential ways in which the role of housing trusts can be enhanced are explored below.

- 4.3.21 Marlborough District Council liaise with Nelson Tasman Housing Trust, local HNZN representatives and local NGOs (including Iwi) to explore the establishment of a Marlborough Housing Trust.

Agencies: Marlborough District Council, Nelson Tasman Housing Trust; HNZN; local NGOs and Iwi

- 4.3.22 Council assist funding of affordable housing development by housing trusts - e.g. for the building of a new dwelling provided that the property is rented out at no more than a certain ratio (e.g. 80%) of the 'market rate'. The assistance may be direct or be in the form of a temporary rates holiday on the property. The funding for this assistance can be obtained from a combination of income raised by other housing initiatives (rezoning share, tender proceeds, etc), a small rates surcharge on commercial/industrial land (reflecting the benefit to employers of attracting, and housing, lower income workers), and/or a local user charge on owners of vacation homes (potentially through a high 'minimum water rate', or similar).¹³

Agencies: Councils, housing trusts

¹³ Councils could also consider whether private providers of similar affordable housing should qualify for a similar rates holiday if they agree to rent their house out at no more than 80% of the market rate (determined by a council approved valuer) for at least 8 years (with the rates relief being delivered in years 7 and 8 to ensure conditions have been met).

4.3.25 Incentivise developers to set-aside a proportion (e.g. 10%) of new multi-unit subdivisions for affordable housing. Set-asides could be signed over to council approved housing trusts with deeds ensuring affordable housing in perpetuity and with an approved allocation mechanism for deciding on tenants. Incentives could include allowing developers to develop to higher densities than currently allowed (similar to recent Queenstown Lakes District initiatives). Introduce the scheme initially as a voluntary scheme and evaluate after five years. At that stage consider whether the scheme (a) should be retained on a voluntary basis; (b) made compulsory (e.g. through district plan, LTCCP); or (c) removed.

Agencies: Councils,¹⁴ developers

¹⁴ One council action could be to liaise with Queenstown Lakes District councillors/officials to learn from their experience with a similar policy.

5 Action Plan

Reference groups met in June to consider these proposals and to discuss processes for taking them forward. As a result of these discussions, we expect that the three local councils are likely to consider the issues and potential solutions, examining which of them may be appropriate to take forward for action. Other listed agencies may also take some of the suggested proposals forward.

In order to maximise the forward momentum that has been created by the process to date, we recommend that a coordinator be appointed to follow up potential solutions with listed agencies. The coordinator will need to be able to work with each of the three councils, local organisations and a number of central government agencies¹⁵ to facilitate implementation of actions. They will also, preferably, have knowledge of the housing sector. An appointment from HNZC (either Head Office or from within the regional office) or from DBH therefore appears most appropriate. The coordinator would liaise with all listed organisations, including central government policy-makers, with formal reporting on progress to all listed agencies. Regional development (MED) and/or housing funding could be made available to fund a coordinator's position (across the three regions), initially for a year.

Where actions are taken to implement some of the proposed solutions (or some variant of them) the coordinator should work with HNZC, DBH and other relevant agencies (including Local Government New Zealand) to disseminate that experience to local authorities throughout the country. In that way, shared learning of housing affordability solutions that are trialled in NTM can occur across New Zealand.

¹⁵ Central government agencies include: HNZC, DBH, MfE, DIA, MSD (including W&I), IRD, Treasury and MED (for regional development funding).

6 Prior Papers in this Programme

Motu (2005), Nelson, Tasman and Marlborough housing: regional context and characteristics. Arthur Grimes and Andrew Aitken. Wellington: Motu Economic and Public Policy Research

DTZ (2005), Nelson, Tasman and Marlborough housing: urban residential land use and land supply 1990-2005. Wellington: DTZ

Motu (2006), How Does Nelson, Tasman and Marlborough Housing Adjust? Arthur Grimes and Andrew Aitken. Wellington: Motu Economic & Public Policy Research

CRESA (2006a), Stakeholder perspectives and experiences of housing and affordability in Nelson, Tasman and Marlborough. Bev James, Kay Saville-Smith and Ruth Fraser. Wellington: CRESA.

CRESA (2006b), Public perspectives on housing and affordability in Nelson, Tasman and Marlborough. Kay Saville-Smith, Ruth Fraser and Bev James. Wellington: CRESA.

DTZ (with CRESA) (2006), Housing affordability: Contributing factors and policy interventions Wellington: DTZ

**Appendix A: Nelson, Tasman and Marlborough
Affordable Housing: Factors Contributing to Housing
Affordability and Affordable Housing Policy
Interventions and Mechanisms**

RESEARCH REPORT

Nelson, Tasman and Marlborough Affordable Housing: Factors Contributing to Housing Affordability and Affordable Housing Policy Interventions and Mechanisms

June 2006

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Every effort has been made to ensure the soundness and accuracy of the opinions, information, and forecasts expressed in this report. Information, opinions and forecasts contained in this report should be regarded solely as a general guide. While we consider statements in the report are correct, no liability is accepted for any incorrect statement, information or forecast. DTZ New Zealand disclaims any liability that may arise from any person acting on the material within. Readers should take professional advice from a member of DTZ New Zealand prior to acting on any matter contained in this report.

1 Factors contributing to housing affordability

1.1 Introduction

The literature has identified several factors that together contribute to housing affordability. They include¹⁶:

- Income (ability to pay and save);
- House prices and rents (payment required);
- Financial factors (cost and availability of credit);
- Demographic factors (e.g. migration inflows);
- Employment and labour market conditions (ability to participate);
- Supply factors (zoning, labour & resource availability and costs).

We will briefly consider each of these factors focusing where appropriate on significant changes in them over the last fifteen years.

Income

Income directly impacts upon a households' ability to obtain housing that is affordable and still leaves enough residual income. Most economists, from a pure economic perspective, would dismiss the idea of an affordability problem and would contend that it is essentially an income distribution or income deficit problem (Skaburskis, 2004).

Low-income household incomes in the majority of countries that experienced free-market reforms during the late 1980s/1990s have over the last twenty or so years, either remained static, or fallen, while the top two income quintiles have enjoyed strong gains. Median household incomes in Australia fell in real terms between 1986 and 1996, with the falls greater still for households in the lower 40% bracket of income (Affordable Housing National Research Consortium, 2001). Linneman and Megbolugbe (1992) suggest that sluggish income growth for low-income households can in part be attributed to global economic restructuring that has relocated many low-skilled manufacturing jobs from developed countries to the Third World. Burke (2001) points to the role of demographic and social processes and uses the example of the increase in the number of single and sole parent low-income households.

¹⁶ This section draws heavily upon a previous report produced for CHRANZ in 2004 by DTZ Consulting and Research titled Housing Costs and Affordability.

House prices and rents

Rent levels and house price levels set the payment required to secure housing. Real inflation adjusted house prices have increased strongly in most OECD countries over the last fifteen years and very strongly over the last five. A range of factors has contributed to such increases. Strong economic growth, full employment, growth in the number of dual income households and rising wages has played a part. Rising housing costs have also been cited as important. It has been suggested that more stringent building standards and codes, coupled with increased house quality and size, has significantly increased the cost of producing the standard dwelling.

The role of private investors and the increase in their numbers as 'baby boomers' move into their peak investment years, driven in part by favourable taxation settings favouring housing investment, has also been cited as important.

Over the last twenty years in New Zealand rents and median house prices have for the most part grown at a faster rate than incomes (DTZ, 2004). The impact of increased house prices and rents has been greatest on households in the lower two income quintiles, which have experienced declining real incomes over that period. The growing disparity between house prices, rents and lower income household incomes is not confined to New Zealand and has been a global phenomenon. As has the uneven distribution of value growth, which has typically been greatest in the larger more prosperous metropolitan areas experiencing strong population and household numbers growth.

Interest rates

Interest rates establish the cost of borrowing for home owners and would be homeowners. The advent and persistence of low inflation over the last twenty years has resulted in a significant structural decline in worldwide interest rates. This has lowered the cost of borrowing and has been a significant factor in fuelling global house price appreciation.

Labour market conditions

Labour market conditions have a significant impact upon households' ability to participate in the housing market and in particular the ability of those in rental tenure to move into owner-occupier tenure. AHURI (2003) for example, has suggested in the Australian context, that the purchasing behaviour of first homeowners is being affected by labour market changes such as increased casual and contract employment.

Mortgage and rent payments

Current mortgage and rent payments can impact upon a household's saving capacity and their ability to either increase their housing consumption or move into home ownership. In the case of first homeowners they can face affordability problems if interest rates rise significantly or if household income falls. In the case of private renter households, many face such high housing costs (particularly those in the bottom 40% of the income distribution) that it is very difficult for them to be able to save the deposit required to enter into home ownership. This is a case of housing affordability problems in the private rental market translating into a home ownership accessibility problem (AHURI, 2003).

