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Affordable Housing in the Bay of Plenty Region – A Solutions Study

PREPARED BY

**Capital Strategy / SGS
Economics and Planning**

FOR THE

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Aotearoa New Zealand**

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Final Report

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Centre for Housing Research Aotearoa New Zealand

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Department of Labour

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1. Executive Summary

1.1 Introduction

Capital Strategy Limited and SGS Economics and Planning Pty Limited were appointed in mid 2006 by CHRANZ and the Department of Labour to complete this research project on Affordable Housing in the Bay of Plenty – A Solutions Study.

The objectives of the project were to:

- Investigate the links between housing, work, infrastructure and regional development across the Bay of Plenty (BOP) region, covering the following dimensions:
 - affordable housing in housing markets under stress
 - regional economic development issues, including regional growth and labour markets
 - residential water and waste-water infrastructure, transport infrastructure and social infrastructure (schools)
- Enable a locally owned solutions plan to be developed and implemented.

The focus for this study was on two BOP sub-regions:

- Western Bay of Plenty (WBOP), comprising the Tauranga City Council and Western Bay of Plenty District Council areas.
- Eastern Bay of Plenty (EBOP), comprising the areas for Whakatane District Council, Kawerau District Council, and Opotiki District Council.

A Reference Group was established comprising key stakeholders across the study region. Four facilitated workshops were held in the region with the reference group. Interviews were conducted with a range of key stakeholders and informants.

An estimate was produced of the numbers of households in the region that are currently suffering housing stress.

A key part of our analysis was the construction of an input-output model of the Bay of Plenty region, customised for the purpose of estimating future demand for affordable housing. We estimated the increase in job numbers within occupations which can be deemed to be in the lower range of the income distribution. The input output model was used to estimate the economic cost of not responding adequately to demonstrated needs for affordable housing.

1.2 Research Scope, Report Format and Content

This project included both quantitative and qualitative research and analysis. It involved econometric modelling of the BOP economy to forecast future job requirements and the likely number of households needed to satisfy expected labour requirements. We assessed: housing stress; trends in housing stock; infrastructure requirements; council planning policies, and land availability. Maori land ownership and housing issues were addressed. Our analysis produced a schematic policy map that identified policy issues and options. We canvassed options available and possible solutions with a Reference Group in the region, and have recommended approaches for local and central government and the BOP community to consider.

Our research concentrated particularly on:

- calculating the extent of 'housing stress'

- assessing the economic impact to the BOP if affordable housing was not addressed
- estimating the number of affordable homes required by 2051
- calculating the affordability gap for both home owners and renters

Chapter 9 outlines the estimate of the number of households (both rental and owner-occupied) in the region suffering housing stress. Households were considered to be living in housing stress if the housing occupancy or direct shelter cost exceeded 30 percent of the gross household annual income and the households were in the bottom two quintiles of the income distribution.

An input-output model of the BOP region (chapter 10) was created to estimate future demand for affordable housing. We estimated the future trajectory of the BOP economy and the resulting increase in job numbers for the lower range of the income distribution. The input-output model was used to estimate the economic cost of not responding adequately to demonstrated needs for affordable housing.

We conducted 65 interviews with key stakeholders from councils, developers and builders, employers, unions, welfare and community support organisations, tribal authorities and Maori agencies, financial institutions, economic development agencies, and education and housing organisations (chapter 14).

A Reference Group was established comprising key stakeholders across the study region. Four facilitated workshops were held in the region with the reference group.

Chapter 5 covers housing affordability and its drivers. Affordability is more than a household's income capacity. The labour market, interest rates and transport availability and accessibility clearly impact. An environmental scan (chapter 6) gives an overview of the BOP economy, and the WBOP and EBOP sub-regions, their population, housing and household income. This project particularly targets housing affordability for households with low to medium income. This chapter looks at housing circumstances in the BOP, the providers of social housing and the various housing communities of interest; especially lower income groups such as seasonal workers, and low waged workers.

Projections and estimates are outlined in chapter 7 for household formation and demand for affordable housing, household prices and housing stock availability for each of the five council areas; and importantly the affordability gap for home ownership. Two scenarios for sustainable annual mortgage payments for the bottom two quintiles are derived. They show there is little prospect of this group purchasing a typical 'entry-level' house in the WBOP urban area. Rental alternatives are also very restricted. The chapter also covers building costs, housing condition and temporary dwellings.

Chapter 8 examines local and regional council planning strategies including the WBOP SmartGrowth strategy. It discusses development potential, new dwelling consents and subdivision activity in the WBOP.

Chapter 11 covers housing issues for seasonal and temporary workers.

Chapter 12 canvasses Maori land and housing issues especially the latent potential associated with Maori economic development; the location and constraints on developing multiple-owned Maori land; and housing condition particularly in the EBOP and rural areas.

Issues analysis (chapter 15) suggests that the key questions for affordable housing in the BOP revolve around addressing market failure and inefficiency; finding opportunities to improve safety nets; and growing the Third Sector.

Proposed solutions (chapter 16) identifies the main market efficiency issues for the BOP: trunk infrastructure, assembling and releasing brownfield and greenfield land for development, the high cost of infrastructure and up-front charging, housing for seasonal and low skilled workers, as well as the need for more innovative home ownership finance products.

A Conclusions, Policy Implications and Recommendations chapter (chapter 17) and a summary of recommendations (chapter 2) propose nine recommendations to improve market efficiency, and a further 12 recommendations cover 'safety net' and Third Sector housing. This sector could play a much greater role in the BOP region. We recommend that one or two sizeable Community Housing Organisations be set up (with government transfer of HNZA stock and Councils' transfer of pensioner housing stock). A further eight recommendations cover data collection and statistics requirements. Further action is recommended on housing condition; health; education on home ownership; and, surveying unsurveyed Maori-owned land.

Institutional reform supported by central government is important. Although the focus for this study is the BOP region, our analysis shows complementary action by central government is vital. A modern housing policy should have an overarching housing policy framework for regional action with a package of more proactive policies with regulation and incentives (through inclusionary zoning; urban renewal powers; and establishment of development corporations e.g. Council Controlled Organisations (CCOs), to undertake land aggregation and development projects.

We conclude that significant progress on affordable housing issues in the BOP region is unlikely in the absence of significant reform of a range of national institutions and programmes, especially for safety net and Third Sector housing. It is necessary to rejuvenate and accelerate growth in the Third Sector in a competitive, prudentially supervised environment. We recommend that further research is undertaken on the five measures canvassed in chapter 17.

The availability of affordable housing, both locally and nationally, is affected by interest rates, the availability of housing finance, income levels and the demand for housing generally. Therefore while this project focuses on the BOP region, it is necessary to consider the national policy context. Consequently, recommendations to address housing affordability in the BOP span both regional and national solutions. In the context of "enabling a locally owned solutions plan to be developed and implemented" the recommendations that impact on national policy and central government decisions rely on the region's organisations support for taking advocacy action.

1.2 Key Results

1.2.1 Housing Stress

Key findings from the analysis in Chapter 9 on housing stress¹ in the Bay of Plenty included:

- Between 7,453 and 8,800 households in the BOP live in housing stress (2001 data). This represents 13% to 17% of all households
- Housing stress affects both home owners and renters. Approximately 41.7% of rental households and 6.6% to 17.5% of owner occupied households live under housing stress
- In percentage terms, the problem is greatest in Kawerau (16% - 21%) and Opotiki (17% - 22%)
- In absolute terms the problem is greatest in Tauranga (4,911 – 6,031 households)

¹ For the purposes of this study, a household is considered to be living in housing stress if the housing occupancy or direct shelter cost exceeds 30 percent of the gross household annual income and the households are in the bottom two quintiles of the income distribution.

1.2.2 The Labour Market and Affordable Housing

The key findings from the analysis in Chapter 10 of the labour force projections to meet economic development targets, and the associated demand for affordable housing, included:

- There is potential for 55,000 additional jobs between 2001 and 2031 (compared to 95,000 jobs in 2001)
- One third of jobs growth will be in professional and semi-professional jobs. There will be significant jobs growth in jobs such as service and sales, clerks, plant and machine operators, agriculture and fishery workers
- The rate of new household formation will require a sustainable supply of a skilled professional trades workforce (e.g. carpenters, electricians, plumbers) in the Bay of Plenty to build and maintain these homes
- Approximately 74% of jobs will be paying less than \$40,000
- New jobs will support an additional 33,930 households, but 45% of these will have a household income of less than \$50,000
- There is a conservative projected need for between 3,000 and 5,100 affordable dwellings for workers over the 2001 – 2031 period
- Lack of affordable housing will choke off labour supply to BoP driver industries which could result in regional 'GDP' being lower by \$280 million and 6,640 fewer jobs (-12%)

1.2.3 Solutions of Scale are Needed

The two sub-regions need different solutions of scale on the supply side to address the lack of affordable housing. Both regions require more affordable houses, improved public transport infrastructure to improve access links between affordable housing, work and recreation and in particular between the EBOP and WBOP. Both regions would benefit from additional Third Sector housing through developing some sustainable organisations of scale, building partnerships, and utilising shared service arrangements

However, the WBOP requires thousands of new affordable houses now, and in the future, to cater for growth if economic development targets are to be achieved, and to minimise housing stress and related adverse social and health consequences. The EBOP also requires more affordable housing, but with a projected stable or declining population in some towns, its priorities are quality rather than quantity driven. House condition in some areas of the EBOP is poor. This region has a greater need for indirect assistance on housing related skills (budgeting, maintenance) and enhancing the community housing sector.

1.2.4 The Affordability Gap: Income and House Prices

There is insufficient lower-priced housing (both owner occupied and rental) available for households in the bottom two quintiles of income distribution (combined household gross income up to \$30,000) especially in the WBOP and Tauranga.

The housing stress research shows that for households paying mortgages, the maximum sustainable annual mortgage payment on this income is \$9,000 pa. The serviceable mortgage at this level is only \$102,500. There are very few houses available in this range. In the combined WBOP region, 3.1% of houses are valued up to \$200,000, and 12.6% up to \$250,000. Only a small proportion of these houses (7.7%-8.4%) would be put on the market each year.

Housing is cheaper in the EBOP; 59.6% of houses have values of up to \$200,000, and 72.1% up to \$250,000. Again, only a proportion of these houses would be put on the market each year (5.2%-8.8%).

Rental options are also constrained for this lower income group. The sustainable weekly rental for a combined household income of \$30,000 is \$173. There are very few areas in the BOP where median rental levels are at \$173 or below. The average rent for a three-bedroomed house is \$250 –\$ 285 in Tauranga and \$200 in Whakatane. If a family required more than two bedrooms they could only afford to rent in the Kawerau or Opotiki districts.

1.2.5 Maori Economic Development and Multiple-owned Land

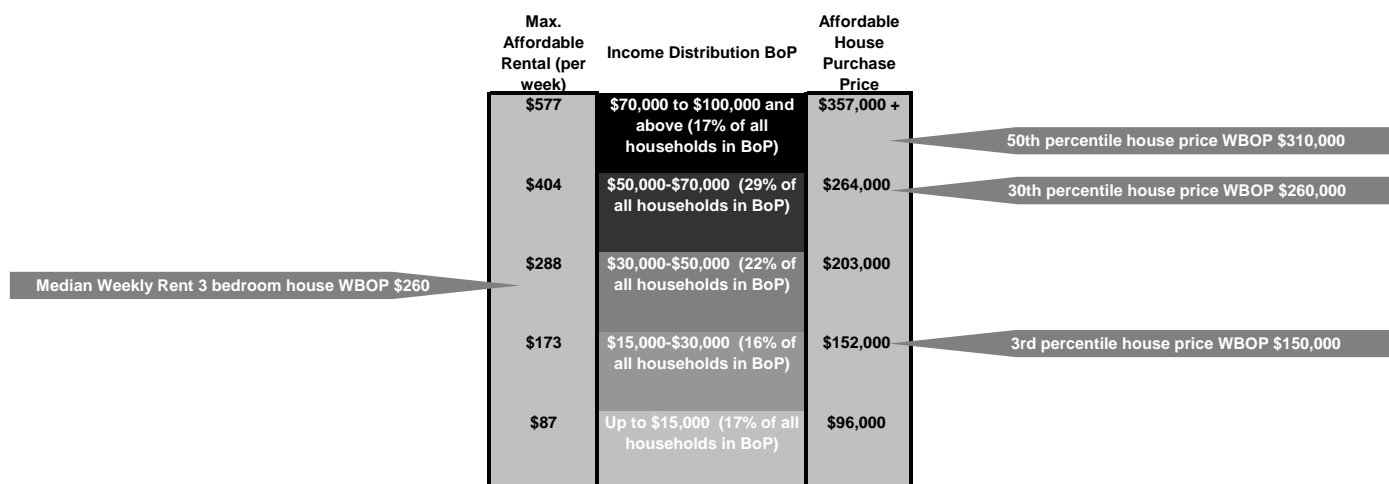
There is considerable latent potential associated with Maori economic development in the region founded on growth in existing enterprises, deployment of resources from fisheries and treaty settlements and also application of internal resources. There will be a need for additional affordable housing for lower paid occupations to support such growth. Unlocking the potential further development on multiple-owned Maori land will be a key factor in supporting this economic development.

1.2.6 A Housing Policy ‘Map’

From the analyses and the consultations undertaken for this study, it is possible to construct a housing policy ‘map’ for the Bay of Plenty Region. The first part of this ‘map’ is shown in the first figure below. This diagram shows the income distribution for the Region, broken down by the national income quintiles as at the 2001 Census. For each quintile group, the maximum affordable weekly rental and maximum affordable home purchase price is shown (for more details refer to Chapter 16). Thus, a household at the top end of the second income quintile (combined household income up to \$50,000) could afford to purchase a house worth \$152,000 on the open market. Both this figure and the maximum affordable rental shown in the diagram were calculated on the basis of 30% of total household income being allocated to housing costs.

The diagram shows that the bottom two quintiles are effectively locked out of the home purchase market. With respect to rental housing, up to 60% of households would be hard pressed to find affordable accommodation according to these broad-brush indicators.

Figure 1 Income Distribution, Housing Rents and Housing Prices, Bay of Plenty



This underscores key gaps which may be opening up in the coverage of housing policies and programmes at the regional and, indeed, national levels. This dimension is shown in the second element of the 'map', in the figure below. This figure identifies three broad target groups for housing policy, though we stress that this is a schematic representation which should not be relied upon for precise definition of the income bands in question. Salient features of each target group are described in the following paragraphs.

Figure 2 Housing Policy Gap



Group 1 has been the traditional focus of 'safety net' policies in New Zealand and in the BOP. Unlike its early post-war mandate, where it supplied housing to ordinary working New Zealanders, Housing New Zealand Corporation (HNZC) now focuses on Group 1. Group 1 is also the main target for Community Housing Programmes.

Households in Group 1 are likely to be severely squeezed in the current regional rental market.

Group 3 has also been a traditional target of policy at the national and regional levels. Groups 1 and 3 once effectively covered the entire New Zealand population. What we have highlighted in

this report is the emergence of another key group, deserving of focussed policy attention but for which little has been done to date.

Group 2 comprises households which are actively engaged in the mainstream economy but, unlike previous generations, may not be able to access home ownership in the absence of some special benefit (inheritance, assistance from family etc). Towards the lower income end of Group 2, households in important but low paid jobs are finding it increasingly difficult to get good rental accommodation at an affordable price, and the dream of owning a home is all the more impossible.

Group 2 households are increasingly being referred to as an 'intermediate housing market'. Households in this market typically have income that is too high to qualify for social housing but is too low to meet market prices for house rental and / or purchase.

In the UK, a recent (2005) Rowntree² study in England, Scotland and Wales pointed to 1.25 million younger working households who could not afford full home ownership in the open market. In New Zealand, recent (2007) research³ on the Auckland region identifies a growing intermediate housing market (20,400 households in 1996 growing to 54,900 in 2006). These market characteristics are increasingly apparent in the BOP region and are reflected in our Group 2.

1.2.7 Policy Response

Other factors are at play when considering whether a policy response is required specifically for Group 2. Unlike their counterparts from previous decades, households in this group will be called upon to be much more mobile in a labour market sense. Also, unlike previous generations, this group is likely to have significantly higher expectations in terms of the quality of accommodation and its location vis a vis services and lifestyle facilities.