Supply Side Constraints

Supply side constraints refer to the lag in the provision of new supply in response to market demand signals. Supply side constraints have a number of dimensions. They can include factors that constrain the supply of new housing, for example zoning regulations and building codes. They can also refer to factors, which remove low cost stock from the market such as divestment (more and better alternatives), regulation, gentrification and loss or slow growth of social housing.

2 Affordable Housing Policy Interventions and Mechanisms

2.1 Introduction

A wide range of options have been tried internationally to deliver affordable housing. Here interventions and mechanisms of two types will be considered:

- Demand side; and
- Supply side.

Demand side interventions look to increase the ability of people to rent or purchase affordable housing. Supply side interventions attempt to either reduce the cost of housing and/or directly or indirectly increase the supply of affordable housing.

In this section a range of affordable housing interventions and mechanisms are documented. Appreciate that each individual approach can be pursued using a large number of different implementation iterations and more often than not techniques are combined. Also, recognise that not all approaches are equal. Some such as those that use the planning system are significant interventions across multiple levels while others, are much less significant in scale and intent and generally supplement other approaches.

Hill et al (2004) in their review of policy approaches to the provision of affordable housing noted that because of the way techniques can be implemented (either singly or in combination) is so variable and context-specific, they would not provide economic appraisal or assessment of the mechanisms reviewed. They go on to suggest that evaluation is best left to analysis of real options. We agree with Hill et al and the review that follows will, following Hill et al, be restricted to a brief description of each technique and its benefits and a brief comment of the key policy issues, if any, associated with each.

The importance of context cannot be overstated. New Zealand's affordable housing interventions, historic and current, have occurred and occur today in a specific political, institutional and regulatory environment. Only a handful of the affordable housing policy approaches, which we discuss in this section have been implemented in New Zealand. Any evaluation of their specific efficacy in a New Zealand context will need to focus among other things on what policy and regulatory changes might need to occur to facilitate implementation, and perhaps more importantly what is the likelihood of such changes occurring?

Finally, a distinction is increasingly being made between housing affordability issues for those accessing social housing, i.e. generally households in the lowest household income quintile and those identified as part of the ‘intermediate’ housing market where households are not poor enough for social rented housing nor rich enough buy or rent affordably in the open market. While the affordability issue around social rental tenure is reasonably clear-cut, that around the ‘intermediate’ market is less so. Specifically in terms of home ownership assistance should it be used to speed households’ transition to home ownership or should assistance be targeted only at those who would otherwise be unable to secure homeownership and who once in homeownership are able to sustain it? Katz et al (2003) observe that while home ownership may be a preferred objective it should not always be seen as the best option for all individuals and households. The Productivity Commission (2003) in Australia concluded that given the likelihood of a cyclical softening in prices and the existing tax preferences accorded to owner-occupiers, the case for direct assistance to promote home ownership is not compelling.

2.2 Demand Side Policy Interventions and Mechanisms

Demand side approaches focus on giving direct financial assistance or some other form of subsidy to individuals/households to enable them to obtain affordable housing. A key distinction between demand-side and supply-side affordability interventions is that the former, unlike the latter, does not add supply to the housing stock. Demand-side affordability assistance is most commonly funded and delivered by government agencies. In some jurisdictions, however, employers provide it as part of their wider benefits programme to help attract and retain employees who would otherwise face affordability issues in the intermediate housing market.

In terms of rental housing demand side assistance is focused on accommodation supplements or vouchers but can also include programmes to help low-income renters search for affordable housing in the private market place and guarantor programmes around bond and rental payments. For low-moderate income renter households there are also a range of interventions to assist them into owner occupation such as low interest or interest free loans, loan guarantees and share equity/shared ownership schemes. These demand side interventions all seek to increase the ability of recipients to purchase or rent housing affordably, that is, participate in the housing market.

A key argument for demand side programmes is that they promote consumer choice and self-reliance. It is also argued that they cost less in the short term to provide affordable housing to low-income households; are more efficient, offer greater flexibility and portability and are able to be delivered at very short notice to households in need (HNZC, 2004).

A key assumption of demand-side programmes is that housing markets, specifically the private rental market, will be able to respond to need and provide suitable housing as long as households have enough income to participate. Evidence from many markets including the US (Katz et al, 2003) and Australia (Affordable Housing National Research Consortium, 2001) points to demand side interventions, particularly when they lack size and duration, as insufficient to address un-affordability. Probably of more importance though in terms of the effectiveness of demand side interventions is the supply side context in which they operate. Motu (2006), RGF (2003) and many others have observed that in a relatively unconstrained housing market increased demand would be met by an increase in supply of housing, however, in a highly constrained market the increase in demand is likely to just drive up prices.

Table 2.1 summarise the key demand side interventions pursued.

Table 2.1: Demand side interventions

Technique	Description
Second tier income support	Available to low income earners who meet certain criteria to assist with accommodation costs
Bond/rental payment guarantee	A body, usually central government or local government, acts as a bond and rental payment guarantor
Housing finance assistance	Reduced interest rate, deferred interest or no interest loans sustain in home ownership those who would otherwise have on-going affordability issues
Tax concessions	Tax related subsidies reducing the on-going cost of mortgage interest costs for borrowers
Deposit assistance	Deposit assistance for those with insufficient weekly cash surpluses to build a deposit
Mortgage insurance	Central government acts as a mortgage insurer and loan underwriter
Shared equity/shared ownership	Ownership shared with government or third sector provider. Land component can be removed from the equation.

Source: DTZ Research

Second tier income support

Second tier income support (in New Zealand the Accommodation Supplement, in Australia Commonwealth Rent Assistance and in the US Housing Choice Vouchers) is provided to low-income households and individuals to assist with housing costs, mainly in the private market, and who meet criteria relating to assets, accommodation costs and income. Assistance can apply across tenures but is usually rental tenure specific. In New Zealand the Accommodation Supplement is available to households and individuals without reference to their tenure type – that is they can be homeowners, renters or borders.

Second tier support generally subsidises costs over and above a minimum amount that the household or individual is expected to meet (known as the ‘entry threshold’) up until the subsidy reaches a determined ceiling. Entry thresholds and the maximum amounts payable can vary depending on household composition and location. This type of assistance tops-up or supplements the key income of the recipient, whether that is earned income or some form of benefit.

In the United Kingdom intermediate renting is a variation of second tier income support and is focused on those in the intermediate housing market, usually ‘key workers’ with their rent set at a level somewhere between that charged by private and social landlords.

Katz et al (2003) emphasises that subsidies need to be deep and long-term, particularly if households are to secure more expensive new housing supply. More generally the success of second tier income support depends largely on

households' ability to find suitable housing, either existing or new, in locations close to employment opportunities. Second-tier income support in New Zealand and globally is the key type of demand side support used to deliver affordable housing.

Bond and rental payment/guarantee

Central or local government or non-profit housing organisations help with bond payments and can play the role of rental guarantor covering the cost of damage to property or unpaid rent. They can also assist with one-off rental payments. Bond and rental payment/guarantee schemes as described operate in the UK, Canada and Australia. Such schemes can be useful in assisting 'at-risk' households and individuals to access affordable housing and retain it.

Housing finance assistance

In the US housing finance assistance has focused on 'government-sponsored enterprises' such as Fannie Mae and Freddie Mac whose main purpose is to create liquidity and lower the cost of capital for housing. In the past the State Advances Corporation and successors played a similar role in New Zealand with low interest loans to first homebuyers, predominantly families, a central platform of New Zealand housing policy up until the early 1980s. Currently in New Zealand non-market interest rates to first homebuyers is not part of demand-side affordability assistance.

Tax concessions

Tax related subsidies or concessions have played a key role in supporting broad based home ownership in some countries, e.g. the US. The key subsidy of this type a mortgage interest deduction for interest paid on a mortgage to buy, build, or renovate a dwelling. Katz et al (2003) suggest that while such subsidies are politically popular they more often than not do not fit the realities facing low income households and more narrowly tailored approaches are probably more effective in promoting home ownership affordability among these groups.

Deposit assistance

The housing literature (see for example Linneman and Wachter, 1989 and Haurin, 1991) has identified the deposit-gap as a significant impediment to home ownership especially for those households who could with limited assistance or without assistance meet regular mortgage repayments. An example of this type of assistance was the First Home Owners Grant (FHOG) in Australia. New

Zealand's recent involvement in deposit assistance programmes has been restricted to a couple of small-scale programmes, the Low-Deposit Rural lending and papakainga schemes.

In the U.S. employers have used a 'forgivable down payment loan' to attract key employees. According to Hoffman (2000) such programmes not only enhance long-term housing affordability for the employee, but can also, in markets facing labour shortages, give the employee a strong incentive to remain.

Mortgage insurance

Mortgage insurance is designed to facilitate lending to households on low-medium incomes who do not meet commercial credit criteria but who can still support a loan. It is a variation on deposit assistance. Canada operates a significant mortgage guarantee scheme, as do different jurisdictions in the United States. In late 2003 Housing New Zealand Corporation (HNZC) launched a pilot scheme (which has since been expanded) run in partnership with Kiwibank. It targets those able to afford repayments but not able to access mortgage finance through the existing banking system. Under the HNZC scheme groups identified as able to benefit from the scheme include extended family households, currently HNZC tenants who have more than two main sources of household income, and potential first-home buyers, currently HNZC tenants paying a market rent. The scheme is also aimed at first-home buyers on modest incomes with little or no deposit and second round buyers, such as those who have suffered a relationship breakdown and fallen out of home ownership. In the U.S. employer schemes exist whereby the employers can guarantee all or a portion of a mortgage. This reduces lender risk which means lenders can reduce deposit requirements, offer more flexible loans and waive the need for mortgage insurance (Hoffman, 2000).

Shared equity/shared ownership

There are a variety of shared equity/shared ownership schemes in different countries, which have tried to make home ownership affordable and accessible for those in the 'intermediate' market and key workers. Some of the models rely upon already existing supply, usually owned by a central or local government or third sector providers, which can be made available to a shared equity/shared ownership pool. Others require a source of funding, again usually achieved via the aforementioned bodies and are focused on new build housing.

In the United Kingdom there are two major shared equity/shared ownership schemes, generally focused on key-workers, shared ownership and homebuy (Conaty et al 2003). Both schemes run by Registered Social Landlords (RSL). In

terms of the shared ownership model the prospective resident purchases part of the value of the housing (generally around 50%) with an option to increase to a higher percentage in the future. The RSL holds the ownership of the balance of the equity, against which it charges the leaseholder rent. The rent is set as a percentage of the affordable rent the RSL would charge for a similar rented property; the percentage reflecting the equity held by the RSL. Under the homebuy model the buyer contributes 75% of the price of the housing through a deposit and a mortgage and the RSL lends the remainder. No repayments are required on the 25%, which is repaid when the property is sold. Conaty et al note that both the shared ownership and homebuy schemes have suffered from escalating house prices in the UK over recent years, particularly in the south of England, which has made the purchaser equity contribution beyond the reach of many. Also, neither is structured to retain the stock as affordable.

An alternative shared-equity/shared-ownership housing model (Community land trusts - CLT and shared-equity co-operatives) has more recently been proposed for the United Kingdom (Conaty et al, 2003). CLT are designed to buy land and retain it as a public asset long-term via a shared-equity co-operative form of tenure. The CLT a non-profit organisation acquires and holds parcels of land to ensure permanent affordability of housing located on that land. Equity units are held under a co-operative form with members holding equity units and having a 'right of occupation'. A five percent down payment is required with a clear re-sale formula defined and re-payment set at 'affordable' levels. The removal of the land component can significantly increase ownership affordability.

The above model, which can be described as a limited-equity-co-operative housing model, has been used in a number of countries including Scandinavia, Canada and the U.S. Conaty et al report that about a quarter of all housing in Sweden is held under such a model. Its key features include: the removal of the land component from the equity share; cheaper borrowing (corporate rather than individual); a transparent re-sale formula and tenant participation in management.

2.3 Supply Side Policy Interventions and Mechanisms

Supply side strategies look to either reduce the cost of housing and/or directly or indirectly increase the supply. Such interventions are also referred to as the market adjustment approach, which assumes that by adjusting the market directly where failure has occurred, i.e. on the supply side, an appropriate and affordable supply of housing will result. The Affordable Housing National Research Consortium (2001: 33) suggests that “by addressing the supply side of the affordable housing equation, that mechanism targets the heart of the problem”.

Over the last twenty or so years supply-side strategies from a government perspective have been driven by a desire to reduce their financial commitment and so have increasingly focused on how affordable housing can be secured via the non-government sector. Related to this in some jurisdictions, and in particular in the U.S., employers are responding to the problem of attracting and retaining low and moderate income staff in areas facing rapidly escalating house prices and housing shortages by themselves promoting a range of supply-side housing initiatives targeting their employees and prospective employees.

Here we will focus on four key types of supply side intervention. They are:

- Provision;
- Development incentives;
- Financing methods; and
- Land use regulation.

Provision focuses on the direct supply of affordable housing and land for affordable housing, most commonly by central and/or local government but also by third sector housing providers. Development incentives involves giving either discounts or providing incentives to those involved in the production side of the housing sector. Financing methods encompasses the sources of and generation of finance for affordable housing. Land use regulation looks at the how regulation can either act as an impediment to affordable housing or support affordable housing. This section draws heavily, among other sources, on a report prepared by Hill et al (2004) for the Auckland City Council which considers in detail a range of supply side approaches and mechanisms to the provision of affordable housing and a report prepared by McKinlay Douglas Ltd (MDL, 2004) looking at the role of local government in the provision of affordable housing.

Affordable Housing Provision

Affordable housing provision focuses on the direct supply of affordable housing and land for affordable housing, most commonly by central and/or local government but also by not-for-profit housing providers. Table 2.2 summarises the key types of affordable housing provision.

Table 2.2: Affordable Housing Provision

Technique	Brief Description
Expand supply of central government affordable housing	Increase the number of central government units available for rent to eligible households
Expand council housing stock	Directly provide additional units for rent to eligible households
'Third sector' housing provision	'Third sector' housing providers develop and/or purchase, maintain and manage affordable housing
Development of publicly owned or private land	Affordable housing has first call on surplus publicly owned land. Individual firms and companies can also operate such schemes.
Land banking/site acquisition	Local council/public funded agency strategically acquires land for affordable housing
Self build housing/sweat equity	Prospective owners assist with construction

Source: Hill et al (2004) and DTZ Research

Expand central government affordable rental housing stock

This approach has central government¹⁷ increase its stock of affordable rental housing in the local area. RGF (2003) suggest that if state sector housing is provided only for those most in need it is likely to have only a minimal impact on private sector prices. If, however, state sector provision is wider, as it was in New Zealand between the late 1930s and early 1970s, the impact on private sector rentals is likely to be greater.

As already noted central government's globally in terms of their supply-side strategies over recent decades have sought to minimise their financial commitment and so have increasingly focused on how affordable housing can be secured via the non-government sector. In New Zealand during the 1990s the National Government sold state rental units. Since Labour was elected in 1999 state house numbers, through a combination of new builds and leasing from private sector landlords have increased¹⁸.

¹⁷ For Australia read state government while in the UK the rental housing has historically been provided and managed by local government.

¹⁸ Leasing from private sector landlords is, however, not a 'genuine' supply side response, as it does not increase the overall level of the housing stock.

Expand council housing stock

Globally the trend is away from local authority direct involvement in housing provision (MDL, 2004). In the UK for instance much of the local government housing stock over the last twenty years has been transferred to Registered Social Landlords (RSL)¹⁹. This trend according to MDL (2004) is driven by both negative and positive factors. The negative is the reluctance of local authorities to use ratepayer funds, without appropriate supporting funding, in a function seen as the responsibility of central government. Also, in some jurisdictions over time, e.g. the U.K., local government rental housing while providing tenants with secure long-term affordable accommodation was seen to act as a major barrier to social, geographic and labour force mobility. The positive according to MDL results from a change in the understanding of the nature of the provider role. Specifically, it is now argued that a more holistic rounded community driven approach to provision and management is required, outside of local government structures. MDL note that in the U.K. the Blair government has concluded that the key role of local authorities should be housing strategy with the provision and management delivery best left to housing specific bodies. Such an approach has been reflected in funding policy and the emergence of RSL.

In New Zealand local government housing provision was historically based on an approach, which had local government as the main provider of housing for low-income elderly people with central government acting as the funder through a mixture of grants and low interest loans (MDL, 2004). This approach came to an end as a result of the major shift in government housing policy during the early-mid 1990s. Over the last couple of years, however, central government has established a new, albeit much reduced funding mechanism for local government housing. The Local Government Housing Fund (LGHF) seeks to encourage councils to retain, improve and increase their existing rental housing stock by providing interest-free suspensory loans for up to 50% of project costs, with the proviso that affordability will be retained for 20 years.

With the major shift in government housing policy during the 1990s many local government's across the country re-evaluated their role in terms of affordable housing provision. More recently with the passing of the Local Government Act some council's have begun to consider whether they have a wider role with respect to housing. Some researchers such as MDL (2004) argue that under the Local Government Act 2002 local council's role has significantly expanded beyond management and traditional regulatory activities to "an obligation to identify the community's housing related outcomes and to make judgements

¹⁹ In other jurisdictions, Australia for instance, local government has historically played a very small role in affordable housing provision.

regarding whose responsibility it is to deliver those outcomes”. This would seem to suggest that while local government’s role as a provider remains ill defined and ambiguous, its role in terms of leadership, facilitation and advocacy around community housing outcomes is now central.