One option is to do nothing in particular for this group, on the basis that it has a relatively secure, market driven income. On this basis, the generation of new housing opportunities for this group can be left to the dynamics of the market, including for example, hoping that the market will see and respond to opportunities to provide shared equity products and expanded investment in private rental housing. However, the market may not respond, and there are several reasons why a focussed policy response would be well advised. They include:

- There is little evidence that the supply side of the rental sector in regions like the BOP has the capacity to adjust to growing demand. Typically, the sector is dominated by small scale investors and supply has been price inelastic.
- Failure to accelerate the adequate provision of housing options for this group in the more economically vibrant parts of the region can impair the efficiency of the local labour market, aggravating already troublesome skill shortages.
- If households in Group 2 adjust to the lack of housing options by locating to peripheral locations (instead of migrating out of the region or the country) the resultant settlement pattern will be less sustainable, as it will be characterised by greater car dependence and usage.

² Affordability and the Intermediate Housing Market: Local Measures for all Local Authority Areas in Great Britain. Steve Wilcox, Joseph Rowntree Foundation, 2005.

³ The Future of Home Ownership and the Private Rental Market in Auckland, DTZ, CHRANZ March 2007

1.3 Proposed Solutions to Affordable Housing Challenges in the Bay of Plenty

Against the background of this ‘policy map’, we have framed a set of ‘solutions’ in Chapter 16 with the underlying objective that housing policies should be contributing to diverse and healthy communities across the region, averting the potential for social exclusion and optimising the scope for an efficient labour supply into the region’s export and local service industries. There are three themes to these solutions:

- Maintaining a healthy and competitive land and housing market;
- Maintaining a commitment to adequate and appropriate ‘safety net’ housing; and
- Accelerating the development of a ‘Third Sector’ in the region’s housing market.

These recommended solutions are outlined in Chapter 2.

The Reference Group’s evaluation, at the final meeting on 1 June 2007, of these recommendations/proposed solutions is outlined in Appendix 3. Some of the recommendations in this report incorporate changes based on feedback and discussion at this meeting. Appendix 3 includes a measure of the degree of support at the meeting from the Reference Group, a summary of the key points raised in discussion, organisations that need to be involved in progressing this, and next steps. There was general support for most of the recommended solutions, but several received little support.

1.4 Proactive Local Government Policies and Large Community Housing Organisations

It is considered that the ‘biggest impact’ over time and in relation to the population affected will come from the following particular solution sets:

- A package of more proactive policies than currently exist in the local government sector in the region that will operate together providing both greater regulation and incentives (through Inclusionary Zoning, providing urban renewal powers or creating urban renewal agencies, and establishing development corporations e.g. Council Controlled Organisations (CCOs), to, for instance, undertake land aggregation and development projects)
- The recommendation to focus resources and grow one or two Community Housing Organisations in the Bay of Plenty to become organisations that are sustainable and achieve scale economies (it is proposed that Government transfer HNZC stock and Councils transfer pensioner housing stock to these one or two Housing Associations)

It is considered that the presence of one or two sizeable Community Housing (Third Sector) Organisations⁴ in the Bay of Plenty will lead to a growth in supply of affordable housing in the short to medium term as a result of a combination of the following:

⁴ Refer also to Affordable Housing: The Community Housing Sector in New Zealand. Prepared for CHRANZ by Capital Strategy Ltd and SGS Economics & Planning Pty Ltd. 2007. This report proposes a significant change in the role and status of community housing (“Third Sector”) organisations in New Zealand, and suggests that it is necessary to establish a large scale ‘Third Sector’, that is neither purely a social housing provider, nor purely a private sector provider in the sense that it is motivated by optimising profit and shareholder value. These would be not for dividend corporations bound by social objectives. They would actively seek contracts to deliver safety net and special needs housing services, potentially in competition with the traditional provider of such services (HNZC), but would also offer a range of other services in sub market rental housing and affordable home ownership products. They would seek out profitable development projects but with a view to ploughing the returns back into expansion of affordable housing opportunities.

- Their new ability to leverage off a significant and credible balance sheet to raise finance
- Their ability to undertake new developments either in their own right, or with developers and CCOs and HNZA as a credible partner
- The potential to enter into partnerships with tribal authorities and smaller community housing organisations to support their respective developments
- As a potential recipient of funds or land arising from introduction of Inclusionary Zoning
- As a potential recipient of surplus public land, or strategic land from CCOs or urban renewal authorities, vested or transferred for the purpose of undertaking affordable housing developments in brownfield areas or areas targeted for urban intensification

2. Recommendations

This chapter outlines the proposed recommendations. Chapters 16-17 discuss potential solutions and the recommendations in more detail. Appendix 3 summarises the feedback and degree of support from the Reference Group following its final workshop.

2.1 Market Efficiency

In respect of market efficiency we have proposed that:

- *Developers have the opportunity to propose an out of sequence development providing the developers fully fund the extension of trunk, local and social infrastructure. Councils in the BOP continue to reassess their approach to development sequencing with a view to providing tight and fine grain release schedules (to support more cost efficient roll out of infrastructure) and to act as a suitable benchmark for the calculation of 'bring forward' costs;*
- *Councils in the Bay of Plenty Region establish CCO's to:*
 - *undertake demonstration infill projects, or brownfield developments, potentially in joint ventures on Council owned land*
 - *facilitate public private joint ventures to renew / "densify" obsolete HNZN estates*
- *Central government investigates establishment of an Urban Renewal development agency and/or granting` renewal powers to local government, including powers of compulsory acquisition for land development and land value capture;*
- *Councils in the Bay of Plenty Region review rating arrangements to create a disincentive to land withholding. This could operate in conjunction with sequencing plans, in that rating premiums might apply where land is, say, more than five years 'overdue' for development according to a staging schedule set out in planning policy. Such a mechanism may require amendments to local government legislation;*
- *Consistent with earlier recommendations for the establishment of urban renewal legislation, central government investigates granting greenfield land aggregation powers to local authorities, including the tools of compulsory acquisition and land value capture;*
- *Development contributions be limited to items which are essential to health and safety. This should be adopted by all Territorial Authorities in the BOP region to ensure consistency;*
- *Development contribution plans be subject to a strategic justification and independent audit process to avert over-engineering of infrastructure (for network capacity or service standards)';*
- *All major agribusiness, tourism and other development proposals and existing operations that rely on low wage workers incorporate suitable on-site accommodation and/or provide cash in lieu payments to registered off-site accommodation providers; and*
- *HNZN - or another organisation as appropriate - work with a major banking partner to pilot a shared equity scheme in the Bay of Plenty, along the lines of the scheme recently launched by the Western Australian Government*

2.2 Safety Net and Third Sector Housing

With respect to safety net and Third Sector housing we have proposed that:

- *Central government accelerate the growth of one or two community housing groups into fully fledged Housing Associations. The objective would be for the Associations to have housing stock of at least 200-500 units at the absolute minimum in the near term, and preferably up to 3,000 plus units in the medium term, to achieve scale economies and have the balance sheet capacity to leverage to achieve further greater growth.,*

This would occur through stock transfers from HNZC. It is proposed that these stock transfers are supplemented by transfer of pensioner housing stock to these organisations from both WBOP and EBOP Councils;

- *Central government should establish a national prudential supervision framework for Third Sector housing;*
- *Councils introduce Inclusionary Zoning across all development areas in Tauranga City and the WBOP District to generate stock / supplementary funding for the Third Sector housing organisations;*
- *Any CCO and Urban Renewal Agency that is established should where appropriate offer Third Sector housing providers preferential access to surplus Council (and other publicly owned) land and pursue development partnerships with these providers;*
- *Councils and other organisations in the BOP should advocate to central government and HNZC to ensure their community housing assistance programmes are:*
 - *targeted and developed within a long-term strategic framework and include policy objectives that provide for sustainability*
 - *funded longer term so as to provide better certainty and security and ensure sustainable organisations are targeted.*

This will go hand-in-hand with the establishment of a regulatory framework for Third Sector housing;

- *Zoning densities on areas planned for papakainga or kaumatua housing on multiple owned Maori land be reviewed, subject to development/structure plans being prepared by tribal authorities that are linked to an overall iwi or hapu management plan;*
- *Development contribution fees and other infrastructure fees or levies that are incurred when building a house on Maori land are able to be included as a suspensory component in applications for loan finance to Government;*
- *An information booklet is made available to borrowers by financial institutions when loans are being applied for on the true costs of home ownership or operation;*
- *Greater government funding is provided to budget advisory services in the BOP, and to educational institutions to offer night classes and other courses, on budgeting skills associated with saving for home ownership and running a home;*

- *Greater government funding is provided to assist budget advisory services to work with banks, other lenders, and utility companies to develop information packs available to aspiring home owners or renters;*
- *Greater investigation, planning and implementation of public transport services both within urban areas, and intra-regional services, occurs to improve access for people between affordable homes and where they “work and play”; and*
- *A requirement is inserted into the planning process to demonstrate that the subdivision design provides for connectivity to and accessibility for public transport services.*

2.3 Institutional Reform

While the focus for this study has been the BOP region, our analysis clearly points to the need for enabling and complementary action at the central government level. Indeed, significant progress on affordable housing issues in this region (or any other for that matter) is unlikely in the absence of significant reform of a range of national institutions and programmes. Detailed discussion of these warranted reforms is beyond the scope of this project. However, we see a need for five key elements as follows:

1. Establishment of some form of national ‘Housing Guarantee’, committing Government to adequate investment in ‘safety net housing’ whether this is achieved via HNZC, Third Sector providers or private sector providers in receipt of contracted subsidies;
2. Creation of an appropriate institution, similar to the ‘Housing Corporation’ in the UK, charged with the responsibility of allocating capital subsidies to providers of various forms of social housing (i.e. HNZC, Third Sector and contracted private sector providers), and maintaining independent prudential supervision of all enterprises involved in this activity;
3. Establishment of a special programme to accelerate the growth of Third Sector ‘not for dividend’ providers of safety net housing and a range of other housing services (including shared equity and subsidised rental). This could occur, as noted, through stock transfers from HNZC in a pilot region like the BOP;
4. Fostering a competitive environment within which HNZC, the Third Sector and candidate private sector providers are encouraged to generate best value strategies for the creation and maintenance of social housing opportunities; and
5. Adoption of appropriate ‘urban renewal’ legislation, incorporating the capacity for land value capture and land aggregation to facilitate more efficient release and development of both greenfield and brownfield land.

It is recommended that further research be undertaken in relation to these five key elements.

In addition to the principal recommendations above there is a series of secondary recommendations that have been made in various chapters of this report, and these are outlined in the following sections (2.4-2.6).

2.4 Data Collection and Statistics

We have recommended that:

- *Statistics New Zealand collects information on direct shelter cost for owner occupied dwellings in the future Censuses (Census only collects this information for households in rented dwellings)*
- *Economic development agencies in the region and the Department of Labour carry out some more detailed survey work to get a better and finer grained employment dataset and forecasts which could then be input to the model developed for this study. More specific forecasts of labour by TLA by low income category, etc, could also be incorporated based on a more robust input dataset from additional survey work identified in the next bullet point*
- *Organisations in the BOP consider updating the analysis of housing stress using models developed for this study using results of the 2006 Census once the full census results and 2006 HES data (expected Oct/Nov 2007) are released. Organisations in the region may also wish to consider commissioning an especially devised survey to collect information at a detailed level on household income and housing occupancy cost. This data is not collected in the Census and HES is the only data source that provides this information, hence this data is not as comprehensive and specific to the region as would be desirable when using the results for planning purposes*

2.5 Housing Condition, Health, Education on Home Ownership

We have recommended that:

- *A sample survey is conducted to obtain valid and reliable data on the condition of the housing stock in the region, both for the interior and exterior of the property. This will enable an accurate assessment to be made on the number and location of sub-standard dwellings to inform the focus of training programmes on housing maintenance and the targeting of specific funding to address this issue. One option is to provide additional funding to BRANZ⁵ such that it could extend its independent sample survey on house condition to other regions in New Zealand, including the Bay of Plenty*
- *Education on home ownership has a component dedicated to education about home maintenance and this aspect should be extended throughout the BOP (as incorporated in training courses such as by Trade Training in Opotiki, and the HNZC current home ownership education to prospective home owners could be extended to also include education on home maintenance)*
- *A continued focus is required on house insulation to both reduce on-going operating costs of homes and to improve health outcomes*
- *A similar study is conducted in the BOP to that of the pilot developed in partnership between HNZC and Counties-Manukau and Auckland District Health Boards where they have developed a joint housing/health assessment programme, which assesses tenant's*

⁵ BRANZ Ltd – an independent building research organisation owned by the Building Research Association of New Zealand Incorporated.

risk of meningococcal and other diseases, based on the number of occupants per bedroom and measured risk factors

2.6 Surveying Maori Owned Land

We have recommended that:

- *The locations and quantum of unsurveyed Maori land in the Bay of Plenty is identified to enable an assessment of the resources required to carry out this surveying task, and the appropriate source of funding.*

3. Aims and Objectives of the Research

3.1 Aims

This research aimed to investigate the links between affordable housing, infrastructure and regional development in the Western and Eastern Bay of Plenty sub-regions. The research results aim to contribute towards the development and implementation of locally owned solutions to meet any identified issues arising between affordable housing and labour requirements in the two sub-regions.

3.2 Objectives

The objectives of the project were to:

- Investigate the links between housing, work, infrastructure and regional development across the Bay of Plenty region, covering the following dimensions:
 - affordable housing in housing markets under stress
 - regional economic development issues, including regional growth and labour markets
 - residential water and waste-water infrastructure, transport infrastructure and social infrastructure (schools)
- Enable a locally owned solutions plan to be developed and implemented.

3.3 Research Questions

The following research questions were addressed:

- To describe the nature of the housing stresses currently being experienced in the Bay of Plenty region, to quantify and map their occurrence paying particular attention to the subpopulations affected, and to look ahead to future pressures that may affect the regions
- To identify the primary drivers of demand for low to moderate income (Deciles 1-5) housing
- To outline the differences between the housing market stresses encountered by seasonal/temporary workers as compared to the permanent workers in the Bay of Plenty region and address their separate solutions where appropriate
- To identify land availability and the opportunities and constraints to increases in local housing supply
- To identify the constraints in current planning policies which might be limiting supply responses
- To identify the linkages between labour supply and demand in the Bay of Plenty region and the prevailing housing market, including the following components:
 - The capacity of the low income labour that is needed in both the production and service sectors, to purchase or rent affordable housing
 - The scope which existing and potential employers have to either supply or subsidise such housing (or transport employees from more remote locations)
 - The option for the regions, as part of their economic development strategic planning, to explicitly plan how their labour and associated accommodation needs might be met
 - To argue the relationship between housing market constraints and regional development.

4. Methodology

This chapter outlines the quantitative and qualitative research carried out, and the approach and key assumptions used. Key components of our methodology included:

- Establishment of a large Reference Group with diverse membership of key stakeholders that met four times during the project to provide input and feedback to the research as it progressed, and local opinion and feedback on the proposed recommendations
- Detailed interviews with 65 interviewees across a diverse range of key stakeholders to provide both local insights and to assist in validation or corroboration of issues and options identified
- Modelling to identify the proportion of households suffering housing stress
- Econometric modelling of the BOP economy to forecast future job requirements and the associated affordable housing need, and also the economic consequences of not meeting this housing requirement
- Analysis of council planning strategies and infrastructure plans
- Analysis of the composition of the housing stock in the region
- Analysis of Maori housing issues
- Development of solutions in a collaborative and iterative fashion with the Reference Group

4.1 Definition of the Bay of Plenty

The focus for this study was on two Bay of Plenty sub-regions:

- Western Bay of Plenty, comprising for the Tauranga City Council and Western Bay of Plenty District Council areas.
- Eastern Bay of Plenty, comprising the areas for Whakatane District Council, Kawerau District Council, and Opotiki District Council.

Research was also carried out, at an overview level, of the broader Bay of Plenty region to set these sub-regions in context. The following map from the Bay of Plenty Regional Policy Statement shows the relevant local authority boundaries⁶:

⁶ Environment Bay of Plenty

Figure 3 Map of BOP Region



4.2 Collation of Information and Data Sources

Considerable analytical work has already been carried out for/within the region in preparing economic development strategies for regional organisations, and producing a wide range of other social, environmental, economic and cultural research.

We identified existing information available in the research/literature review phase in a “discovery” process with stakeholder organisations. This enabled us to build on and leverage off what was already there, and to identify and focus on information gaps. There was a significant body of New Zealand and international research that has been produced on affordable housing, and on the wide range of housing issues relevant to this study. These relevant research findings have been incorporated and referenced in the appropriate chapters of this report.