Third sector housing provision

Third sector housing providers develop and/or purchase, manage and maintain affordable housing (Hill et al, 2004). In a number of jurisdictions over the last twenty years third sector housing providers have stepped into and to varying degrees taken over the housing provider role previously performed by local government. In Australia and in particular in the U.K. third sector housing has increasingly taken on some of the provider and management role of the non-central government housing entities. A range of factors have driven this change, some already noted, including the belief that third sector housing providers are able to generate additional gains by combining public sector resources with community sector resources. Critical to the evolution of third sector housing is the belief that third sector providers over time will be able to link into and indeed source the bulk of their capital requirements from the private sector. This ability to source private sector funding was one of the key drivers behind the advent of RSL in the UK.

An illustrative example of a third sector housing provider is the Brisbane Housing Company (Austin and Mead, 2004). It was set up in 2002 by the Brisbane City Council in a response to declining affordability in inner city areas. It is an independent ‘not for profit’ public company with no dividends and all surpluses reinvested in the company. The initial funding for the Brisbane Housing Company (BHC) came from both state and local government. Austin and Mead note that the Company has been carefully structured to ensure it is tax efficient; is able to receive developer contributions; can leverage debt and is able to access rent assistance. In terms of mandate the BHC is focusing on developing a range of dwellings in the inner and near city Brisbane for low-income households. Rents, however, are unlikely to be affordable to those on the basic benefit and will be set, not as a percentage of household income, but at a discount to the market.

Development of affordable housing on surplus publicly owned or privately owned land

This approach in the first iteration has local council’s and central government entities identify and review the suitability of all land (greenfield and brownfield) that is surplus to requirements for affordable housing development (Hill et al, 2004). If land is considered suitable a council can either sell to a third sector

provider at a below market rate or to a developer with affordable housing agreements in place. One key advantage of this approach cited in the literature is that it moves affordable housing close to the forefront of council and public organisation thinking and activities. It's utility, however, is dependent upon the extent and nature of surplus land holdings. In the UK in recent years significant new affordable housing development, particularly in growth areas, has occurred on publicly owned land.

A second iteration of this approach, most common in the U.S., has firms and corporations use their own surplus land or purchase a site in close proximity to corporate facilities to develop affordable housing (Hoffman, 2000). The land can be developed either by the firm or by a developer (non-profit or otherwise) and held either by the firm or a not-for-profit housing trust.

Land Banking and/or Site Acquisition

This approach has the local council acquire over time land for affordable housing development (Hill et al, 2004). This can help in bringing together sites of large enough to deliver economies of scale. Once a site of sufficient size is acquired the council can sell to a non-profit housing entity at or below market price or with affordable housing agreements in place to a private developer or it can lease the land.

Self-build housing/sweat equity

This approach sees prospective owners assist with a range of housing development activities, most usually providing labour to construct their own dwelling (Hill et al, 2004). By providing labour and eliminating the profit margin in development housing costs can be significantly reduced. In New Zealand Habitat for Humanity is the key organisation using this approach. The reach of sweat equity schemes, however, is relatively limited. Also, some households for a range of reasons may be limited in their ability to participate. Such schemes will normally require additional public subsidy in terms of mortgage financing.

Development Incentives

There is a range of development sweeteners used to incentivise developers to undertake affordable housing development. These incentives originate most commonly at local government level.

Table 2.3 summarises the key features of the various development incentive approaches used.

Table 2.3: Development incentives

Technique	Description
Reduced rates	Developer provides a certain number of affordable units in exchange for a rates reduction for a set period
Reduced resource consent fees	Developer provides a certain number of affordable units in exchange for a consent fee reduction
Reduced/deferred financial contributions	Commercial developers are levied to reflect the wider social and community impacts of their developments
Low interest loans for developers	Local council's provide developers of affordable housing with low interest loans
Development underwrite	Council' underwrite affordable housing developments to lower developer risk

Source: Hill et al (2004) and DTZ Research

Reduced rates/reduced resource consent fees

A developer provides a certain number of affordable units in exchange for a rates reduction, for a set period or a consent fee reduction. Hill et al (2004) suggests effectiveness of reduced rates and resource consent fees may be more symbolic than real given that key issue for developers in terms of development cost is land holding costs associated with time taken to obtain consent coupled with infrastructure charges. They go onto suggest that on the surface the ability of such an approach to deliver affordable housing gains in a small market dominated by small scale development would appear limited.

Reduced/deferred financial contributions

Developers of affordable housing receive a reduction in the infrastructure and reserve contributions they are required to make. Hill et al (2004) note that financial contributions can be a significant development cost and a reduction in fees could encourage affordable housing development. They go onto say, however, that infrastructure costs, are significant and a case would need to be made to share them across the community in order to fund affordable housing.

Low interest loans for developers of affordable housing

Local council's provide developers of affordable housing with low interest loans (Hill et al, 2004). They note that a low interest loan from a TLA is effectively a community subsidy for affordable housing and that a case would need to be made

for the community to be subsidising affordable housing above and beyond its current commitment.

Council’s underwrite affordable housing developments

Council’s underwrite affordable housing developments to lower developer risk (Hill et al, 2004). Again a case would need to be made for the community to be subsidising affordable housing above and beyond its current commitment.

Financing Methods

There is a range of financing approaches used to either provide finance for developers for affordable housing or generate funds, which can be used to finance affordable housing schemes. Most of the approaches are in one way or another dependent upon tax revenue or monetary contributions via the planning system. Table 2.4 summarises the key features of the various financing methods used.

Table 2.4: Financing methods

Technique	Description
Government affordable housing financing	Central/state government’s provide low interest loans and grants for developers and non-profit organisations to build or rehabilitate affordable rental housing
Private-Public funding Housing Trust Funds	A fund dedicated to bringing together various sources of financing to produce and preserve housing that is affordable to lower-income households
Development contributions	Developers are levied with monies which are directed to affordable housing
Rate increment financing	Rates income from designated growth areas is used to fund loans/bonds to finance affordable housing schemes in those areas.
Planning gain tax	Tax on the capital gain resulting from a change of use, development or rezoning used to finance affordable housing schemes
Real estate transfer tax	Tax paid on the sale of property used to finance affordable housing schemes

Source: Hill et al (2004) and DTZ Research

Government affordable housing finance

Central/state government’s provide low interest loans and grants and /or tax credits for developers and non-profit organisations that build or rehabilitate affordable rental housing. Over the last twenty years central governments across most geographies have moved away from the direct provision and operation of low rent housing to in-direct funding via local government and non-profit housing providers. In the UK the government is still an active funder of affordable

housing with 80% of affordable units generated through the planning system requiring a Social Housing Grant (Whitehead, 2005). In the U.S. for example the Low-Income Housing Tax Credit (LIHTC)- transfers to the states annual allotments of tax credits, which they allocate to private developers who build or rehabilitate housing at low to moderate rent levels. Non-profit organisations develop and manage the housing. In 2001 in Canada the federal government introduced its Affordable Housing Initiative. It requires co-funding either from provincial or territory governments or from other parties including private developers.

Private-public funding

As already noted a key objective of government supply side housing strategies over the last couple of decades has been to minimise government's fiscal commitment. Consequently, considerable effort and attention in recent years has been focused on looking at the barriers that impede private sector investment, particularly by financial institutions, in affordable housing and at the means to overcome those obstacles. Key barriers identified include high risk, high management costs, low liquidity and absence of a reassuring track record (Affordable Housing National Research Consortium, 2001). The Affordable Housing Research Consortium notes that for affordable housing rental investment to be attractive to private sector institutions a number of risk-return criteria need to be met. This essentially means that some level of government assistance is required to bridge the gap between what institutions require and what the market can deliver.

Housing Trust Funds/Revolving Capital Funds

Funds dedicated to bringing together various sources of financing to produce and preserve housing that is affordable to lower-income households (Hill et al, 2004). Housing Trust Funds (HTF) include a public source of revenue while Revolving Capital Funds (RCF) do not. Their key attributes are their single purpose, i.e. bringing funds together funding, their non-partisan nature and their ability, because they are locally based, to build strong relationships with a range of stakeholders.

In the New Zealand context the Housing Innovation Fund is a fund of this type. It comprises capital funding, grants and low interest loans for demonstration projects delivered through partnerships between HNZA and community-based organisations to buy, build and modify rental accommodation.

Development contributions

Developers of both residential and commercial developments are levied a development contribution which is used to develop affordable housing. Such an approach is used extensively in England and also in Canada and the US. In the resort town of Whistler in Canada, for example, in 1990 an Employee Service Charge By-law made it mandatory for commercial, industrial and tourist accommodation development to contribute either cash in lieu (to the Employee Housing Fund) or housing for employees (Austin and Mead, 2004).

New Zealand already has the mechanisms in place (Local Government Act 2002 and development impact fees under the Resource Management Act), which enables development contributions to be collected. However, there is no provision for such contributions to be directed to affordable housing (MDL, 2004).