4.3 Environmental Scan

An environmental scan of information on the economy, population, income, housing circumstances and housing communities of interest (based on a synthesis of existing research information) was prepared and presented to the first Reference Group workshop in August 2006.

4.4 Reference Group

A Reference Group was established comprising key stakeholders across the study region.

The reference group, and support sought from supporting organisations in establishing the reference group played a key role in providing prior and current relevant research material, data/information, and also direct and “in-kind” support e.g. Council and government department policy staff assistance.

Initial meetings were carried out with representatives of key stakeholder organisations in the region at the beginning of the project to start the process of establishing the reference group, who should be on it, to discuss what information and resources was available within their and other organisations and to identify linkages and referrals to follow-up.

Four facilitated workshops were held in the region with the reference group. A number from the reference group were also interviewed during the process.

Although we focused on two sub-regions within the Bay of Plenty we considered a single reference group was appropriate rather than one for each sub-region. The reasons included:

- Some key stakeholders, from e.g. employers, support agencies, and iwi, would “bridge” or represent the entire Bay of Plenty region
- There are a number of economic and infrastructural linkages between the Eastern and Western Bay of Plenty

The Reference Group membership is outlined in Appendix 1.

4.5 Reference Group Workshops

Four half day facilitated workshops were held with the full reference group and also other invited stakeholders at four milestone points in the project.

This helped achieve progressive buy-in and ownership, enabled collaborative consideration of significant issues associated with different potential scenarios, and to work together to develop sustainable solutions for the region.

- First workshop To meet, identify and discuss issues
- Second workshop To be briefed on a synthesis of feedback from stakeholder interviews, output from research, to discuss and debate options (propose solutions) to address identified problems
- Third workshop To discuss an evaluation of proposed solutions, roles, priorities
- Final workshop Provide feedback to the proposed solutions (and the associated roles, responsibilities, timeframes, resources)

The workshops were held at the offices of the Tauranga City Council (August 2006), Whakatane District Council (December 2006), Opoiki District Council (March 2007), and the Western Bay of Plenty District Council (June 2007).

4.6 Interviews

Key informant and stakeholder interviews were held on a 1-1 basis (or phone interviews in some cases) in both July 2006 and October/November 2006 to provide further in-depth information and perspectives at different stages of the project, and also to elicit views that would be unlikely to be shared in a group situation. Some interviewees were asked to complete and return the interview questions forwarded to them at their own convenience where this was appropriate.

The initial step in the research process prior to interviews was to identify the stakeholders in the region and choose an appropriate sample.

A structured interview process was followed, involving design of both core and specific questions tailored to particular stakeholder groups. These questions were pre-circulated to interviewees prior to interview (and are attached as Appendix 7).

The results of the interviews are described in Chapter 14 and the list of interviewees is attached as Appendix 2.

4.7 Supply Side Trends and Capacity

We reviewed information on the supply side pipeline for housing, including:

- The inventory of developable land stocks and potential for residential intensification
- The regional land and housing development sector, particularly to assess the degree of market concentration
- The planning and development approval process, to identify any obvious blockages or shortcomings
- The infrastructure funding regime in the Region, particularly with respect to developer charges and financial contributions, to understand the extent that these policies might affect supply side elasticities.

4.8 Current Housing Stress Levels

An estimate was produced of the numbers of households in the region that are currently suffering housing stress. This was completed by comparing household income data (for both rental and owned homes) with outgoing costs for rents or mortgage and rates.

A summary of the results of this analysis is reported in Chapter 9 and further supporting information in Appendix 10.

4.9 The Relationship between the Economy, Labour Market and Affordable Housing

A key part of our analysis was the construction of an input-output model of the Bay of Plenty region, customised for the purpose of estimating future demand for affordable housing.

The input output model was used to explore a range of scenarios for the ongoing economic expansion of the Bay of Plenty Region, drawing on the work of economic development agencies active in the area. Using cross tabulations relating sectoral output (e.g. Australian New Zealand Standard Industry Classification - ANZSIC) to occupational structure (e.g. Australian and New Zealand Standard Classification of Occupations - ANZSCO), we estimated the increase in job numbers within occupations which can be deemed to be in the lower range of the income distribution.

The input output model was used to estimate the economic cost of not responding adequately to demonstrated needs for affordable housing.

A summary of the results of this analysis is reported in Chapter 10 and further supporting information in Appendix 11.

4.10 Infrastructure Projections and Assumptions

We reviewed and analysed assumptions in Council detailed water and wastewater assessments required to be produced under the Local Government Act with the assumptions and trends contained within documents such as the Regional Policy Statement, SmartGrowth Strategy and Implementation Plan, and individual Council Long Term Council Community Plans (LTCCPs). We also tested our analysis in the interview phase with selected stakeholders such as property developers, and also with Council infrastructure policy staff.

We liaised with the Councils and Transit New Zealand and analysed projections and related assumptions on current and future travel patterns and road and passenger transport infrastructure and services within and into/out of the region where this may affect location decision's made by:

- People on where to live and work
- Businesses and public organisations, including possible growth and expansion in the region

Similarly in relation to education infrastructure we contacted the Ministry of Education in relation to demographic projections, and the location of current and future schools in relation to the potential relationship with housing.

4.11 Council Planning Strategies

We reviewed the general location, sequencing and quantum of residential development being provided for in Regional and District Plans for the WBOP and EBOP regions.

The report summarises information on development trends for the past five years and local authority estimates of the future capacity of land planned to accommodate residential development.

The supply of zoned land and its development potential is controlled by District Plan policies and rules. These also reflect Council decisions on where and when infrastructure services will be extended to allow further development. Control over land supply and the intensity or form of development provided for in the District Plan acts as a major supply-side influence on housing development.

Inland areas tend to have lower land values than coastal ones and therefore tend to be locations of lower cost housing. The more that new 'inland' land is constrained (i.e. greenfields), the more pressure there will be to provide for affordable housing through intensification of existing urban areas. The capacity of growth management areas more suited to affordable housing, either through greenfields or intensification, can be compared with demand projections to estimate the scale of potential unmet demand for affordable housing.

Comparing macro estimates of supply capacity against projections of demand for housing identifies the extent and significance of a supply gap. A significant gap overall will indicate in particular, that demand for affordable houses will be squeezed.

We accessed existing information and research completed in relation to land availability and the opportunities and constraints to increases in local housing supply (see chapter 8).

We identify in this chapter constraints in Council planning policies and some opportunities to improve the supply of affordable housing.

4.12 Maori Housing Issues

We incorporated research and analysis of known issues such as:

- Multiple-owned Maori land
- Affordability issues as a consequence of relative income levels and unemployment
- Health issues arising from lack of heating and insulation, and overcrowding
- Fire safety risks and management
- Dwelling insurance
- Multiple family occupation of dwellings
- Social cohesion
- Desire to live in proximity to marae

We identified the initiatives underway in the Bay of Plenty region through various organisations such as Housing New Zealand Corporation, and discussed these as appropriate with the respective sponsors.

4.13 Health Outcomes

Further analysis was carried out on linkages between community health outcomes, key problem areas and “hotspots” identified in District Health Board and Primary Health Organisation (PHO) strategic documents relevant to housing.

4.14 Development of Potential Solutions

We identified a range of appropriate solutions, both at the central government and at the Bay of Plenty regional level. This was based on international research on tools, mechanisms, and processes.

The facilitated workshops assisted in generating practical and workable solutions in addition to those that we formulated for discussion at these forums. Examples of solution sets were presented at the first workshop to assist in subsequent break-out discussions, and a comprehensive table and description of solutions to draw from at the second workshop.

This process was used to obtain buy-in and ownership of the solutions as they were designed and framed, as many stakeholders would subsequently have a role in implementation.

The Reference Group stakeholder organisations were invited to complete their own analysis of the options to address the priority issues arising from the second workshop in December 2006 and report back their conclusions to the third workshop in March 2007 (see Appendix 6).

The Reference Group stakeholder organisations were further involved in the last two workshops in March and June identifying the level of support for the proposed solutions, the roles and responsibilities, and implementation issues.

5.0 Housing Affordability and Drivers

There is no single measure for housing affordability. The underlying basis of assessing housing affordability is the capacity of households to meet ongoing housing costs and the amount of discretionary income available after housing costs are paid for.

Affordability typically becomes a concern where the housing costs in the lower 40% of the household income distribution exceed 25% to 30% of their gross household income. For the purposes of this study we have defined housing stress as occurring at the 30% threshold.

Affordability considerations are likely to differ for different groups of people.

Housing affordability can be viewed from three different perspectives:

- Affordability for would-be home owners
- Affordability for existing home owners; and
- Affordability for renters

Housing affordability, however, is about much more than just the ability to purchase or rent and sustain adequate housing at an acceptable cost. It is also about the contribution that housing can make to achieve positive outcomes in education, health, employment and building stronger communities.

There are many factors that contribute to the affordability of housing:

- Income (current and expected lifetime) – directly impacts on a household's ability to purchase and make housing payments
- Housing costs - house prices, deposits and bonds; ongoing costs such as loan/mortgage repayments, rent, maintenance and rates. Housing costs directly impact on a household's ability to save and increase their housing consumption in the future. This is especially relevant for households in the rental market who are looking to purchase a house.
- Interest rates – determines the cost of borrowing for home owners
- Labour market conditions – affects a household's ability to participate in the labour market and earn an income, and thus be able to maintain housing costs over a period of time
- Supply constraints – may limit the ability of the market to respond to excess demand for housing.
- Other – can include household composition, the number of people in the household, geographic location including proximity to workplaces, services and schools, housing quality, land and building costs, transport costs

These factors are clearly interrelated.

- Labour market conditions directly affect people's incomes, specifically their certainty of future income streams.
- Mortgage and rent payments are determined by interest rates, house prices, rents and wealth.
- Supply side constraints affect house prices. Interest rates can also affect house prices as a result of changes in demand for purchasing a house.
- The lack of affordable housing can be a product of growth as the economic effect of increased land and house prices limits access to affordable housing for workers.

- Transport availability and accessibility, including regular and reliable passenger transport, is vital to enable those in affordable housing to access work and recreational opportunities.

6.0 Environmental Scan

This chapter provides an overview summary of information on the economy, population, income, housing circumstances and housing communities of interest (particularly those groups with a low to medium income who are the prime focus of this study).

6.1 The Economy and Housing

At the sub-regional level, economic performance is a key driver of both population change through migration and of local incomes.

It is therefore vital when assessing the prospects for the housing market at the sub-regional level to understand how the sub-region 'earns its living' and to assess its future economic prospects.

The sub-regional housing markets both reflect and support local labour markets and economies. We thus need an understanding of the profile, structure and influences on the economy within that sub-region.

Changing patterns of employment – in type, location, in levels of pay – may have introduced stresses and imbalances to which the housing market needs to adapt.

Together the three elements – the housing market, local economy and population – are intricately linked in shaping how people are able to form households and how this translates into housing needs and choices.

6.2 Population

The trends in population and the number of households in the BOP between 2001 and 2006 are summarised in the following table. These demographic statistics are useful as a base reference from which to consider future projections.

Table 1 Resident Population and Occupied Dwellings

(Source: Census 2001 and 2006 - Statistics New Zealand)

TLA Area	2001 Census Usually Resident Population Count	2006 Census Usually Resident Population Count	Change %	2001 Occupied Dwelling Count	2006 Occupied Dwelling Count	Change %
Tauranga	90,906	103,635	14.0	34,326	40,635	18.4
WBOP	38,232	42,075	10.1	13,573	15,741	16.0
Kawerau	6,975	6,921	-	2,234	2,424	8.5
Opotiki	9,201	8,973	(2.5)	3,069	3,270	6.5
Whakatane	32,814	33,300	1.5	11,067	11,931	7.8
Total	178,128	194,904	9.4	64,269	74,001	15.1

This table shows a higher population growth in the WBOP (12.8%) versus the EBOP (0.4%) between 2001 and 2006. The higher percentage change in the number of occupied dwellings,

relative to the changes in population, indicates that the average household size has been reducing between 2001 and 2006.

In the 2001 Census, there were 42,621 Maori in the BOP (25% of the population). In the 2006 Census there were 45,630 Maori (23% of the population). The numbers and proportions by Council area are shown in the following table:

Table 2 Resident Maori in the BOP

(Source: Census 2001 & 2006 - Statistics New Zealand)

TLA Area	Number of Maori - 2001	% Maori	Number of Maori - 2006	% Maori
Tauranga	14,112	16	16,569	16
WBOP	6,399	17	6,924	16
Kawerau	3,915	56	4,050	59
Opotiki	4,995	54	4,884	54
Whakatane	13,200	40	13,203	40
Total	42,621	25	45,630	23

The proportion of Maori is much higher in the EBOP (45.0% in 2006 versus 47.5% in 2001) versus the WBOP (16.1% in 2006 versus 16.6% in 2001).

The age and ethnicity structure of the BOP population is rapidly changing. The region's population is getting older, as illustrated in the next table. In the WBOP, people over 60 years are estimated to comprise 34.9% of the population by 2051, compared to 21.2% in 2001.. In the EBOP, people over 60 years are estimated to comprise 28.6% of the population by 2051, compared to 15.4% in 2001. By 2016, Maori are expected to be 30% of the Bay of Plenty population.⁷

⁷ Draft Report. Understanding Regional Labour Markets – Ngati Awa Case Study. Executive Summary. Ngati Awa and the Department of Labour. October 2006.

Table 3 Changes in Age Profile of the BOP Population⁸

BOP Sub-region	0-14 years	15-24	25-39	40-59	60-79	80+ years
WBOP 2001	29,770	14,650	25,530	34,340	23,120	5,090
WBOP 2051	43,490	27,700	42,810	67,560	64,750	32,530
% of population 2001 - WBOP	22.5	11.0	19.3	25.9	17.4	3.8
% of population 2051 - WBOP	15.6	9.9	15.4	24.2	23.2	11.7
EBOP 2001	14,320	6,170	9,950	12,590	6,690	1,120
EBOP 2051	10,160	5,710	9,680	9,580	9,190	4,860
% of population 2001 - EBOP	28.2	12.1	19.6	24.8	13.2	2.2
% of population 2051 - EBOP	20.6	11.6	19.7	19.5	18.7	9.9

Western Bay of Plenty

- The Western BOP region's population is projected to nearly double over the next 50 years from 130,000 in 2001 to 284,000 in 2051. This corresponds to an increase from 49,000 households in 2001 to 117,900 in 2051. Migration is the major driver of growth in the sub-region – with most of this being from other parts of New Zealand. This is a very high proportion compared to other regions.

Eastern Bay of Plenty

- As a whole, the number of Eastern BOP residents is expected to remain fairly stable between 2001 and 2051
- The trend varies considerably between districts within the sub-region:
 - Whakatane's population is projected to remain at a similar level in 2051 as in 2001. However the Whakatane urban and adjacent coastal areas are currently experiencing increased levels of subdivision and development⁹.
 - Kawerau's population is estimated to undergo a 14% decline. However there has been some recent infill development.
 - Opotiki's population is forecast to increase by 14%
 - Rotorua is expected to experience growth particularly on the eastern side of Lake Rotorua and in the northwest in the vicinity of Ngongotaha¹⁰.
- There is strong Maori population growth within the sub-region.

There is forecast¹¹ to be an increasing proportion of one person households in the BOP, as outlined in the following table.

⁸ Demographic Forecast 2051. Movement and Change in Population and Households in the Bay of Plenty. Environment Bay of Plenty. August 2006.

⁹ EBOP Decisions on Proposed Change No.2 to the BOP RPS (Growth Management) 7 Nov. 2006, p2.

¹⁰ ibid

¹¹ Demographic Forecast 2051. Movement and Change in Population and Households in the Bay of Plenty. Environment Bay of Plenty. August 2006.

Table 4 Number of One-Person Households in the BOP¹²

BOP Sub-region	2001	2011	2021	2031	2041	2051
WBOP number of 1 person households	11,120	15,260	19,960	25,430	30,000	33,010
WBOP % of total households	22.7	23.7	25.2	26.9	27.8	28.0
EBOP number of 1 person households	3,670	4,320	4,920	5,540	5,690	5,360
EBOP % of total households	21.6	23.4	26.0	28.6	29.2	27.8

Please refer to Chapter 7 for more information on the projected population and number of households.

Infometrics' 2004 'Analysis of the Eastern Bay of Plenty Economy' report notes that 'the proportion drawing the unemployment benefit is at least two and a half times the national average and the proportion of domestic beneficiaries at least 75% greater than the national average'. Over 50% of the local EBOP population are Maori.

While the Eastern BOP expects flat or negative population growth in the future, its neighbouring regions are expected to grow strongly. Compared to the Western BOP sub-region, the eastern region will not face the same economic drivers of demand for affordable housing.

However, the sub-region's population is characterised by relative social disadvantage including a large number of unemployed and lower-income residents, and a large proportion of unskilled workers. Tertiary education levels in the region are generally well below the New Zealand average.

Affordable housing and the quality of housing accommodation have also been identified as significant issues for the sub-region based on interviews conducted with community, council and business representatives.

6.3 The Overall Bay of Plenty Economy

The New Zealand's Regional Economic Performance report produced for the Ministry of Economic Development by the NZIER incorporated the following summary information for the Bay of Plenty economy:

- The Bay of Plenty economy accounted for 5.5% of total economic activity in New Zealand in the year to March 2004.
- Its regional GDP in the same year was \$7.5 billion.
- Bay of Plenty's per capita nominal GDP was \$28,500 in the year to March 2003, compared to a national figure of \$32,100. This is the second lowest per capita GDP of the twelve regions covered by NZIER's regional economic dataset.

¹² Demographic Forecast 2051. Movement and Change in Population and Households in the Bay of Plenty. Environment Bay of Plenty. August 2006.

- Bay of Plenty's economic growth between March 2000 and 2004 averaged 2.1%. Over the same period the national economy grew at an average of 3.5%.
- Bay of Plenty's per capita real GDP grew at an average of 2.3% between March 1998 and 2003, matching the New Zealand growth rate of 2.3%.

6.4 The Western Bay of Plenty Economy

The broad economic trends for the sub-region are outlined below:

- Significant employers for the Western BOP region are agriculture, retail trade, health, construction and transport/storage
- Important industries are agriculture, food processing, transport/storage, retail/wholesale
- In dollar terms, the agricultural (kiwifruit and dairy farming) and food industries are the region's largest international exporting industry and the region's most significant industry in terms of contribution to national output.
- The relative importance of agriculture has relevance to long-term regional policy-making. Considered in tandem with the strong population growth that is projected for the region, it is expected that competition in terms of land use will become increasingly pertinent. It is likely to compete with residential and commercial development interests in seeking to accommodate a burgeoning population.
- By 2051, the Western BOP region will be the 4th or 5th largest region in New Zealand
- By 2051, total employment is projected to increase more than 70% by 2051
- Key growth industries are expected to be construction, service sector (accommodation, cafes and restaurants), retail trade and business services

6.5 The Eastern Bay of Plenty Economy

The local economy is reliant on the success of a small number of primary industries with large export market exposure.

Significant employers are:

- Agriculture, forestry and fishing
- Education, manufacturing, retail trade, health and community services

Priority growth industries are expected to be:

- Energy industry (as it relates to the forest products value chain)
- Tertiary and industry education
- Agriculture (aquaculture, kiwi fruit and dairy)

6.6 Household Income

For the purposes of our project, household income is used rather than individual income. It is considered that household income is a much better measure for affordability because it is the whole household that pays the housing costs, and a couple may easily be able to afford a house that individually they could not.

Table 5 Summary of Household Income

(Source Statistics New Zealand: Census 2001)

Total household income	Percentage of households with income in band (%)					
	NZ	WBOP	TCC	Whakatane	Kawerau	Opotiki
\$0-\$15,000	13	12	14	14	15	20
\$15,001-\$30,000	19	24	24	20	21	25
\$30,001-\$40,000	9	10	9	8	8	8
\$40,001-\$50,000	9	9	9	8	5	6

Compared to the rest of New Zealand, the proportion of households in the BOP in the lower two quintiles of household income is higher, at between 34%-45% of households compared to 32% of households throughout New Zealand.

6.7 Overview of Housing Circumstances in the Bay of Plenty Region

There is significant variation in affordability across regions in New Zealand.

For the Bay of Plenty region, property and rental prices are increasing while wages are remaining relatively low.

Decreased affordability is driven by increasing population and decreased land availability. This particularly affects families on low incomes.

In 2001, four of the districts were among the 15 least affordable in New Zealand, with Tauranga (4th), Western Bay (8th), Opotiki (11th) and Whakatane 12th.

There is substandard housing in rural areas other than those already part of the Rural Housing Programme.

Areas of high deprivation exist in the Bay of Plenty region, particularly among Maori families. Eastern Bay of Plenty has the highest proportion of people living in deprived areas. The NZDep2001 is the index of socio-economic status or disadvantage which is often referred to as 'deprivation.' It ranges from the least deprived (Quintile 1) to the most deprived (Quintile 5). In Kawerau and Opotiki districts nearly 70% of the population lives in Quintile 5 areas compared with 40% in Whakatane District and less than 20% in Western BOP district and Tauranga City. The average for the rest of New Zealand is 20%.

People who have difficulty paying for accommodation may share with others as a way to reduce overall housing costs.

Overcrowding is worst in eastern Bay of Plenty as well as Matakana and Matapihi in western Bay of Plenty.

Infrastructure issues are also impacting on the delivery of sustainable housing solutions in rural EBOP:

- It may be too costly for power companies to continue to provide line maintenance after 2013. This could increase infrastructure costs prohibiting future housing development as well as increased power bills.
- Many communities have inadequate water and wastewater systems to support housing, impacting on health and well being.
- Undeveloped Maori land within the region is considerable. Problems developing the land, such as remoteness, lack of infrastructure and servicing, council requirements and funding are hindering progress. These barriers decrease home ownership and increase substandard housing.

Table 6 Rent to Income Ratio – Bay of Plenty Region

(Source: Statistics New Zealand Census)

Rent to Income Ratio (%) for Households Paying Rent		
1991	1996	2001
24.1%	28.1%	30.5%

This table shows the rent to income ratio for households paying rent for the Bay of Plenty region.

From 1991 the percentage has increased from 24.1% to 30.5%, showing that affordability has declined.

6.8 Providers of Social Housing

The main provider of social housing in the Bay of Plenty is Housing New Zealand.

As at December 2005, it managed 2,714 rental properties spread over the region.

Overall demand for their houses in December 2005 was approximately 10% higher than in the previous December.

The number of people on Housing New Zealand's waiting list in the region wanting smaller (one or two bedroom homes) was 64% in December 2005, while only 40% of their housing was of this size. This mismatch of demand to housing stock is likely to increase given the ageing population's requirement for smaller homes. HNZC have indicated that a goal is to improve the match between available housing and local demand

Other providers of social housing include local government with 645 units.

Non-government agencies provide housing to a range of groups with particular needs. Examples include:

- Returned and Services' Association (RSA)
- Kaumatua housing on papakainga
- Emergency housing (such as Salvation Army and Women's Refuge).

6.9 Housing Communities of Interest

Those targeted in this project are households in the low to medium income range. It is these households who are least likely to be able to afford to rent or purchase suitable and adequate housing.

This can encompass many communities of interest such as:

- Iwi, hapu, whanau
- People with mental health problems and people with disabilities
- Waged people on a low income
- Solo parents with children
- People needing emergency and short term accommodation
- Elderly
- Pacific peoples
- Seasonal workers

There are more Maori in the BOP than nationally and they live in areas with highest rates of deprivation. Maori have faced challenges developing houses on multiple owned Maori land. An unfortunate outcome of this is substandard housing.

The issues these households face include:

- Low household income
- Unaffordable rents
- Limited capacity to save deposits
- Overcrowding
- Insecurity of tenure
- Inability to maintain housing
- Sub-standard accommodation
- Accommodation ill-suited to needs
- High transport costs
- Private rental market dominated by demand for holiday houses

The issues these households face in relation to housing stock include:

- Not enough houses or too expensive
- Inadequate supply of affordable housing
- Insufficient temporary dwellings
- Wrong types of homes for the family types
- Sub-standard or low quality housing condition
- Affordable houses in the wrong location to where they work
- Building costs higher in rural areas

In terms of the future:

- A rapidly expanding population will continue to impact on affordability and land availability

- An increasing ageing population will create demand for smaller bedroom accessible dwellings
- Maori population growth will generate demand for housing tailored to specific cultural needs

This highlights the need for sufficient affordable housing for low income residents generally as well as to accommodate the future low-income labour force.

7.0 Bay of Plenty Housing Stock

This chapter provides information on the projected household formation in the Bay of Plenty to 2051, extrapolates future demand for affordable housing, and analyses the current market rent levels and the availability of houses in lower value bands.

This chapter draws key results from Chapter 9 on housing stress and Chapter 10 on the labour market demand for affordable housing, in order to estimate aggregate demand for affordable housing.

This chapter also includes coverage of the issues of building costs and housing condition.

7.1 Household Formation Projections

Table 7 below projects the number of households by Council area.

Table 7 Projected Households by Category - Western and Eastern BOP TLAs, 2001-2051¹³

Category	2001	2011	2021	2031	2041	2051
<i>Western Bay of Plenty District</i>						
Couple only HH	4700	6440	8120	9800	10940	11470
Two parents with children HH	4200	5000	5340	5560	5790	6040
Sole parent with children HH	1460	1710	1830	1910	2040	2130
One person HH	2800	3900	5110	6410	7320	7650
HH or related/unrelated people	330	430	510	580	630	670
Other multi-person HH	410	520	590	640	680	740
TOTAL	13900	18000	21500	24900	27400	28700
<i>Tauranga City</i>						
Couple only HH	10970	14900	19090	23750	27880	31100
Two parents with children HH	8720	11210	13030	14730	16340	17880
Sole parent with children HH	4510	5760	6660	7550	8410	9200
One person HH	8320	11360	14850	19020	22680	25360
HH or related/unrelated people	1580	2110	2540	2930	3270	3640
Other multi-person HH	900	1160	1430	1620	1820	2020
TOTAL	35000	46500	57600	69600	80400	89200
<i>Whakatane District</i>						
Couple only HH	2910	3420	3750	3990	4080	3900
Two parents with children HH	3390	3520	3200	2960	2880	2960
Sole parent with children HH	1830	1880	1720	1620	1570	1620
One person HH	2430	2910	3390	3810	3950	3700
HH or related/unrelated people	380	410	400	390	390	390
Other multi-person HH	460	460	440	430	430	430
TOTAL	11400	12600	12900	13200	13300	13000
<i>Kawerau District</i>						
Couple only HH	560	560	540	570	580	580
Two parents with children HH	660	600	500	460	450	530
Sole parent with children HH	510	460	400	400	400	410
One person HH	500	510	500	510	510	520
HH or related/unrelated people	60	60	60	60	60	60
Other multi-person HH	110	110	100	100	100	100
TOTAL	2400	2300	2100	2100	2100	2200
<i>Opotiki District</i>						
Couple only HH	750	890	1040	1120	1110	1130
Two parents with children HH	880	930	920	860	880	920
Sole parent with children HH	580	620	630	620	620	630
One person HH	740	900	1030	1220	1230	1140
HH or related/unrelated people	100	110	120	120	120	120
Other multi-person HH	150	150	160	160	160	160
TOTAL	3200	3600	3900	4100	4100	4100

¹³ P124. Demographic Forecast 2051. Movement and Change in Population and Households in the Bay of Plenty. Environment Bay of Plenty. August 2006. ISSN 1176-4112.

This table will be used in section 7.2, in conjunction with information on housing stress and the estimated demand for affordable homes arising from the labour market projections, to estimate the total number of affordable homes required in future in each Council area.

The estimated total number of households for the sub-regions in 2051 is 117,900 for the WBOP and 19,300 for the EBOP. This highlights the high growth forecast in the WBOP and that there is little growth in the EBOP.

Source of demographic statistics

Demographic statistics were derived from a study, which was prepared by Environment BOP in conjunction with the University of Waikato (Population Studies Centre) and underpinned the SmartGrowth strategy assumptions¹⁴ noted that:

“... the Statistics New Zealand’s latest sub-national family and household projections, which do allow for changes in living arrangement type rates, generally produce higher numbers of households for most of the Bay of Plenty TLAs than the [Project’s] projections. It is unlikely that they would have continued to do this for the eastern Bay of Plenty TLAs if Statistics New Zealand had pushed their household projections out to 2051. This is because their population projections for the period 2021-2051 would have been more conservative than the projected ones. In this regard, the household projections for the eastern Bay of Plenty TLAs and Rotorua District should not be deemed unnecessarily pessimistic. From 2021 the assumption of zero net migration in all of these TLAs, rather than continued net migration losses, allows the population structures to recover somewhat and for some growth in number of households to continue in all of the region’s TLAs.”

As indicated in the assumptions note above, these projections incorporated research completed by the Migration Research Group at the University of Waikato¹⁵ on migration patterns in and out of the BOP.

7.2 Estimate of Affordable Housing Demand

As part of this research project SGS estimated that there were approximately 11,114 households living in housing stress in 2001, which represented 17% of the total households. See Chapter 9 for further details on the research completed on housing stress.

If it is assumed that the same proportion of households under housing stress is applied to the forecasts contained in the recently released demographic forecast of the number of households by TLA area to 2051 (from Table 7 above) this enables us to estimate some broad-brush estimates of the number of households that could be living in housing stress over this period to 2051.

In Table 8 below we have estimated the number of affordable homes that therefore would need to be provided each year (*ceteris paribus*) based on the rate of household formation in

¹⁴Demographic Forecast 2051. Movement and Change in Population and Households in the Bay of Plenty. Environment Bay of Plenty. .

¹⁵Reasons for moving into and out of the Bay of Plenty Region. A Report to Environment Bay of Plenty. Migration Research Group. University of Waikato. September 2006

Table 7, assuming the proportion of households living in housing stress stays constant throughout this period.

This is however an undesirable situation, as it would be expected that a better outcome would be to lower the proportion from its current range of 15%-22% across the BOP; and if this occurred then more affordable homes would be required (e.g. a further 1182 homes to reduce the current number to 15% across the whole BOP).

These projections need to be treated with caution as they assume the ratio of owned:rented homes stays constant, and also that the same income:expenditure trends stay constant over this period.

Table 8 Total Housing and Affordable Housing Demand Projections

	2001	2011	2021	2031	2041	2051
Projected total households						
WBOP District	13900	18000	21500	24900	27400	28700
Tauranga City	35000	46500	57600	69600	80400	89200
Whakatane District	11400	12600	12900	13200	13300	13000
Kawerau District	2400	2300	2100	2100	2100	2200
Opotiki District	3200	3600	3900	4100	4100	4100
	65900	83000	98000	113900	127300	137200
Proportion of households under housing stress						
WBOP District	15%	15%	15%	15%	15%	15%
Tauranga City	17%	17%	17%	17%	17%	17%
Whakatane District	16%	16%	16%	16%	16%	16%
Kawerau District	21%	21%	21%	21%	21%	21%
Opotiki District	22%	22%	22%	22%	22%	22%
Number of households under housing stress						
WBOP District	2085	2700	3225	3735	4110	4305
Tauranga City	5950	7905	9792	11832	13668	15164
Whakatane District	1824	2016	2064	2112	2128	2080
Kawerau District	504	483	441	441	441	462
Opotiki District	704	792	858	902	902	902
	11067 ¹⁶	13896	16380	19022	21249	22913
Number of additional affordable homes required every 10 years						
WBOP District		615	525	510	375	195
Tauranga City		1955	1887	2040	1836	1496
Whakatane District		192	48	48	16	-48
Kawerau District		-21	-42	0	0	21
Opotiki District		88	66	44	0	0
		2829	2484	2642	2227	1664

¹⁶ There are slight differences in the number of households under stress applying the percentages of households from the SGS research to the household numbers for 2001 in this table. The difference is only 47 homes between 11114 in the SGS research and the 11067 homes derived in the table above.

Number of additional affordable homes required each year for 10 years						
WBOP District		62	53	51	38	20
Tauranga City		196	189	204	184	150
Whakatane District		19	5	5	2	-5
Kawerau District		-2	-4	0	0	2
Opotiki District		9	7	4	0	0
		283	248	264	223	166

Or in summary, an estimated 11,846 new affordable homes will be required by 2051 across the BOP.

Table 9 Additional Affordable Homes Required by 2051.