Rate (Tax) Increment Financing (RIFs)

The increase in council rates from a designated growth area is diverted into a special fund, which is used to finance affordable housing in the area (Hill et al, 2004). Hill et al note that while this is seen as rates-neutral by developers and the community concerned it may lead to a deficit in local government operational areas if the rates funds supporting housing are not balanced by funds from another source.

Planning gain tax

A planning gain is a tax, which recovers for the community a proportion (or all) of the increase in value as a result of a change of use or development of land (MDL, 2004). It acknowledges that a portion of the added value associated with a development can be attributed or is as a direct result of a community decision. MDL note the argument that says that since it is a community decision that results in the increase in value or development profit, it is appropriate that some of the capital gain resulting should be used to benefit the local community. They point out, however, that because of this link it may in fact be more equitable to fund affordable housing from a tax on an increase in property values rather than from only planning gain and/or other less linked revenue sources. MDL suggest that a planning gain tax raises a wide range of issues including cost effectiveness, compatibility, political acceptability, locational application and the possibility that such a tax (if applied locally) would act as a disincentive to development.

Real Estate Transfer Tax

A real estate transfer tax is paid when a property is sold and is calculated as percentage of the selling price (Hill et al, 2004). Hill et al note the argument that a solid link exists between taxing the transfer of property and providing affordable housing for local residents. It is calculated as a percentage, with the amount of tax linked to the purchase price of the property. Exemptions at certain value levels can be made to ensure that the impact on low and moderate-income house purchasers is minimal. As with a betterment tax a real estate transfer tax needs to be applied even-handedly across regions to ensure that it does not act as a disincentive to development in certain areas.

Planning regulation

Regulations governing land use, residential development, construction standards, subdivision design and infrastructure provision all impact housing cost and consequently housing affordability. According to Katz et al (2003) writing specifically in a US context, although the argument is probably valid to a lesser or greater degree in the UK, Australia and New Zealand, local land use and development regulations historically have tended to undermine the goals of affordable housing policy, whether intentionally (through large-lot zoning, large lot width and set-back requirements, minimum house size, limiting or banning multi-unit housing etc) or unintentionally. They note that up until at least the late 1980s the established view was that the ‘affordability’ of housing was not a legitimate concern of the land use planning system and regulation. However, this view has changed across a number of geographies over the last twenty years with local governments in the US, Canada and the UK now using a range of regulatory approaches to stimulate and increase the supply of affordable housing²⁰. Whitehead (2005) identifies four key outcomes/benefits available from the use of land use planning regulations:

- Ensure land is provided for desired uses – including those not favoured by the market;
- Help configure land uses more effectively to generate social benefits;
- Affect what is produced via density controls and building standards; and
- Help provide funding for infrastructure for housing (and government expenditure).

Table 2.5 summarises the key features of the various regulatory approaches used.

²⁰ In Australia the use of planning regulations, with a few notable exceptions, has had no direct role in the direct creation of housing (Spiller, 2005). In New Zealand planning regulations have played no role.

Table 2.5: Planning regulation

Technique	Description
Inclusionary zoning	A certain proportion of new housing in a development has to be set-aside for low income households.
Reform of exclusionary regulatory regimes	Reform of zoning requirements, subdivision regulations and building codes to eliminate exclusionary provisions
Higher density zoning	Zoning which allows greater intensity of development
Performance-based zoning	Zoning is based on performance standards rather than set bulk, location and density rules.
Density bonuses or relaxation of other controls	Provides an incentive for affordable housing, e.g. a higher density of development than allowed by zoning would be possible if a certain percentage of affordable housing is provided

Source: Hill et al (2004) and DTZ Research

Inclusionary Zoning

Inclusionary zoning has developed in the UK (PPG3), US (developer set-asides) and Canada as a tool to provide affordable housing partly driven by a belief that most zoning in those jurisdictions is exclusionary and implicitly (and sometimes explicitly) excludes certain types (low cost) of housing. Inclusionary zoning sees a certain proportion of new housing in a development set aside for low-income households. This can be site specific or in the locality or a cash-in-lieu payment. A not-for-profit housing provider and manager (or other) will generally purchase the affordable housing units developed off the developer. Hill et al (2004) note that in countries that apply inclusionary zoning, planning legislation is reasonably explicit in terms of the need for planning rules to achieve social objectives in their own right (e.g. Town and Country Planning Act 1990, S106 in the UK) and the justification requirements of planning rules, compared with New Zealand, are generally less complex. In Ireland, for example, local authorities require developers to set aside up to 20% of new developments of 5 or more houses for social and affordable housing. Each local authority has to include these provisions (i.e. commitment to providing a percentage of social and affordable housing) in its housing strategy, which form part of the development plan for its area.

Assuming such a planning framework (mandatory and explicit social objectives) is in place, a raft of issues would need to be addressed including affordability definition, restrictions on resale, eligibility criteria, the appropriate percentage of units to be ‘affordable’, development size threshold, developer acceptance and mechanisms to ensure affordability in perpetuity etc. Such an approach when used in the US and the UK often has a density bonus or Transferable Development Right (TDR) attached to facilitate the mandatory requirement. Scale factors may mean that inclusionary zoning is not necessarily easily applied

to small markets with small average development sizes, i.e. number of units per development.

The US and UK experience Katz et al (2003) and Whitehead (2005) shows that when a market is buoyant and developers can afford to proceed, the volume of affordable housing delivered can be significant but the converse also applies. A similar conclusion can be reached in terms of the inclusionary zoning approach pursued in Vancouver, Canada where developers of major projects have been required since the late 1980s to set aside 20% of sites for non-market housing. It is hugely dependent upon developers being able to generate a 'market' profit, which is easier under buoyant market conditions. A report by Crook et al (2002) looking at the UK experience around inclusionary zoning concluded that while a large number of affordable units are developed annually who actually bears the cost of their development is difficult to establish as is whether the units are genuinely additional. Whitehead (2005) argues, however, that there is no alternative means of producing new build affordable housing. At a fundamental level inclusionary zoning would seem to depend upon a planning process, which creates a land value premium.

Reform of exclusionary regulatory regimes

This approach entails a reform of zoning requirements, subdivision regulations and building codes to eliminate exclusionary provisions. Katz et al (2003) in a review of the US literature, which has looked at exclusionary regulatory regimes, suggested that getting rid of such exclusionary regulations works. MDL (2004) notes that in New Zealand, developers would argue that exclusionary measures provide the amenity demanded by purchasers.

Higher Density Zoning

Higher density zoning in terms of affordable housing increases the number of units that can be built on a site and lowers the unit cost²¹ (Hill et al, 2004). Although higher density zoning creates the environment where unit costs can be lower than they otherwise would be it does not ensure that affordable housing units are constructed. Overseas experience has shown that short of incentives or a requirement to build affordable housing, developers will almost always build medium and high cost units because they deliver superior better profit margins.

²¹ From a community's point of view its preferred outcome in terms of density is being traded away for provision of affordable housing (MDL, 2004).

Hill et al (2004) notes that even where higher density zoning lowers land cost, making it easier to develop housing affordable to those on lower incomes, there are a number of pressures and issues likely to push up development costs under such zoning. Two key pressures/issues cited by Hill et al are worth noting. First, Hill et al suggest that for developers to pursue higher density they need certainty over processes and outcomes i.e. it will not be pursued if it involves an open ended process. Secondly, a volume approach is required to deliver the cost savings from higher density, which in turn requires, larger sites which are often in short supply.

To conclude higher density zoning creates the environment for, but does not ensure that affordable housing is developed. Further a volume approach is required to deliver the costs savings required and in small markets volume development is certainly not the norm. A higher density zoning approach also assumes that demand for higher density units exists.

Performance-based Zoning

As with the higher density approach there is no guarantee that the cost benefits of reduced development costs and increased density envisaged under performance-based zoning will be passed on in the form of affordable housing. Hill et al (2004) note that performance based zoning may actually increase transaction costs and at the same time reduce certainty for the community, as there is a greater range of possible outcomes and suggest that on the surface the ability of such an approach to deliver significant affordable housing gains in a small market might be limited.

Density Bonuses or Relaxation of other Development Controls

Density bonuses enable a greater density of development than otherwise allowed by zoning if a certain proportion of the housing developed is affordable (Hill et al, 2004). Hill et al note that because minimum density requirements and other development controls are usually imposed to maintain and enhance the amenity of the residential environment density bonuses in residential areas would almost certainly require a planning framework, which is explicit in terms of its social objectives. They go onto say that in mixed-use areas where residential amenity is not such an issue this explicit social objective in the planning framework would probably not be necessary.

Also, according to Hill et al density bonuses are only likely to be attractive if the demand for higher density housing greatly exceeds what is currently allowed and if the bonuses are attractive enough. Even then according to Hill et al developers

may not participate if the higher end of the market is strong. Again, scale factors could mean that density bonuses etc are not easily applied to small markets. Density bonuses often operate as the carrot under the inclusionary zoning approach although they can operate independently.

3 Review of Alternative Housing Solutions²²

We summarise some additional programmes and studies designed to contribute to more affordable housing access and provision.

3.1 Housing Solutions: Britain

Common Ground – for Mutual Home Ownership (New Economics Foundation by the CDS Cooperatives, 2003)

Community land trusts (CLT) and shared-equity co-ops to secure permanent affordable homes for key workers

- Soaring mortgage costs for first-time buyers have been exacerbated in the South of England by a disproportionate gap between housing supply and housing demand
- Aim – to secure an affordable solution to the high-cost housing dilemma for key workers, via an innovative approach
- Main aspects of the proposed model:
 - CLTs designed to extract land from the market and retain it as a public asset, preserving long-term affordability
 - A shared-equity co-operative form of tenure
- As land costs can range from 40-60% of the purchase price, the permanent removal of land into a CLT can significantly reduce the cost of homeownership
- The CLT model is based on approaches developed in North America and Scandinavia

Proposed Model

- CLT
 - a non-profit organisation established for 'community benefit' which acquires and holds
- parcels of land to ensure the permanent affordability of housing located on that land
- Co-operatives
- Rights of occupation
- Corporate mortgage finance
- Equity units
- Affordable and equitable housing payments
- Resale formula deposit
 - Clear means of valuing equity stakes when a member wished to sell and leave the coop
- Deposit – 5% down payment

²² This section was prepared by staff at CRESA, Wellington.

- Key workers interviewed in 2 regions were strongly attracted to this model, which would enable them “to stop pouring money down the drain”
- 90% in the South West and 92% in London supported the mutual model explained to them

East of England Affordable Housing Study Stage 2: Provision for Key Workers and Unmet Housing Need (Cambridge Centre for Housing and Planning Research, 2005)

- Purpose - to inform the Regional Spatial Strategy and Housing Strategy by identifying current unmet need for social sector rented housing and Key Worker Housing.
- Part A
 - Quantitative assessment of current unmet housing need and key worker housing need
 - An affordability analysis, literature review, and case studies to support the evidence base for the regional requirement for KWH
- Part B
 - Draws on existing studies to establish a good practice approach for future subregional studies of housing need, including KWH need.
- KWL scheme has had a good response across the region with 1600 enquiries
- The Homebuy scheme has had 63 completions and 27 exchanges
- There has been much less interest in shared ownership and intermediate renting
- The majority of enquiries are from NHS workers (40%) and teachers (39%), Police (13%) are the next largest group (roughly matching the actual proportions in these sectors)
- It is important to monitor details about those who are unable to access KWL because they do not earn enough to sustain both rent and mortgage repayments

Evaluation of Key Worker Living: Early Findings (Office of the Deputy Prime Minister, 2005)

- Summary of the first output from the KWL evaluation (GHK Consulting Ltd & Centre for Urban and Regional Studies at Birmingham University)
- Purpose – to provide feedback to the ODPM regarding early implementation of KWL

Sources

- Review of documents and research relating to key workers
- Analysis of Dec 2004 monitoring data collected by the ODPM
- Interviews with ZAs, employers, and other stakeholders
- *Key workers will be interviewed in the next evaluation stage*

Key facts and figures (as of Dec 2004)

- The majority of enquiries (87%) were about Homebuy, just 8% and 5% were about shared ownership and intermediate renting respectively
- 92% of key workers accessing Homebuy were FTBs

Retention and recruitment

- The ability of government to deliver improved public services depends on the ability of those services to recruit and retain staff

- Growing body of research showing the nature of recruitment and retention problems in key worker occupations, and the link between these problems and high housing costs
- E.g. research for Keep London Working showed lack of affordable housing to be associated with 50% of key worker shortages.
- Most interviewees considered the main labour market problem to be retention of key workers rather than recruitment

Products & key issues

Homebuy

- Valued for its flexibility, i.e. choice of location and type of housing
- Does not – in the short and medium term – increase the housing supply

Shared ownership

- Low take up, possibly due to lack of availability as new-build housing is still being developed
- In some cases shared ownership is in competition with Homebuy, where mortgage, rent, and service charges are roughly equivalent to a single mortgage payment.

Intermediate rent

- Low take up, again may be due to lack of current provision rather than demand
- Widely considered by employers and ZAs that rent at 70-80% of market rent is unaffordable in many areas to large groups of key workers.
- Is in competition with some existing employer provision, which is cheaper in most cases

Targeting

- ZAs targeted groups key workers within the 40/40/20 (Education/Health/Community Safety) profile

Marketing

- Generally considered to be effective by nearly all interviewees
- Within the wide range of activities employed by ZAs:
 - Nearly all interviewees agreed that the best form of marketing is to build links with
 - employers through face-to-face contact
 - Websites have been effective as a route for key workers to access the programme
 - Case studies have also been effective, especially in targeting teachers

SHI & KWL

- All interviewees thought KWL addressed SHI's deficiencies and that it was more tightly designed and appropriately targeted
- Improvements
 - Greater range of available products and consistent branding
 - Support is more appropriate to current housing market conditions
 - ZA model provides clarity for the key worker
 - Relations with employers established under SHI have been built upon and not lost in the transition to KWL

Value for money

- Key worker
- Relatively little money to access the housing market

- Key workers don't have to take mortgages with high salary multipliers - reducing risk of later affordability problems
- Public purse
- Depends on the general state of the housing market, the operation of clawback, and
- appropriate recycling of the Homebuy subsidy

Factsheet No.2: Key Worker Housing Programme (2004)

- New KWH programme succeeds the Starter Home Initiative (SHI) from 1 April 2004
- SHI will have helped around 9000 key workers onto the property ladder
- KWH programme builds on the SHI extending assistance to key workers at different lifestages and not just FTBs
- A key worker is in a group:
 - employed by the public sector
 - delivering an essential public service where serious recruitment and retention problems exist (i.e. health workers and teachers)
 - recommended for inclusion by Regional Housing Boards based on local need assessments
- Support will also be given to others, i.e. social workers and Local Authority planners
- ZAs will help manage and administer the KWH programme
- Marketing will be directed through the workplace to increase awareness
- The KWH Programme is expected to help over 6000 key workers per year

Key Worker Housing Position Paper (Draft, City of Edinburgh, 2003)

- The Starter Home Initiative (SHI) introduced in July 2000 made £250million available for key workers so they could purchase property at market value
- Strict eligibility guidelines exist for the grants.
- The SHI funds between 15%-40% of a house price to bridge the gap between house prices and the key worker's borrowing capacity
- Money is paid back at the same ratio once the house is sold
- No additional interest is paid, however, the amount paid will rise if the house value rises

Examples of Key Worker Policies tailored to local needs

London Borough of Brent

- Key worker policy within its Unitary Development plan
- Eligibility: individuals/households earning between £12-25000, priority given to people working within the borough

Surrey

- SHI as well as shared ownership strategies are used to meet KWH demand
- Requirement of KWH is based in the structure plan (at least 40% of new housing provision should be affordable, including housing for key workers)

Forever Affordable: Rural Shared Ownership Models that Work (Rural Housing Enabler Dorset Community Action, Rachel Kalis, 2003)

- Evaluation of different shared ownership models used in small towns in the South of England between 1990-2000
- Method - combination of interviews and questionnaires with stakeholders:
 - Shared owners
 - Housing providers
 - Bodies responsible for provisions (local authorities & the Housing Corporation)
 - Finance providers
 - Local community
- 3 categories of shared ownership models
 - Conventional Shared Ownership (CSO)
 - Fixed share equity (FSE)
 - Restricted Shared Ownership (RSO)
- Models were evaluated in relation to 7 criteria:
 - Cost/benefit to consumer
 - Cost/benefit to public purse
 - Mortgageability
 - Good management
 - Flexibility of tenure
 - Affordability
 - Long-term availability

Conclusions

- Shared ownership was not a homogenous product, however the danger of it becoming unaffordable in high cost areas applied to all types.
- CSO had the potential to move people on rapidly rising incomes into full ownership, however it was expensive to the consumer and public purse, and people on fixed incomes became trapped.
- Borrowers had difficulty getting a choice of lenders or competitive mortgage rates with shared ownership, especially with FSE or RSO.
- The ability of local authorities to guarantee shared ownership housing was severely undermined by lender pressure to be exempt from ALL restrictions imposed by planning authorities.
- In CSO and RSO the increase in value between bidding for grant and first sale was a windfall profit to the RSLs.
- FSE was the least flexible in that it required a bigger mortgage to begin with, but the overall cost was less, especially in Type 2 when no rent was charged on the retained equity.