TLA Area	Total
WBOP District	2220
Tauranga City	9214
Whakatane District	256
Kawerau District	-42
Opotiki District	198
Total	11846

By far the greatest number of additional affordable homes required will be in WBOP (11434), and in Tauranga City in particular (9214).

Trends in household composition could make the situation worse

It is considered that the proportion of households under housing stress will probably increase to become a bigger problem than the above table indicates, unless changes are made to address this, because:

- The proportion of retired people on fixed incomes will increase (the effect is likely to be more keenly felt by current residents living in the BOP as they reach retirement age as compared to other retirees or near retirees who have sold in other areas to migrate to the BOP)
- The proportion of Maori households will increase, which currently have lower average income

The demographic forecasts show that the largest percentage increases is one person households – an almost 80% increase in the western Bay of Plenty, and 34% in the eastern Bay of Plenty sub-region. This has implications for the design and construction of homes over the next few decades, particularly the impact on dwelling size and cost.

Affordable homes required to meet current and future demand

As noted in the SGS research, due to limitations in both the Census data collected and the Household Economic Survey, it is not possible to identify the proportion of homes under stress by category (e.g. employed, unemployed, student, sickness or other beneficiary, retired) or the associated tenure of these categories.

The base case scenario from SGS research into the relationship between the economy, the labour market and affordable housing (see Chapter 10) estimated that 170 additional affordable homes would need to be provided each year until 2031.

Therefore by deduction the additional affordable homes required every year until 2031:

- Is between 248 and 283 per year in total, derived from Table 8 above
- Includes 170 more affordable homes a year for households for additional lower quintile income workers based on labour market projections (derived from Chapter 10)
- Implying a balance, by deduction, of between 78-113 homes per year for households not participating in the labour market (representing the balance between the estimated total number of households suffering housing stress and the estimated number of affordable homes required for low income workers)

On top of the future additional affordable homes required, is the current base of approximately 11,114 households already living in housing stress in 2001, which represented 17% of the total households on average. The combined total is shown in Table 10 below.

Table 10 Total Affordable Homes Required by 2051

<i>TLA Area</i>	<i>Existing homes under stress</i>	<i>Additional homes required</i>	<i>Total affordable homes required</i>
WBOP District	2085	2220	4305
Tauranga City	5950	9214	15164
Whakatane District	1824	256	2080
Kawerau District	504	-42	462
Opotiki District	704	198	902
Total	11067	11846	22913

Increase in numbers of households between Census 2001 and Census 2006

When we calculated housing stress levels Census 2006 data was unavailable. Population increases in the BOP between 2001 and 2006 mean the extent and level of housing stress is likely to be greater than shown in Table 8 and the above discussion. The number of occupied dwellings in the BOP increased by 7,311 homes between the 2001 and 2006 Census.

Therefore it could be estimated that if the ratio of households under stress has remained at the same level as 2001, then a further 1243 homes will be suffering household stress or an estimated total of 12,580 in 2006. The following Table 11 shows the changes in population and households between the three recent Censuses.

Table 11 Census 2006 Resident Population and Occupied Dwellings

(Source: Statistics New Zealand)

TLA Area	1996 Census Usually Resident Population Count	2001 Census Usually Resident Population Count	2006 Census Usually Resident Population Count	1996 Occupied Dwelling Count	2001 Occupied Dwelling Count	2006 Occupied Dwelling Count
Tauranga	77,781	90,912	103,635	29,745	35,490	40,635
WBOP	34,965	38,229	42,075	12,615	14,082	15,741
Kawerau	7,830	6,975	6,921	2,433	2,343	2,424
Opotiki	9,321	9,150	8,973	3,165	3,219	3,270
Whakatane	33,180	32,865	33,300	11,205	11,556	11,931
Total	163,077	178,131	194,904	59,163	66,690	74,001

Table 12 Occupancy Rate by TLA area

(Source: Statistics New Zealand)

TLA Area	1996 Occupancy Rate	2001 Occupancy Rate	2006 Occupancy Rate
Tauranga	2.61	2.56	2.55
WBOP	2.77	2.71	2.67
Kawerau	3.22	2.98	2.86
Opotiki	2.95	2.84	2.74
Whakatane	2.96	2.84	2.79
Total	2.76	2.67	2.63

There is a gradual decline in occupancy rate for all areas in the Bay of Plenty across the three Census dates. This suggests that, if this trend continues, as the population increases in the BOP the number of households required will need to increase proportionately more to accommodate this population.

Census 2006 data was not available when the Housing Stress and Labour Market/Affordable Housing Demand analysis was carried out, and until Statistics New Zealand releases necessary table data and completes the next Household Economic Survey this analysis is not able to be updated.

7.3 The Affordability Gap for Home Ownership

In this section we estimate what households can afford to spend on either mortgage or rental payments.

The housing stress research in Chapter 9 estimated the sustainable annual mortgage payments for the bottom two quintiles of the income distribution.

Table 13 Maximum Household Outgoings on Mortgage or Rent Payments

Income Range	Sustainable Annual Mortgage Repayments (i.e. 30% of annual income)	
	Conservative Scenario - Based on Upper End of Income Range	Base Case Scenario - Based on Mid-point of Income Range
\$0 - \$30,000	\$9,000	\$4,500

This table means that households can not spend more than \$9,000 a year on either mortgage or rent payments.

The serviceable mortgage at a household income of \$30,000 (for a table mortgage at 8% over 30 years) is only \$102,500. This represents a considerable gap to bridge to the purchase price for the average house prices for the various parts of the BOP shown in the tables in section 7.4.

For a typical “entry-level” house in the urban areas of the Western Bay of Plenty region, at a price of approximately \$320,000, the combined household income would need to be of the order of \$70,000 to meet mortgage lending criteria (if there is no other form of current household debt). The bottom two quintiles of the income distribution have an income of only up to \$30,000.

In conclusion therefore, there is little prospect of the bottom two quintiles of the income distribution achieving home ownership without a significant subsidy, or unless the purchaser only pays for a leasehold interest in the developed section and raises a loan to buy or construct a dwelling on this leasehold land.

Alternatively, the bottom two income quintiles will more realistically either need to rent their home or get access to community housing or social housing. In the case of rental outgoings the household will face a problem bridging the gap between a sustainable weekly rental payment ability of \$173¹⁷ (based on Table 13 above) with the prevailing rent levels in some parts of the region (see Table 14 below and Appendix 8 for current market rents).

Table 14 Median Weekly Rent¹⁸

Rental Area	2 bedroom house	3 bedroom house	4 bedroom house
Tauranga – Bethlehem/Otumaetai/Judea	240	285	350
Tauranga – Central/Greerton/Welcome Bay	160	250	290
Tauranga – Mt Maunganui/Papamoa	165	250	300
Western Bay of Plenty district	160	200	250
Whakatane	230	270	320

¹⁷ Based on the Housing Stress Analysis using 2001 information from Statistics NZ. Household income included payments such as Accommodation Supplement. Accommodation supplement is subject to income thresholds.

¹⁸ Summarised from table in Appendix 7. Source Tenancy Services, Department of Building and Housing. Sept. 2006 – Feb. 2007.

Whakatane rural	180	220	260
Kawerau	150	170	
Opotiki	145	165	170

There are few areas in the BOP where median rent levels are at \$173 or below. If the family required more than two bedrooms, then the only areas they could afford to rent would be in Kawerau or Opotiki districts.

7.4 Household Prices and Housing Stock Available by Council Area

This section highlights that there are few houses available in the lower price bands.

The following tables in sections 7.4.1-7.4.7 show the number of properties in each Council area for capital value bands (land, buildings and site improvement value).

The proportion of residential housing stock that is in the lower price bands identifies the amount of housing stock potentially available for affordable housing. A more general analysis of median and average house prices in the areas does not give an indication of the number of houses available at price points. Quotable Values New Zealand (QV) prepared this data extract from its databases. The QV extract excluded farms, lifestyle blocks, multi-unit dwellings (e.g. retirement homes) so that it reflects solely individual houses in the Bay of Plenty, and to present a data-set that would not include anomalies.

Table 15 Sales Statistics 2006

	Sales - 2006	Annual stock turnover	Lower quartile sale price (weighted average)	Median sale price
Tauranga	2906	8.4%	\$315,619	\$369,260
WBOP	552	7.7%	303,786	366,590
Whakatane	604	7.2%	240,912	284,225
Kawerau	203	8.8%	115,000	140,000
Opotiki	102	5.2%	\$159,216	\$196,735

Note that caution is required in interpreting annual stock turnover, as this does not distinguish between turnover within the region versus purchase from outside the region, or the purpose of the buyer, e.g. purchase as an "investment property" or holiday home. Interviewees in Kawerau have highlighted the large number of investors that have moved in to buy cheap houses, and this is reflected in the sales prices achieved in 2006 in the above table.

Therefore a proportion of the number of lower priced houses coming on the market and selling may not be available as affordable housing stock, except potentially as rentals. Various commentators in the region and nationally have reflected on the current low yield on investment properties for rental, and that rental price growth is expected as investors seek to achieve a higher return.

7.4.1 Western Bay of Plenty¹⁹

This table shows the values of houses in price bands, based on Quotable Values New Zealand valuations.

Table 16 Number of Residential Houses in Price Bands – WBOP District

Value \$ Band	Te Puke	Waihi Beach	Katikati	Balance WBOP District	Total	%
0 - 50k				0	0	0.0%
50 - 100k	6	3		13	22	0.3%
100 - 150k	122	3	14	61	200	2.8%
150 - 200k	402	2	161	100	665	9.4%
200 - 250k	486	11	300	256	1053	14.8%
250 - 300k	419	42	266	278	1005	14.2%
300 - 350k	373	161	197	302	1033	14.5%
350 - 400k	182	181	137	271	771	10.9%
400 - 450k	78	153	69	232	532	7.5%
450 - 500k	43	105	30	190	368	5.2%
500k+	32	472	46	903	1453	20.5%
Total	2143	1133	1220	2606	7102	

Only 12.5% of houses are worth \$200,000 or less, and 27.3% up to \$250,000.

7.4.2 Tauranga

Table 17 Number of Residential Houses in Price Bands – Tauranga City

Value \$ Band	Outer areas ²⁰	Central ²¹	Mount Maunganui/Papamoa ²²	Total	%
0 - 50k	0	0	0	0	0.0%
50 - 100k	1	4	0	5	0.0%
100 - 150k	7	18	9	34	0.1%
150 - 200k	98	230	30	358	1.0%
200 - 250k	1046	1554	320	2920	8.5%
250 - 300k	2036	2627	1,200	5863	17.0%
300 - 350k	2383	1760	2,146	6289	18.2%
350 - 400k	1921	952	2,273	5146	14.9%
400 - 450k	1624	601	1,769	3994	11.6%
450 - 500k	1142	396	1,275	2813	8.1%
500k+	2330	988	3,807	7125	20.6%
Total	12588	9130	12829	34547	

Only 1.1% of houses are worth \$200,000 or less, and 9.6% up to \$250,000.

¹⁹ Quotable Values NZ were the source of residential dwelling numbers by value band in this section of the report.

²⁰ District, Bethlehem, Matua, Otumaetai, Tauriko, Pyes Pa, Greerton, Welcome Bay, Hairini, Maungatapu, Poiko

²¹ Central, Gate Pa, Judea, Matapihi, Bellevue, Brookfield, Parkvale, South

²² Including Kairua

7.4.3 Combined WBOP

Table 18 Number of Residential Houses in Price Bands – WBOP 2007

Value \$ Band	Tauranga City	WBOP District	Total WBOP	%	Cumulative %
0 - 50k	0	0	0	0.0%	0.0%
50 - 100k	5	22	27	0.1%	0.1%
100 - 150k	34	200	234	0.6%	0.6%
150 - 200k	358	665	1023	2.5%	3.1%
200 - 250k	2920	1053	3973	9.5%	12.6%
250 - 300k	5863	1005	6868	16.5%	29.1%
300 - 350k	6289	1033	7322	17.6%	46.7%
350 - 400k	5146	771	5917	14.2%	60.9%
400 - 450k	3994	532	4526	10.9%	71.8%
450 - 500k	2813	368	3181	7.6%	79.4%
500k+	7125	1453	8578	20.6%	100.0%
Total	34547	7102	41649		

In the WBOP, there are only 3.1% of houses with values of up to \$200,000, and only 12.6% up to \$250,000. Of course only a proportion of these houses would be put on the market each year (between 7.7%-8.4% from Table 15).

Comparing house values with demand for affordable housing

Based on the Housing Stress research completed by SGS, it is useful to put the number of households in this situation together with the number of houses available in the lower price bands.

Table 19 Comparing Households in Stress with Numbers of Low Value Houses

TLA Area	Households in housing stress - 2001	Extrapolation to 2006 of households under stress ²³	Estimated additional affordable houses required per annum to 2011	Number of houses up to \$200,000	Number of houses up to \$250,000	Number of houses up to \$300,000
WBOP District	2085	2331	62	397	1940	2945
Tauranga City	5950	6813	196	887	3317	9180

This table shows that by 2006, it is estimated that there are 2331 households under stress in WBOP District and 6813 in Tauranga City but relatively few houses in the lower value bands up to \$200-\$250,000.

²³ Applying a +14.5% increase in household formation 2001:2006 in Tauranga City, and +11.8% in WBOP District

Although the above analysis only focuses on residential dwellings²⁴ it highlights that existing households under housing stress or low income households looking to purchase would have difficulty finding a house for \$300,000 let alone for a price of \$250,000 or lower in Tauranga City, and similarly WBOP.

²⁴ Excluding certain properties, e.g. retirement homes, farms, etc. Within residential property codes QV only use apportionment codes 0, 2, and 5. 0 indicates there is a single property assessment, and 2 and 5 indicate the associated “child” assessment is tradeable e.g. an apartment or flat in a multi-unit building which is on a separate assessment or title such that it can be separately owned, bought or sold.

7.4.4 Whakatane

Table 20 Number of Residential Houses in Price Bands - Whakatane

Value \$ Band	Central	Coastlands	Ohope	Edgecumbe	Te Teko	Matata	Other District	Total	%
0 - 50k				1	93		811	905	10.8%
50 - 100k	14	1		107	98	2	386	608	7.3%
100 - 150k	576	45		373	17	51	282	1344	16.1%
150 - 200k	805	27		54	9	85	203	1183	14.1%
200 - 250k	1,071	57	20	19	5	56	51	1279	15.3%
250 - 300k	574	68	79	-	2	32	18	773	9.2%
300 - 350k	346	51	126	2	2	10	12	549	6.6%
350 - 400k	189	32	174			6	2	403	4.8%
400 - 450k	77	33	203			2	1	316	3.8%
450 - 500k	53	22	164			1	2	242	2.9%
500k+	102	22	639			2	1	766	9.2%
Total	3807	358	1405	556	226	247	1769	8368	

In the Whakatane District, 48.3% of houses have values of up to \$200,000, and 63.6% up to \$250,000. Of course only a proportion of these houses would be put on the market each year (7.2% from Table 15).

7.4.5 Kawerau

Table 21 Number of Residential Houses in Price Bands - Kawerau

Value \$ Band	Kawerau	%
0 - 50k	0	
50 - 100k	262	11.2%
100 - 150k	1,357	58.0%
150 - 200k	572	24.5%
200 - 250k	113	4.8%
250 - 300k	21	0.9%
300 - 350k	13	0.6%
350 - 400k	0	
400 - 450k	0	
450 - 500k	0	
500k+	0	
Total	2,338	

In the Kawerau District, 93.7% of houses have values of up to \$200,000, and 98.5% up to \$250,000. Of course only a proportion of these houses would be put on the market each year (8.8% from Table 15).

7.4.6 Opotiki

Table 22 *Number of Residential Houses in Price Bands - Opotiki*

Value \$ Band	Opotiki	Rest of District	Total	%
0 - 50k	18	28	46	2.4%
50 - 100k	453	105	558	28.6%
100 - 150k	353	103	456	23.4%
150 - 200k	143	110	253	13.0%
200 - 250k	74	120	194	9.9%
250 - 300k	16	101	117	6.0%
300 - 350k	9	71	80	4.1%
350 - 400k		70	70	3.6%
400 - 450k		65	65	3.3%
450 - 500k		46	46	2.4%
500k+		67	67	3.4%
Total	1,066	886	1,952	

In the Opotiki District, 67.4% of houses have values of up to \$200,000, and 77.3% up to \$250,000. Of course only a proportion of these houses would be put on the market each year (5.2% from Table 15).

7.4.7 Combined EBOP

Table 23 *Number of Residential Houses in Price Bands*

Value \$ Band	Whakatane	Kawerau	Opotiki	Total	%	Cumulative %
0 - 50k	905	0	46	951	7.5%	7.5%
50 - 100k	608	262	558	1428	11.3%	18.8%
100 - 150k	1344	1,357	456	3157	24.9%	43.7%
150 - 200k	1183	572	253	2008	15.9%	59.6%
200 - 250k	1279	113	194	1586	12.5%	72.1%
250 - 300k	773	21	117	911	7.2%	79.3%
300 - 350k	549	13	80	642	5.1%	84.4%
350 - 400k	403	0	70	473	3.7%	88.1%
400 - 450k	316	0	65	381	3.0%	91.1%
450 - 500k	242	0	46	288	2.3%	93.4%
500k+	766	0	67	833	6.6%	100.0%
Total	8368	2,338	1,952	12658		

In the EBOP, 59.6% of houses have values of up to \$200,000, and 72.1% up to \$250,000. Of course only a proportion of these houses would be put on the market each year (5.2-8.8% from Table 15).

Comparing house values with demand for affordable housing

Table 24 EBOP Households in Stress vs Number of Homes in Price Bands

TLA Area	Households in housing stress - 2001	Extrapolation to 2006 of households under stress ²⁵	Estimated additional affordable houses required per annum to 2011	Number of houses up to \$200,000	Number of houses up to \$250,000	Number of houses up to \$300,000
Whakatane District	1824	1882	19	4040	5319	6092
Kawerau District	504	522	-2	2191	2304	2325
Opotiki District	704	715	9	1313	1507	1624

This table shows that by 2006, it is estimated that there are 3119 households under stress in the EBOP District and a much greater proportion of houses available in the lower value bands of up to \$200-250,000 as compared to the relative shortage in the WBOP.

7.5 Building Costs

In some quarters it has been suggested that the Bay of Plenty was a more expensive region to build in compared to others. The average cost for building a standard house²⁶ in the BOP (and Waikato) region does not appear to be a particular issue in relation to providing new affordable homes. The major cost remains the land, section development and Council infrastructure charges.

Table 25 Standard House Cost²⁷ (GST exclusive)

	Auckland	BOP/ Waikato	Manawatu, HB, Taranaki, Wanganui	Wellington	Christchurch	Dunedin
Cost per m ²	\$1089	\$995	\$967	\$1015	\$919	\$939
Cost for a 94 m ² home	\$102,366	\$93,530	\$90,898	\$95,410	\$86,386	\$88,266

This table shows that the average cost for a 94 m² home in the BOP/Waikato region of \$93,530 is less than Auckland (\$102,366) and Wellington (\$95,410) and 3%-8% higher than other regions.

²⁵ Applying a +14.5% increase in household formation 2001:2006 in Tauranga City, and +11.8% in WBOP District

²⁶ The New Zealand Building Economist. November 2006. Construction cost - 94M², 3 bedroom, level site, timber pile base, fibre cement base, timber steps, fibre cement weatherboards, batts wall & ceilings, truss gable roof with ceiling battens, Zinalume roof, aluminium joinery, particle board floor, gib board walls & ceilings, shower over bath, separate WC, average quality wallpaper, conventional 4 element stove.

²⁷ Ibid.

7.6 Housing Condition

There have been frequent statements about the poor quality of housing stock in some areas of the Bay of Plenty Region, particularly in the EBOP. These statements and findings were reinforced both in interviews for this study and by views expressed by Reference Group members in the workshops held.

One tribal authority said “...The need is big, maintenance is left and left, and houses deteriorate. Maori are not good at identifying maintenance as a priority or aware of the impact. Education is needed, plus there is a lack of money to spend. Need payment to be setup and communicated so maintenance is factored into programme budgets...”

Another interviewee stated “...lack of insulation is a huge issue. Also low quality housing on especially papakainga blocks. The cheapest option is taken. The older generation probably need more education on issues as to how they compound – for example WINZ support or intergovernmental support involving DHBs....”

Interviewees agreed the following issues were all still a problem:

- People living in temporary accommodation in garages, sheds, buses, caravans and campervans
- Lack of insulation
- Damp and mould
- Lack of basic chattels such as carpets and curtains in rental accommodation,
- Safety issues such as lack of fire guards
- Fire risk
- Inadequate outside areas for children to play
- Unsafe driveways

Table 26 Temporary Dwellings (2001 Census)

TLA Area	Dwelling Type						
	Caravan, Cabin, Tent or Mobile Unit in a Motor Camp	Mobile Units Not in a Motor Camp	Makeshift Dwelling and or Shelter	Roofless and or Rough Sleeper	Total Temporary Dwellings	% of Dwellings	Total All Dwellings
WBOP District	111	30	60	0	201	1.4%	14082
Tauranga	111	66	15	0	192	0.5%	35487
Whakatane District	72	12	12	0	96	0.8%	11538
Kawerau District	3	3	0	0	6	0.3%	2343
Opotiki District	45	9	15	0	69	2.1%	3237
Total NZ	3042	1389	822	3	5256	0.4%	1368207

This table highlights that WBOP District and Opotiki District have a significantly higher proportion of households (1.4% and 2.1% respectively) living in temporary accommodation compared to the New Zealand average (0.4%). The 2006 Census shows a marked increase

in the number of temporary dwellings to 10,083. While the 2006 statistics for the BOP areas are not available it is likely that this problem has increased by a similar proportion.

The Housing New Zealand Bay of Plenty Regional Strategy 2005-2008 highlights:

"...Areas of high deprivation exist in the Bay of Plenty region, particularly among Māori families. People who have difficulty paying for accommodation may share with others as a way to reduce overall housing costs. Overcrowding is worst in eastern Bay of Plenty and pockets of urban Rotorua, as well as Matakana and Matapihi in western Bay of Plenty. We are tackling substandard privately-owned rural housing in eastern Bay of Plenty through the Rural Housing Programme...."

The briefing by Housing New Zealand to the Incoming Minister Housing (2005) included the following statement:

"...An estimated 2,500 severely substandard private dwellings remain in Northland, the East Coast and eastern Bay of Plenty. Substandard housing is as yet unquantified in the rest of New Zealand. Substandard housing is often exacerbated by a lack of infrastructure, for example, sewerage systems.

The Rural Housing Programme provides suspensory loans and other assistance to households living in substandard houses in certain areas. This programme is part of a wider set of cross-government responses to address the underlying causes of substandard housing....."

In 2002, the Government committed a further \$7.45 million to address Substandard Housing in Northland, East Cape and Eastern Bay of Plenty. The funding was targeted at:

- Special Housing Action Zones (SHAZ) – increasing the number of suspensory loans available for essential repairs to run-down homes (\$5.7 million over three years)
- A four year pilot programme aimed at helping community-based housing groups devise and deliver home improvement services for designated rural areas (\$1.4 million over four years)
- 30,000 extra smoke alarms for at-risk houses (\$350,000 in the 06/07 financial year).

The Public Health Advisory Committee identified in 2002²⁸ that:

- *"...Much of New Zealand's older housing stock is not insulated or inadequately insulated and central heating systems are rare. This means that our older housing tends to be damp and cold, conditions that have been strongly linked to health problems for the occupants.*
- *Many older houses in New Zealand have been poorly constructed and maintained which can lead to leakages and infestations of pests such as cockroaches, mice or fleas.*
- *There are recent indications that newer, low cost housing (and some high cost housing) is providing optimum conditions for the establishment and growth of a variety of particularly toxic fungi. Modern homes are often airtight, poorly sited and inappropriately designed for our climate, leading to leakages and rising damp problems, creating ideal environments for toxic moulds....."*

²⁸ The Health of People and Communities. The effect of environmental factors on the health of New Zealanders. Public Health Advisory Committee. October 2002. First published in November 2002. The Public Health Advisory Committee (sub-committee of the National Health Committee). ISBN: 0-478-25551-9

The Healthy Housing Group and Building Research Association of New Zealand (BRANZ²⁹) studied the link between home insulation and health in 1350 households throughout New Zealand³⁰. The conclusion of the study was “...that insulating existing houses led to significantly warmer, drier indoor environment and resulted in improved health, including a reduction in wheezing, days off school or work, general practitioner visits as well as a trend for fewer hospital admissions for respiratory conditions.”

The Committee also identified current initiatives to address substandard housing that are underway:

- “...The Energy Efficiency Conservation Authority insulates houses where there is at least one occupant with a self-reported diagnosed condition that suggests a retrofit would be of immediate benefit for health. A retrofit involves ceiling insulation, underfloor foil and moisture barrier and draught excluders on windows and doors. Depending on the material used, a retrofit can last for about 25 years and cost between \$1000 and \$1500, a similar amount that could potentially be saved by the prevention of one admission to hospital.
- Improvement in the energy efficiency of homes is likely to improve the health of the occupants, with the wider benefits of conserving energy resources and increasing their ability to spend more on heating if necessary.
- Work to eliminate substandard housing in Northland, East Coast and Bay of Plenty is underway and Housing New Zealand Corporation (HNZC) has completed more than 1200 assessments of houses identified by kaupapa Māori housing and other agencies as being substandard. It is expected that around 2000 housing interventions will be targeted to high-need areas in the next five years.
- In addition, there has been a programme of smoke alarm installation, fire safety education and alternative accommodation provision....”

A 1998 Bay of Plenty study of three Maori communities in the Opotiki area showed over 50% of permanent houses had no ceiling insulation.³¹

Another problem that was highlighted in the Public Health Committee report is that many people on low incomes heat their houses with un-vented heaters that use gas bottles, because this helps them ration the household spending on heating. This creates a variety of problems including increased fire risk, moisture and other by-products of combustion (e.g. nitrogen dioxide) which cause health problems. If dehumidifiers are used to reduce the moisture the household running costs increase to pay for the electricity. If surveys are conducted of house condition in the Bay of Plenty, as suggested below, it is recommended that the analysis also includes heating and venting.

There are inadequate reliable measures of the condition of housing stock throughout the region available. Quotable Value New Zealand (QV) produce, when properties are inspected for valuation purposes, an assessment of the exterior condition (walls and roof) on a 3 level scale. This is a subjective judgement and is based on the last physical inspection. These assessments do not reflect any measure of the interior of the property.

²⁹ BRANZ is a subsidiary of Building Research. BRANZ provides an independent research, testing, consultancy and information resource for the building and construction industry

³⁰ British Medical Journal. Cover article. March 2007.

³¹ Saville-Smith K. 1999. The Condition of Opotiki's Rural Housing Stock – A Survey of three communities, Centre for Research Evaluation and Social Assessment.

It is recommended that a sample survey be conducted to obtain valid and reliable data on the condition of the housing stock in the region, both for the interior and exterior of the property. This will enable an accurate assessment to be made on the number and location of sub-standard dwellings to inform the focus of training programmes on housing maintenance and the targeting of specific funding to address this issue. One option is to provide additional funding to BRANZ such that it could extend its independent sample survey³² on house condition to other regions in New Zealand, including the Bay of Plenty.

Although the 1999 inquiry into sub-standard rural housing was focused on East Cape and Northland,³³ a number of issues were identified that are relevant to the Bay of Plenty. It is reasonable to consider, based on anecdotal evidence from interviews and workshops in the Bay of Plenty, that the East Coast situation is comparable to areas of the Eastern Bay of Plenty. The Committee also cited a report by Te Puni Kokiri in 1998 which profiled the Opotiki district along with the East Cape, Far North, Wairoa and Kaipara and highlighted the many similarities in both demographic statistics and housing situations in these five areas.

The Social Service Committee extrapolated, using 1996 Census figures, to suggest that 6.5% of the population in the northern East Coast could live in sub-standard rural housing, 3.4% in other rural areas in the region, and 0.25% in Gisborne City.

Ngati Porou, in its submission to the inquiry itemised statistics on homelessness, sub-standard housing and over-crowding in the East Coast area from a 1994 report of its Housing Committee. In this report it was identified that 72 whanau (approximately 360 people) are homeless, 271 homes are sub-standard or temporary or makeshift shelters, 140 homes are overcrowded, 67 whanau (335 people) are in emergency housing, there are 186 houses that need to be renovated, and there are a further 227 new homes required to meet housing needs. Tribal authorities and government agencies that were interviewed in the Bay of Plenty, while they did not provide statistical data highlighted that sub-standard housing is a serious issue.

In May 2002 the Government announced \$53.3 million in extra funding to tackle substandard housing in Northland, East Coast and the Eastern Bay of Plenty. The money was to be used to provide 500 affordable rental homes over the next four years for families living in derelict or makeshift dwellings. This followed a survey in 2001 of approximately 1500 houses in these areas to assess the level of substandard housing³⁴. Based on these assessments, it was estimated that 600 new dwellings were required, and 200 of these were in the Eastern Bay of Plenty.

The conclusion and recommendations of our study largely mirror that of the Select Committee Inquiry of 1999, and include:

- Better statistical information needs to be collected on the number and geographic location of sub-standard dwellings, and also the nature of deficiencies in housing condition, in order to focus programmes and funding. An option is to fund BRANZ to conduct a housing condition survey in the BOP.

³² Ref. BRANZ. STUDY REPORT No. 142 (2005). NEW ZEALAND 2005 HOUSE CONDITION SURVEY

³³ Report of the Social Services Committee Inquiry into Sub-standard Rural Housing in East Cape and Northland. October 1999.

³⁴ Survey cited in media releases. February 15, 2002

http://www.labour.org.nz/Our_mps_top/mark_gosche/news/news6/index.html and May 2002 Housing New Zealand Corporation conducts baseline surveys. These are incorporated in regional profile information.

- Education on home ownership needs to have a component dedicated to education about home maintenance and this aspect, which is incorporated in training courses such as by Trade Training in Opotiki, could be extended.
- Continued focus on house insulation to both reduce on-going operating costs of homes and to improve health outcomes

A further option is to leverage off the pilot developed in partnership between HNZA and Counties-Manukau and Auckland District Health Boards to carry out a similar study in the BOP. The parties have developed a joint housing assessment programme, which assesses tenant's risk of meningococcal and other diseases, based on the number of occupants per bedroom and measured risk factors.

7.7 Conclusion

The implication of the figures and the analyses in this chapter is that organisations need to put in place solutions of “scale” on the supply-side, in that the WBOP region requires hundreds of new affordable houses each year to cater for growth if economic development targets are to be achieved, and in order to address the adverse social and health consequences of the current lack of affordable housing affecting thousands of households.

In the WBOP, there are only 3.1% of houses with values of up to \$200,000, and only 12.6% up to \$250,000. Only a proportion of these houses would be put on the market each year (between 7.7%-8.4%).

Building costs in the BOP are broadly comparable with other regions of New Zealand. Solutions therefore need to focus on, where possible, “removing” the land cost from the equation particularly in the WBOP, and/or “spreading” or amortising Council charges. This suggests use of publicly-owned or not-for-dividend land owning entities could be a practical option to enable more affordable homes to be provided in the region.

In the EBOP there is less demand for affordable homes in future, and a greater availability of cheaper housing stock. In the EBOP it is estimated that in 2006 there are 3119 households under stress, and that there is a much greater proportion of houses available in the lower value bands of up to \$200-250,000 as compared to the relative shortage in the WBOP.

There is however a large proportion of households who are currently suffering housing stress in the EBOP. It is suggested that the solutions in the EBOP rather than addressing the housing supply side revolve more around enhancing income growth over time, improving access to budgeting skills, reducing household operating costs, improving the condition of housing stock, and addressing options to develop housing on multiple-owned Maori land.

WBOP District and Opotiki District have a significantly higher proportion of households (1.4% and 2.1% respectively) living in temporary accommodation compared to the New Zealand average (0.4%).

Housing Condition is a significant problem in particularly the EBOP. It is recommended that:

- Better statistical information needs to be collected on the number and geographic location of sub-standard dwellings, and also the nature of deficiencies in housing condition, in order to focus programmes and funding. An option is to fund BRANZ to conduct a housing condition survey in the BOP.

- Education on home ownership needs to have a component dedicated to education about home maintenance and this aspect, which is incorporated in training courses such as by Trade Training in Opotiki, could be extended.
- Continued focus on house insulation is required to both reduce on-going operating costs of homes and to improve health outcomes

A further option is to leverage off the pilot developed in partnership between HNZC and Counties-Manukau and Auckland District Health Boards to carry out a similar study in the BOP. The parties have developed a joint housing assessment programme, which assesses tenant's risk of meningococcal and other diseases, based on the number of occupants per bedroom and measured risk factors.