Recommendations

- All stakeholders should be made more aware of the different shared ownership options.
- The Housing Corporation should not continue grants to CSO schemes in rural areas and should instead support FSE and RSE schemes
- RSLs profit margins on subsidised shared ownership should be monitored and limited by the Housing Corporation

- Parish Councils should be able to verify local connections of shortlisted applicants in order to increase their confidence in local authority allocation systems.

Grant-free models for housing essential workers (Douglas Birt Consulting, 2004)

- West Kent (Sevenoaks, Tonbridge & Malling, Tunbridge Wells) is a prosperous area where house prices have increased substantially over the past 5 years
- Many people on modest incomes have been priced out of local market housing
- Not part of the growth areas targeted to provide substantial additional housing
- Also the local authority social housing grant, which helped to fund affordable housing in this area, has been withdrawn
- West Kent may not receive the same level of affordable housing resources as it has in the past
- A Housing sub-group of the West Kent local strategic partnership (i.e. local authorities and housing associations) decided to investigate affordable housing models without a social housing grant

Short-term models

- Mixed use development
- Micro flats for sale
- Market housing cross-subsidy
- Use of employer land
- Employer subsidies
- Lodger initiative
- Pension-linked housing fund
- Shared equity housing
- Developer recycling low cost home ownership (LCHO) equity

Longer-term models

- Real estate investment trusts (REITs)
- Long term savings schemes linked to mortgage loans
- Rents linked to incomes
- Rents to ownership
- Flexible tenure
- Other long term models

Key worker living – Settle for more (Office of the Deputy Prime Minister, 2004)

- Help is available in London and the South East and East of England where high housing costs are affecting employer's ability to recruit and retain staff

Key workers

- Health workers

- School teachers
- Police officers
- Prison and probation staff
- Fire fighters
- Social workers, educational psychologists, planners (in London), and occupational therapists employed by local authorities

What is available?

Homebuy equity loans

- Loans (up to £50,000) to help key workers buy a property on the open market or a new property built by a social landlord
- Higher value loans (up to £100,000) for some school teachers in London (London Challenge Key Teacher Homebuy)
- The loan is not repaid until the property is sold or the applicant stops being a key worker
- At that time a percentage of the property's value, matching the percentage of the purchase price covered by the loan, would need to be repaid

Shared ownership of newly-built properties

- Buy a share (at least 25%) of a newly-built property and pay a reduced rent to a social landlord who owns the remaining share
- In the future this share can be increased and the property can even be bought outright

Intermediate renting

- Rent is set at a level between that charged by social and private landlords.
- To apply for help key workers must contact local ZAs (registered social landlords who market housing schemes)

Planning For Housing – The Potential for Sustainable Communities (CIH/RTPI Policy Paper, 2003)

- An assessment of the elements of the Community Plan relating to housing planning
- Points out strengths and weakness, making recommendations for advancing the reality of sustainable communities

Key Recommendations

- Planning reform & sustainable communities
- New Housing
- High demand, low demand, and rural areas
- Better planning for housing

Promoting More Flexible Investment in Property: A Consultation (HM Treasury, 2004)

- Consultation paper covering the introduction of real estate investment trusts (REITs) via property investment funds (PIFs),
- Intended to help encourage the supply and affordability of the private rented sector and also the commercial property sector.

Review of Housing Supply. Delivering Stability: Securing our Future Housing Needs (Final Report – Recommendations, Kate Barker, 2004)

- Sets out a series of policy recommendations to address the lack of supply and responsiveness of housing in the UK
- Need:
 - to integrate economic considerations into the planning system
 - a better means of assessing the costs and benefits of development and land use
 - to acknowledge market signals and use the information provided

Objectives of the Review

- To achieve improvements in housing affordability in the market sector
- A more stable housing market
- Location of housing supply to support patterns of economic development
- An adequate supply of publicly-funded housing for those who need it

Adverse Consequences of rising house prices

- Over the last 30 years UK house prices have risen by around 2 1/2% a year (in real terms)
- Contrasting to other countries, i.e. France, Sweden, Germany, where prices have remained constant or even declined.
- One reason for this trend is the weak response of housing supply to changes in demand; higher demand translates into higher prices rather than increased housing output.
- This poor supply responsive is one of the factors resulting in UK house price volatility.
- In recent years house prices have risen sharply in almost all parts of the UK, fuelling concerns about affordability with consequent unwelcome effects on individuals and the economy.
- Lower housebuilding constrains economic growth, reducing standards of living for everyone, and damaging the flexibility of the UK economy.
- Significant differentials in the price of housing between areas mean people living in lower priced regions find it difficult to move to higher priced regions.
- This reduces labour mobility, leading to increased unemployment.
- Lower rates of housebuilding constrain economic growth
- Reduced supply damages flexibility and performance of the UK economy
- Declining affordability 46% (late 80s) – 37% (2002)
- Distributional consequences – transfer of wealth from those outside the housing market to existing home owners, land owners and housebuilders

Sustainable Communities: Home for All. A Five Year Plan (Office of the Deputy Prime Minister, 2005)

- Offers owner-occupiers, first-time buyers, social tenants, key workers, and private renters the opportunity of a decent and affordable home
 - By 2010 80000 people will be helped into home ownership A new FTB's Initiative to help 15 000 FTBs
 - Developing Key Worker Living to help 30 000 key workers
 - Help for over 35 000 people through existing schemes including shared ownership and Homebuy.

- More social tenants will be helped to buy a home for the first time through a comprehensive package of schemes
 - Choice to Own, Right to Buy and Right to Acquire will continue
 - Existing schemes will be made simpler and fairer
 - Homebuy will be extended to offer social tenants the opportunity to own a share of their home
 - Help will be available for tenants to purchase a home on the open market.
- Industry will be involved in building homes more cost efficiently:
 - Running a competition to build a quality home for £60 000
 - Using public sector land to help deliver affordable homes

**Thinking Outside the Traditional Affordable Housing “Box”:
Affordable Housing Focus Group Report and Best Practice
Research Findings (Broward County Human Services
Department, 2004)**

- Lack of affordable housing makes it difficult for many Broward County residents to meet
- their basic shelter needs

- 9 categories of barriers (identified by focus groups)
 - Funding/finance
 - Acquisition and Development impediments
 - Policy, Programme and Process Fragmentation
 - No Developer Mandates
 - Consumer/Cultural/Financial/Education Challenges
 - Lack of political will/vision/policies
 - NIMBY-ism
 - At risk Populations
 - Fraud

Recommendations

- Increase and maximise resources
- Update land use policies to support affordable housing
- Streamline the development process
- Develop a multifaceted education campaign
- Promote “Smart Growth” Principles
- Plan and manage growth

3.2 Housing Solutions: United States

A Blueprint for Employer-Assisted Housing (Daniel Hoffman, 2000)

Demand Programs

- Down payment Loans
 - Reduced interest rate or deferred loans
 - Forgivable down payment loan (affordable to employers if the forgiveness rate is equal/less than the employee turnover rate and recruitment and training costs.
 - By having the loan forgiven over time (i.e. 4-6 years) the employee has a strong incentive to remain.
- Group Mortgage Orientation
 - Volume discount programs whereby a lender reduces interest rates, closing points and/or application fees in return for a bulk lending commitment
- Mortgage Guarantees
 - By guaranteeing a mortgage (or part of a mortgage) a employer can reduce lender risk

Supply Programmes

- Supply programs subsidies resulting in a developer being able to build/rehabilitate units at a reduced cost.
- The company's employees receive priority access to the units created and a reduced sales or rental price
- i.e. Housing Site Subsidy, Construction Financing, Cash Infusions, Purchase guarantees

Another Look at Employer-Assisted Housing (Daniel Hoffman, Policy Director PA. Low Income Housing Coalition)

- EAH has been used as a response to:
 - Rapidly rising housing prices in urban and suburban communities
 - Rural areas impacted by housing shortages
 - Fast-growing economies which make recruitment and retention costly
 - Employee turnover problems leading to reduced productivity, high training costs, and low morale
 - A need to reconfigure corporate wage and benefit packages to meet changing worker needs
 - Worker inefficiencies caused by long commutes
- No employer can assume the full costs of operating in a distant or distressed community can be fully externalised onto the public sector employee
- Employers will either have to intervene via housing benefit programs or bear the greater costs of inefficiency, turnover, corporate relocation, and security.