8.0 Council Planning Strategies

This chapter outlines Council planning strategies, the approach taken to planning, principal assumptions on population and household growth, zoning, and issues associated with affordable housing provision.

In the WBOP a comprehensive collaborative process involving a range of stakeholder organisations was established to plan for future growth. There is no equivalent process that applies in the EBOP. The individual Councils plans and strategies sit under the broad umbrella of the Regional Policy Statement (RPS) which is the responsibility of Environment BOP.

8.1 SmartGrowth- Western Bay of Plenty

The SmartGrowth strategy was adopted in May 2004 and provides a framework for managing growth in the western subregion over the next 50 years.

Both Western Bay of Plenty and Tauranga councils have data on the assumed likely capacity of land zoned under their respective District Plans. In addition, their asset management plans and Long-term Council Community Plans indicate their commitment to expenditure on infrastructure services required to support development in their district.

The SmartGrowth strategy responds to population and household forecasts to 2051 which show a significant increase from 2001.

Table 27 WBOP Population and Household Projections

Year	Population	Households
2001	130,000	49,000
2051	284,000	119,000
Change	+154,000	+70,000

Source: SmartGrowth 2003

It is noted that more recent projections (refer section 6.1 above) show households rising to 117,900 in 2051.

The SmartGrowth strategy involves the implementation of four key growth corridors which are planned to accommodate new residential housing development³⁵ :

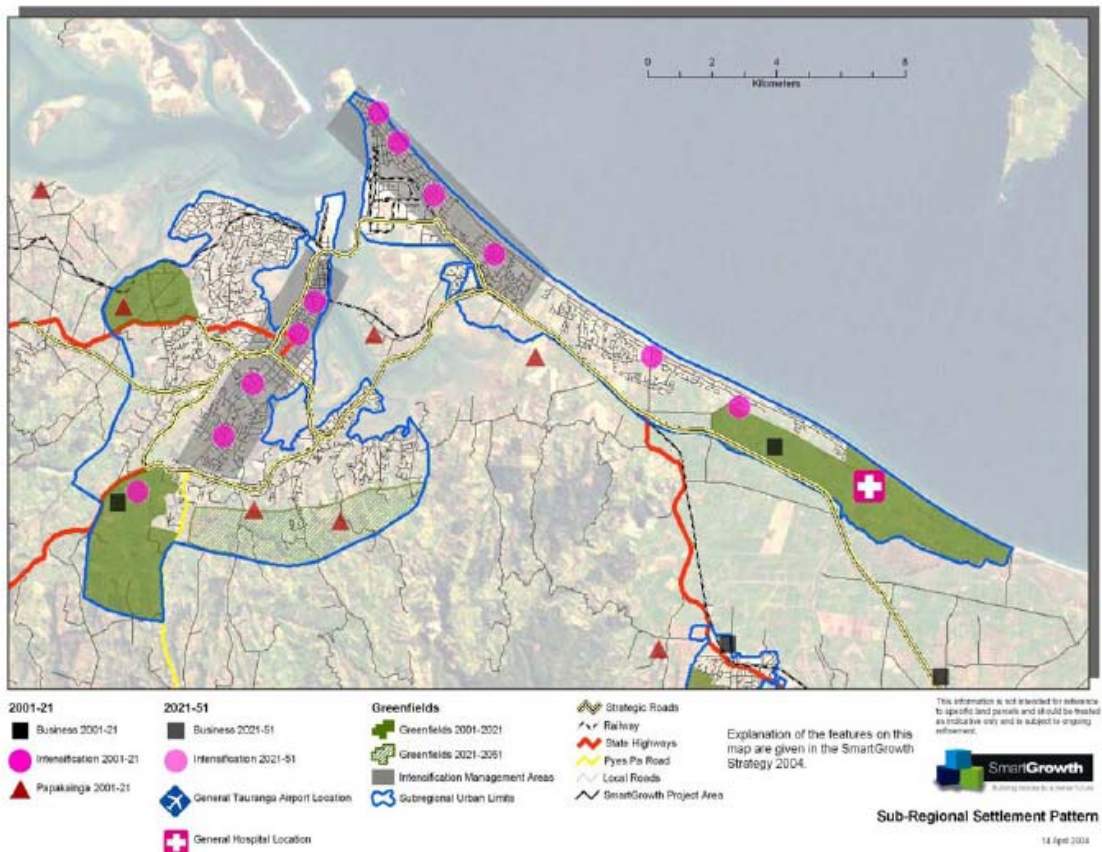
- Eastern corridor incorporating a highway (Tauranga Eastern Motorway) between Tauranga and Paengaroa and linking with the proposed business park at Rangiuru.
- Southern corridor towards Rotorua, in particular Ngongotaha (planning for a twin-city urban anchor model) incorporating the Pyes Pa area
- Northern corridor linking with settlements at Omokoroa, Katikati and Waihi Beach with state highway links to Coromandel and Auckland.

³⁵ http://www.smartgrowthbop.org.nz/newsletters/SG_No_15.pdf

- Western corridor linking with employment land at Tauriko and state highway links to the Waikato.

Figure 4 Sub-Regional Settlement Pattern

(note intensification corridors are shaded dark grey)



8.1.1 Location of future development

Accommodating projected population growth will involve the use of infill, greenfield expansion (i.e. previously undeveloped land) and residential development on rural land.

1. **Future Urban (Expansion).** Expansion in the Tauranga district has typically occurred through greenfield development of rural land. Growth in the Bethlehem area and parts of Pyes Pa has been on to good quality soils. In the Western Bay of Plenty district, expansion of towns and settlements has been constrained by infrastructure limitations which require upgrading projects to enable further development to occur. Future greenfield opportunities in Tauranga are limited. The Western Bay of Plenty District Plan provides for expansion of the larger growth oriented settlements such as Waihi

Beach, Katikati, Omokoroa and Te Puke³⁶. Smaller settlements retain their character by limiting their size.

2. **Urban intensification**³⁷. The aim of the Tauranga District Plan is to achieve a modest increase in population densities over the urban area as a whole, but not uniformly in all areas. Infill is a significant component of the city's residential development strategy with nodal intensification focused at Mount Maunganui North, Bayfair, Tauranga CBD, Eleventh Avenue, and Greerton. The Council is finalising a draft strategic approach to the priority areas of Mount Maunganui and Tauranga/Te Papa peninsula, and identifying in more detail the ways by which intensification objectives of SmartGrowth will be promoted. The WBOP district's residential areas are characterised by low density, low rise dwellings. Intensification through infill development is planned to ease the pressure to expand residential zones onto productive rural land.
3. **Rural Intensification**. Whilst District Plan rules restrict the subdivision of productive land into lifestyle blocks and retain land for horticultural and dairying uses, from 1991 to 2001, the rural population of the Western Bay of Plenty district (which comprises most of the rural area within the WBOP sub-region) increased 40% compared to urban (i.e. town/settlement) growth of 16%. Rural subdivision into lots of under 4ha has led to a significant increase in the amount of land not used for any primary production and in the total number of properties used solely for residential purposes.

The SmartGrowth Strategy anticipated accommodating the 50 year projected population in the ratio of 70% of pop growth in TCC and 30% in the WBOP. Within the TCC area 70% is anticipated to be greenfields development versus 30% residential intensification.

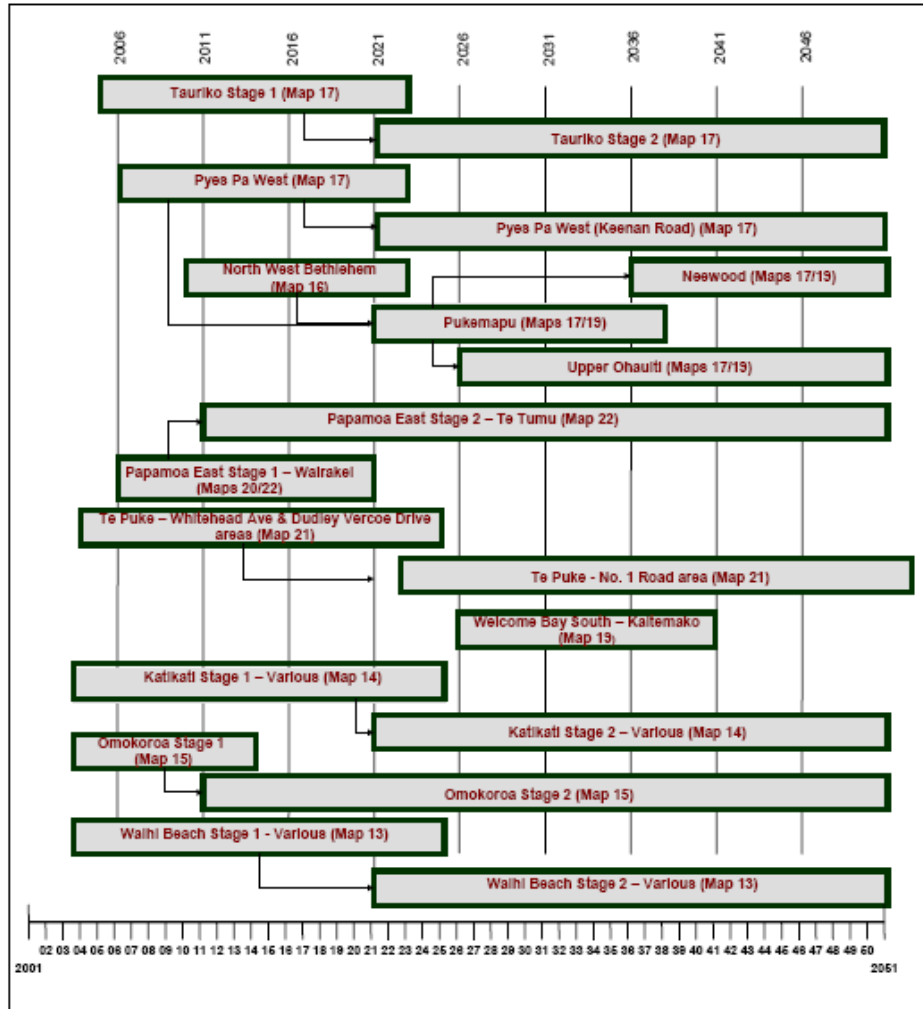
8.1.2 Staging of Development

The future staging of development of growth areas has recently been reset through decisions upon Plan Change Two to the Bay of Plenty Regional Policy Statement. Figure 5 below indicates timing horizons for uptake of land in parts of Tauranga City and Western Bays District.

³⁶ These areas have been identified as the urban growth centres for the District in the Western Bay of Plenty District Council Long Term Council Community Plan 2006–2016.

³⁷ Intensification refers to redevelopment of existing residential areas at a higher density. This can involve subdivision of larger sites and additional dwellings being constructed. Nodes are generally less than 800m radius as they emphasise non-car based accessibility.

Figure 5 Indicative Growth Area Sequencing³⁸



8.2 Development Potential

Planning policies for new growth areas are based on an expected yield of 15 dwellings per hectare, which is a more intensive form of development than historical densities in the sub-region.

The SmartGrowth 50 year Strategy and Implementation Plan (Nov. 2006) contains estimates of residential capacity in the WBOP as:

- Urban Residential: 15,000 households (Infill: 7,000; Greenfield: 8,000)
- Rural Residential: 3,500 households

³⁸ Map references are to Regional Policy Statement maps subject to decisions by EBOP (Regional Council) on Plan Change No. 2 (Growth Management) dated 7 November 2006. Note also the commencement date of 2011 for development in Papamoa Stage 2 (Te Tumu) is subject to a number of preconditions being satisfied as a result of further investigations, namely, the impact on the overall SmartGrowth Strategy, and timing in relation to the implementation of other parts of the strategy (in particular, residential intensification and the rate of uptake in Papamoa Stage 1).

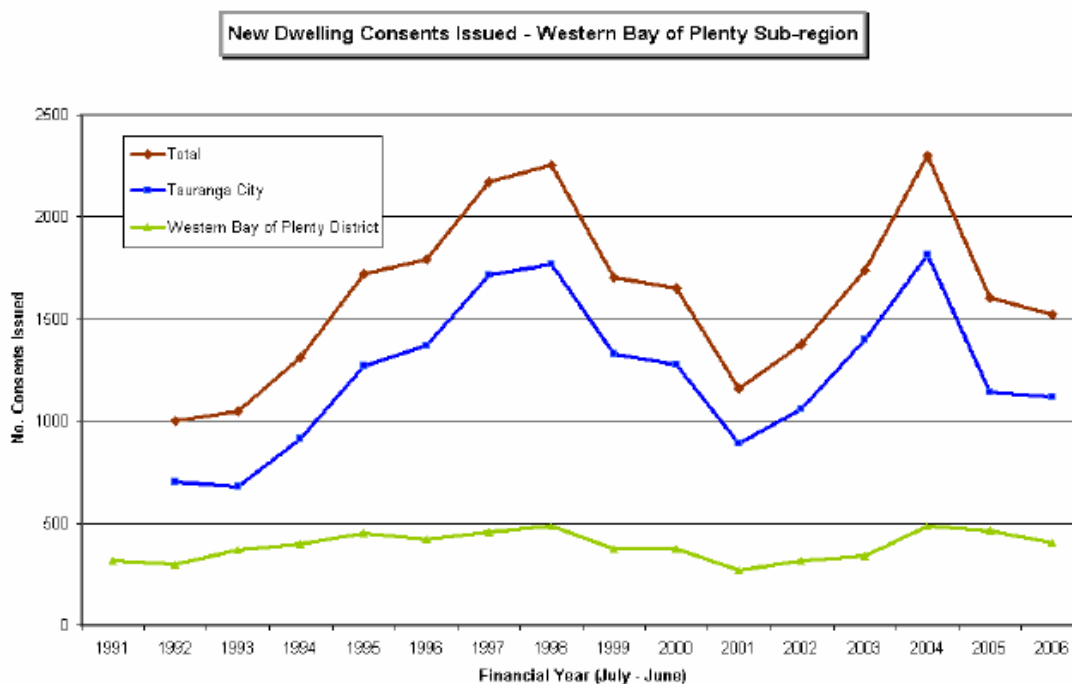
The capacity of other areas “under consideration for urban development” is 17,500 additional households. Given the total of 70,000+ households to be accommodated between 2001 and 2051, this leaves a further capacity of 34,000 households to be identified.

The sub-region is expected to accommodate 63% of future growth in greenfields developments and 37% through intensification. Recent data on new dwelling consents indicates demand for new housing is being accommodated in greenfields coastal and inland areas as available sites within the existing urban area become scarce (see below).

8.3 Western Bay of Plenty- New Dwelling Consents

Annual building consents for new dwellings in the Tauranga City part of the Western Bay of Plenty sub-region have fluctuated significantly over the past 15 years (refer diagram below). Total consents peaked at close to 2,200 per annum in 2004 and previously in 1997.

Figure 6 New Dwelling Consents - WBOP



In Tauranga City’s urban growth areas, building activity has increased in the 12 months to June 2006, in Bethlehem, Pyes Pa, and Welcome Bay, and decreased in Ohauti and Papamoa.

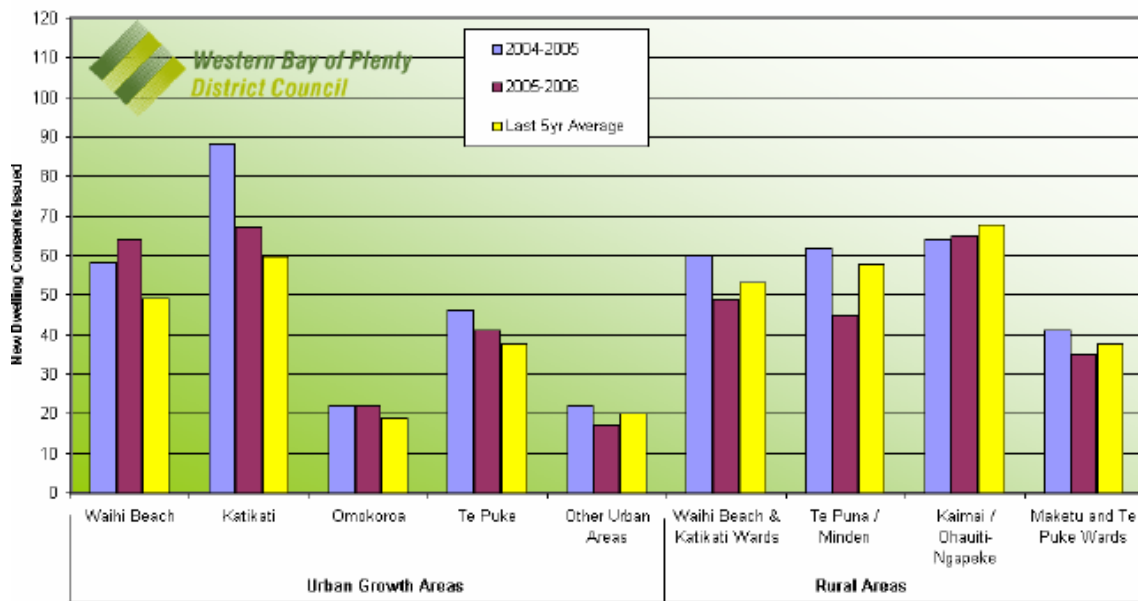
The WBOP Development Trends Report 2006 notes that:

“..in Papamoa housing development has continued to fall due to a shortage of new lots for building, and that generally, greenfield areas remain popular and building development is progressing at approximately twice the rate of development of that occurring within existing urban areas.