- The growth of EAH programs is limited by the lack of “off the shelf” housing products.
- Unlike health and life insurance or pension products, there is no entity marketing a standardised group benefit product
- The only standardised product nationally available is Fannie Mae’s EAH mortgage product
- EAH benefits offered in one of two ways
 - Demand programs increase the affordability of existing housing
 - Supply programs focus of specific housing units

Employer-Assisted Housing: Competitiveness through Partnership (Center for Housing Studies of Harvard University Neighborhood Reinvestment Corporation, 2000)

- Growing spatial mismatch between where job growth is occurring and where people can afford to live
- Creates employer costs as the local labour pool decreases and employee turnover increases.
- Difficulties recruiting employees and customers in declining areas
- Employers have a stake in extending housing affordability and creating housing opportunity while increasing the competitiveness of their businesses and the areas in which they are located
- Employer motivation to undertake EAH: (the 4 ‘R’s’)
 - Employee recruitment
 - Employee retention
 - Neighbourhood revitalisation
 - Community relations
- Employers incentivised to make use of EAH mechanisms:
 - in tight housing markets to recruit and retain employees
 - in soft housing markets where they have substantial investments to revitalise deteriorating neighbourhoods

How does it work?

- Supplemental funds (i.e. a grant or forgivable loan) toward the up-front costs of purchasing a home.

Who is using it?

- EAH has a long history in the U.S.
- However, the provision of housing assistance remains uncommon and is an unfamiliar concept in the corporate world
- Large employers (anchor institutions, i.e. hospitals and universities) and municipalities are prevalent in EAH provision

Employer-Assisted Housing: New Motivations, New methods and New Partnerships (Daniel Hoffman, Policy Director PA. Low Income Housing Coalition, 2000)

- A shortage of affordable housing to low and moderate income workers is imposing substantial costs upon employers in US regional economies
- High housing costs are creating
 - Loss of key personal to lower cost housing areas
 - Diminished productivity (lateness, absenteeism, other commutation related problems)
 - Unacceptable recruitment, retention, and wage cost distortions
 - Slowdowns in the growth of regional economies
 - Diminished corporate real estate values, especially in urban areas
- American employers beginning to offer housing benefits to non-management workers to help solve basic business problems in a cost effective, risk-minimising, and image enhancing manner.

New Partnership Opportunities

- Non profits, banks, builders, unions, and governments are seeking ways to work with employers to provide housing for low- and moderate-income workers.
- In Chicago, a non-profit community organization operates a revolving loan fund for worker's down payments capitalized by local employers.
- In Santa Barbara, local banks are providing below market down-payment loans made possible by payroll deduction and linked deposit arrangements by employers.
- In New England, non-profit housing organizations and developers are working with employers to secure land donations and write downs to build worker housing.
- In New Jersey, the state housing finance agency has created a down payment and mortgage guarantee program
- The Ford Foundation, Prudential Foundation, and the Farmers Home Administration are sponsoring research on EAH
- FNMA is already working with Midwest region employers and is seeking to do more (in other regions and nationally).
- State governments in New England, the Mid Atlantic states, the Southeast and Pacific Northwest have sponsored conferences on EAH. Increasingly, builders, realtors, mortgage bankers, labour leaders and non-profit housing advocates are beginning to search out new housing partnerships with employers.
- Employers find offering housing benefits to non-management workers can foster good labour, community, and government relations
- Forgivable down payment loans, below market down payment loans, and mortgage guarantees aim to help low and moderate income workers to achieve home ownership by reducing the down payment barrier.
- Forgivable down payment loans are attractive to employers with cash availability seeking to stabilise their workforce and productivity, reduce turnover and minimise recruitment and retention costs.

- Below market rate mortgages, group mortgage origination, and closing cost assistance programs aim to reduce employees' monthly carry costs on a home and the transaction costs of home purchases.

How Employers View Employer-Assisted Housing (Daniel Hoffman, Policy Director PA. Low Income Housing Coalition)

- Future growth of EAH depends on increasing individual employer knowledge of these programs and assessing employer attitudes towards EAH as part of a housing industry effort to create more accessible and standardised EAH products
- 1990 AAHI survey found respondents receptive to the idea of EAH were:
 - broadly representative of business in terms of geographic location, unionisation, and perceived business problems
 - more concerned about recruitment and retention issues than their more disinterested counterparts
 - more likely to believe a housing benefit programme would help recruitment, retention, productivity, and community and labour relations
- In the AAHI and Fannie Mae surveys, less than 30% of employers have been interested in providing housing benefits

Strengthening the Workforce and Communities Through Housing Solutions (Joint Center for Housing Studies of Harvard University and the Center for Workforce, 2005)

- Chambers of commerce can play a critical role in addressing workforce housing needs
- Chambers can play a critical role in helping to get local efforts off the ground and supporting such efforts

Obstacles to housing/business collaboration

- Structural differences between business and housing communities
- Lack of information
- Mutual mistrust
- Communication issues
- Paucity of shared forums
- Obstacles have been overcome, attendees noted when local chambers of commerce have served as conveners when there has been a sices of crisis
 - Housing community must rethink its relationship with the broader business community

3.3 Housing Solutions: Other countries

Affordable Housing in Canada: In Search of a New Paradigm (TD Economics Special Report, 2003)

- Strong correlation between neighbourhoods with poor quality housing and lower health outcomes.
- Inadequate housing supply can be a major impediment to business investment and growth
- Strength in the owner-occupied housing market – reflecting strong disposable income growth at the upper end of the income scale, and rising housing affordability – led to a shift in the composition Canada’s housing stock over the last decade.
- The rental housing stock either expanded at a slower rate than the owner-occupied housing stock, or declined, as existing rental units were demolished or converted into owner-occupied housing.
- Not all provinces have shied away from introducing affordable housing programs. Quebec, Manitoba, and Saskatchewan - have designed new programs aimed at preserving existing stock.
- Quebec
 - Low ownership rate compared to other provinces
 - Has offered financial incentives to encourage tenant residents to convert existing rental stock into owner-occupied condominium buildings.
- Manitoba
 - “Neighbourhoods Alive” targeting inner city neighbourhoods and affordable housing
 - “Winnipeg Housing & Homelessness Initiative” - agreement between Federal, Manitoba, and Winnipeg City governments that has produced 700 housing units (at last count).
- Saskatchewan
 - Two innovative programs targeting the maintenance of quality and affordable rental stock in its 4 largest cities.

Affordable Housing Scheme (Oasis, Information on public services: An Irish eGovernment Resource)

- Aim - to help lower income households to buy newly constructed homes and apartments in areas where property prices have created an affordability gap
- These properties are offered to eligible first-time purchasers at prices significantly less than market value.
- Local authorities provide land on which new houses are built, advertising their availability in the local press or radio
- If there are more eligible applicants than houses, the local authority will determine the order of priority, taking account of household circumstances.
- Houses are usually bought with a mortgage provided by the local authority.

- The Loan can be up to 97% of the house price, subject to repayments being no more than 35% of the household net income (income after tax and social insurance)

Income test

- Single income household - if gross income (in last tax year) was \leq e36800
- Two income households - multiply the gross income of the higher earner by 2.5 and add the gross income of the other earner (eligible if total is \leq e92000)

Mortgage subsidy

- If the gross income is less than e25500 , entitled to subsidy (e1300 - e2550 per year)
- The Subsidy will be paid to local authority

Additional sources of affordable housing

- Affordable housing is also provided under Part V of the Planning and Development Acts 2000 - 2002.
- Local authorities require developers to set aside up to 20% of new developments of 5 or more houses for social or affordable housing.
- Each local authority has to include these provisions (i.e. commitment to providing a percentage of social and affordable housing) in its housing strategy, which form part of the development plan for its area.

Edmonton Community Plan on Housing and Support Services 2005 – 2009 (Edmonton Joint Planning Committee on Housing, 2005)

- Purpose – to address homelessness, low-income housing and support service needs in Edmonton over the next 5 years
- Message - significantly more housing and support services required at all levels to address homelessness and affordable housing
- Effort should be concentrated to increase housing supply and services that provide longer-term solutions

Objectives

- Reduce gaps between existing supply and needed supply of housing and support services in Edmonton

Strategies

- Research on housing and support services
- Advocacy & awareness of homeless issues
- Regulation and policy
- Capacity building, co-ordination, and partnership
- Planning and performance monitoring of the Community Plan

Exploring New Financing Opportunities for Affordable Housing in Canada (Steve Pomeroy, 2000)

The Canadian Housing and Renewal Association (CHRA) in partnership with the Ontario Non-profit Housing Association (OHPHA) and the Public Policy Forum (PPF) wished to engage the private finance sector and senior government officials

in a discussion of opportunities for involvement in affordable housing initiatives.

Potential financial vehicles identified for discussion:

- Using the tax system to create new investment and preserve the existing stock via:
 - Tax exempt bonds
 - Tax credits for investment in affordable housing vehicles (i.e. an affordable housing Labour Sponsored Investment Fund and the CHRA “Housing Works!” Foundation concept
 - Charitable receipts and relaxation of CCA recapture on rental housing
- Encouraging equitable lending practices and risk sharing (e.g. US Community Reinvestment type regulations)
- Customised Mortgage insurance underwriting and securitisation guidelines for
 - Non-profit housing
 - Assisted homeownership
- Proposing affordable underwriting goals for CMHC MBS activities
- Accessing and leveraging equity in existing social housing portfolios
- Assisted ownership

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