*In the Western Bay of Plenty District the trend towards housing development in urban growth areas in favour of rural areas continues. Katikati remains the most popular urban growth area, while there has been an increased demand for residential development in Waihi Beach, with the number of dwelling consents issued now almost reaching Katikati levels. Building activity has decreased in Te Puke and other urban areas due to the lack of available land. Construction in rural areas has declined for all areas except Kaimai/Ohauti Ngapeke”.*³⁹

Within the WBOP District, New Dwelling consents have averaged 402 p.a. over 2001-2006 compared to 1,307 pa in Tauranga City (refer to Figures 7 and 8 below).

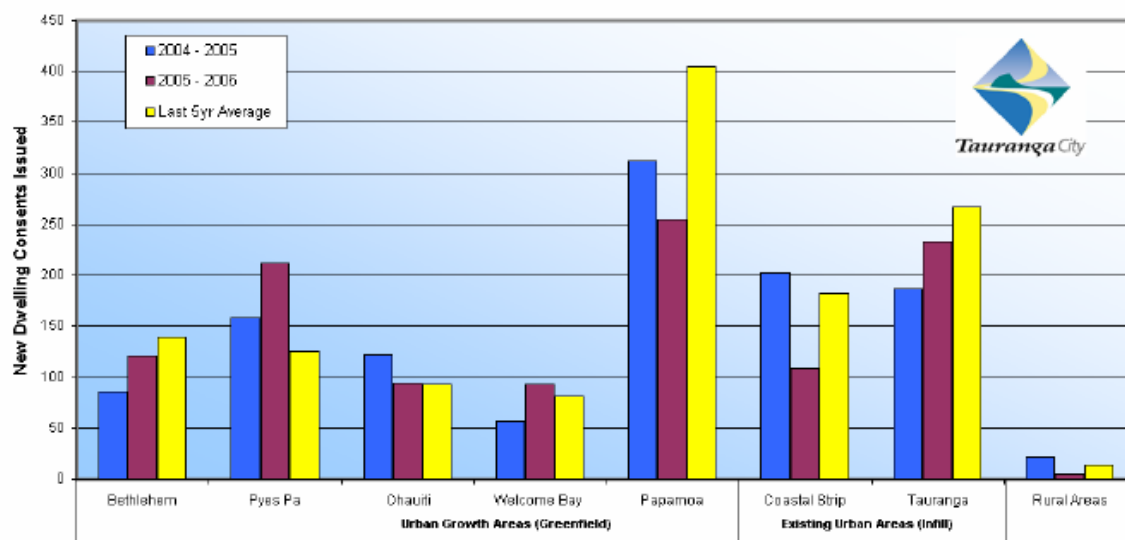
Figure 7 New Dwellings - Building Consents Issued – WBOP District



The pattern of consents issued over the past five years in WBOP shows a shift toward urban areas over rural areas. The proportion issued in rural areas has declined steadily over the last few years from 58% in 2002/2003 to 57% in 2003/2004, 49% in 2004/2005 and down to 48% in 2005/2006.

³⁹ Development Trends Technical Report 2006 : Western Bay of Plenty District and Tauranga City July 2005 – June 2006 p4

Figure 8 New Dwellings – Building Consents Issued – Tauranga City



Dwelling consents issued in 2005/2006 in Tauranga’s greenfield areas accounted for 69% of new dwelling consents while 30% were within existing urban areas (infill), and 1% in rural zoned areas.

The Papamoa urban growth area has seen a continued fall in housing development (from 312 new dwelling consents in 2004/2005 to 254 in 2005/2006) due to the shortage of new sections for building.

8.4 Western BOP – Subdivision Activity

In the WBOP District new sections have been created at an average of 336 per annum. over the past five years. In the 12 months to June 2006 large subdivision developments have occurred in Katikati and Omokoroa while subdivision activity in all rural areas of the Western Bay of Plenty District declined.

Within Tauranga City, new sections have been created at an average of 1,349 per annum over the past five years. The trends in development within growth areas reflect the availability of land for subdivision development, moving in favour of the southern foothills of Tauranga City⁴⁰.

Development away from the coastal strip of Papamoa has continued since 2003/2004, with Welcome Bay and Bethlehem recording increased numbers of additional sections in 2005/2006.

8.4.1 Vacant Sections / Capacity

In the Western Bay of Plenty District, the Waihi Beach urban growth area has the largest greenfield capacity following rezoning of 17 hectares of land to residential in October 2005. Omokoroa urban growth area has the largest remaining capacity available, although uptake

⁴⁰ Development Trends Technical Report 2006 : Western Bay of Plenty District and Tauranga City July 2005 – June 2006 , P12

is expected to increase once the proposed wastewater scheme becomes operational⁴¹. Capacity in Te Puke urban growth area has almost been reached, although Plan Change 25: Te Puke Structure Plan (currently under appeal), proposes to rezone limited further areas of residential land.

Table 28 Capacity and Uptake in the Urban Growth Areas of the WBOP District

Urban Growth Area	Design capacity total number of lots (houses) ⁽¹⁾	Uptake as at 30 June 2006 ⁽²⁾	% of capacity remaining	Theoretical remaining number of years of supply ⁽³⁾
Waihi Beach	4263	2159	49.4	42
Katikati	2481	1255	49.4	20
Te Puke	2187	2110	3.5	2
Omokoroa	2161	777	64.0	73
Other Urban Areas	2194	1513	31.0	34

- (1) Residentially zoned lots greater than 3200m² divided by 11 lots per hectare, plus all existing lots less than 3200m² (no infill subdivision is factored into equation) for Waihi Beach, Katikati, Te Puke and Other Urban Areas. Capacity in Omokoroa was calculated at 8 lots per hectare to account for larger lot sizes identified in the Omokoroa Structure Plan. An area of high density housing (approximately 5ha) is also included yielding 25 lots per hectare.
- (2) Residentially zoned lots with existing dwellings.
- (3) Calculated from the average number of building consents issued over the last 5 years, and does not take account of market availability. Figures have been rounded down to the nearest year.
- (4) Other Urban Areas includes residential areas of Te Puna, Paengaroa, Maketu etc.

Chart 16. Western Bay of Plenty District Urban Growth Area Lot Capacities

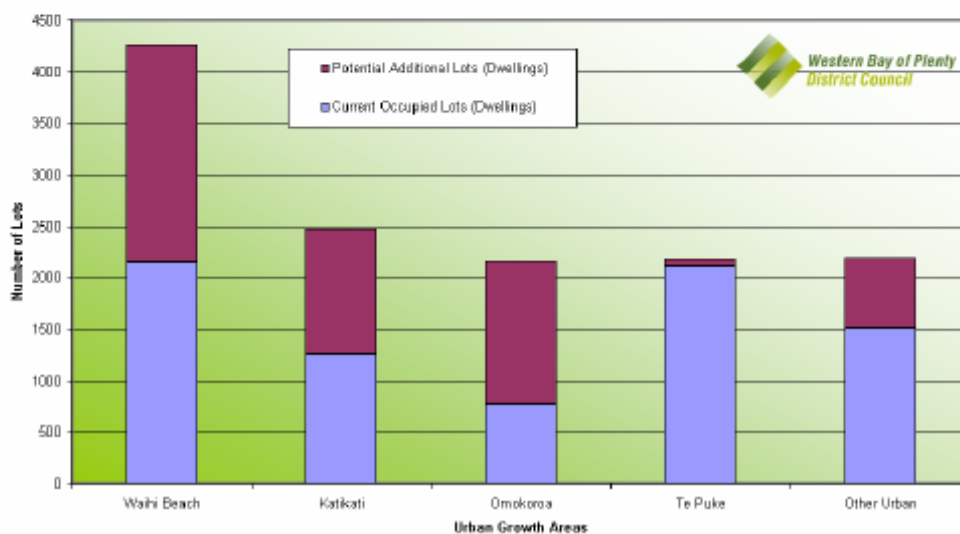


Table 29 outlines uptake trends and capacities of Tauranga City’s urban growth areas. Tauranga City’s land capacity is markedly more restricted. In five of the six urban growth areas there is only one to four years of land supply left; representing 53% of the remaining capacity.

The Papamoa urban growth area has the largest greenfield design capacity in Tauranga City, and approximately 14.2% of this capacity remains. Welcome Bay has the most limited percentage of capacity remaining, and together with Pyes Pa, these two urban growth areas have the least theoretical remaining number of years of supply. Pyes Pa West is the most

⁴¹ Note the theoretical remaining number of years of supply is based on historical uptake of land during years when supply in this urban growth area has been limited

recently established urban growth area with a capacity of 2976 dwellings (47% of the remaining capacity).

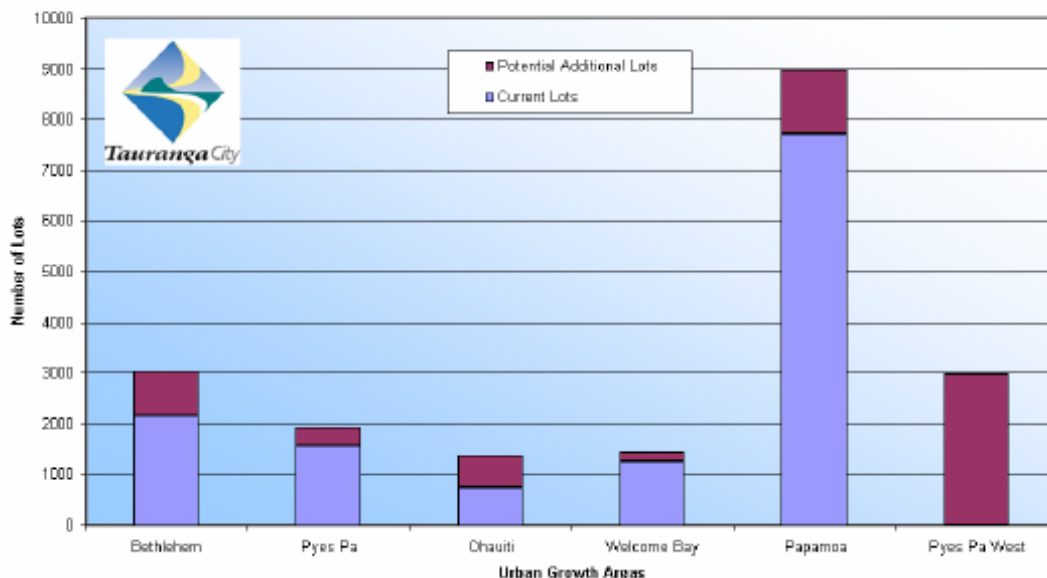
Wairakei-Papamoa East Part 1 (6,269 dwellings) and Bethlehem West (316 dwellings) urban growth areas are in the process of being rezoned to provide for additional growth capacity.

Table 29 Capacity and Uptake in the Urban Growth Areas of Tauranga City

Urban Growth Area	Design capacity total number of lots (houses)	Uptake as at 30 June 2006	% of capacity remaining	Theoretical remaining number of years of supply ⁽¹⁾
Bethlehem	3032	2146	29.2	3
Pyes Pa	1926	1575	18.2	1
Ohauti	1370	748	45.4	4
Welcome Bay	1429	1264	11.5	1
Papamoa	8978 ⁽²⁾	7703	14.2	2
Pyes Pa West	2976	0	100.0	15

- (1) The remaining number of years supply is rounded down to the nearest year to present and is calculated from the average rate of uptake over the past 3 years for each Urban Growth Area through subdivision.
- (2) A further 1,500 lots have been added to the original design capacity of 7478 lots to account for the higher densities being realised than were originally planned for.

Figure 9 Tauranga City Urban Growth Area Lot Capacities



In the Western Bay of Plenty District the ratio of urban land uptake in urban growth areas to rural subdivision is expected to increase as infrastructure is improved at Waihi Beach, Katikati, Omokoroa and Te Puke.⁴²

⁴² Development Trends Technical Report 2006 : Western Bay of Plenty District and Tauranga City July 2005 – June 2006 , p18

8.4.2 Affordable Housing

The findings of this research indicated that new subdivisions in Tauranga are typically covenanted to require a minimum house of 120m² (net of garaging, etc) which in effect prohibits entry level housing (of say 90-95m²). The comment was also made that there are probably around 50 speculative houses available in the WBOP area at the moment whereas seven years ago there would have been more like 200. The market might not have softened so much as being better regulated by developers and individual builders adjusting the rate of development to better match demand (i.e. they may be more effectively managing the market to keep demand levels and prices stable).

The main point here is that land owners/developers appear to be oriented to the "middle to upper end of the market" of households. Houses are being built and sold to those who can afford higher prices.

The impression from workshops and interviews was that restrictions on land supply per se were not a dominant cause of high land costs, but rather a reflection of strong demand to live in the Tauranga area. Nevertheless, the market is not responding to demand for lower priced housing. The existence of covenants also appears to be a supply constraint on top of increases in land costs. For Maori in Tauranga and Western Bay of Plenty, other restrictions apply to developing housing on their land including the multiple ownership issue, HNZN lending rules and planning rules to some extent.

The above figures on development consents and development potential suggest pessimism about the potential to provide affordable housing within the western sub-region. At an aggregate level recent rates of development of an average 1,700 consents per annum are able to be accommodated by the SmartGrowth strategy provision for 23,400 additional units between 2006 and 2021. However the relatively more affordable areas of Tauranga in the southern foothills are already nearing subdivision capacity limits. Greenfields and coastal area developments will normally tend to be premium developments given current land values.

This suggests that given short-term planning constraints on greenfields development, affordable housing will require consideration of the potential yield from the existing urban area. The local authorities could examine the potential to generate such stock through intensification of less desirable areas or from the effect of people upgrading from existing areas. Of course, residential intensification could also have some adverse impacts on the amount of affordable housing available as 'up-zoning' flows through into higher land values given increased development potential. Affordable housing may then be limited to old stock in non-intensifying areas as people transfer or upgrade to new houses in higher density developments. The opportunities to extract potential for affordable housing from existing neighbourhoods should be taken into account by the local authorities as additional factors in the sequencing and prioritisation of growth areas.

Tauranga City Council and Western Bay of Plenty District Council had considered a range of methods to support increased and improved affordable housing in the SmartGrowth process. The position of the two Councils was that affordable housing is ultimately the responsibility of central government and this cost should not be transferred to the ratepayer.

In relation to affordable housing, actions in the adopted SmartGrowth Strategy are to support the increase in affordable housing stock through:

- Redevelopment of existing elderly housing stock

- Investigating public/private/social housing partnerships through the provision of land by Council for affordable housing
- Advocating to central government and other agencies
- Zoning
- Supporting redevelopment of Maori land

The following options were also considered by the two Councils but were not supported:

- Inclusionary zoning
- Waiver or deferred payment of development contributions
- Waiver or deferred payment of resource consent and building fees
- Council increasing its own housing stock through acquisition.
- Capital funding from the local authority to provide leverage for the Third Sector
- Increased resources into further Maori land projects

The revised SmartGrowth Strategy (Nov 2006) incorporates revisions to the section on Affordable Housing which outlines the issues in summary, the policy options the organisations have considered at this stage, and those that they either support or have rejected at this stage. The summary is outlined below, and the full section 7.2.13 is included in Appendix 9.

Figure 10 Excerpt from Summary of Revised SmartGrowth Strategy

7.2.13 Affordable Housing..... 129

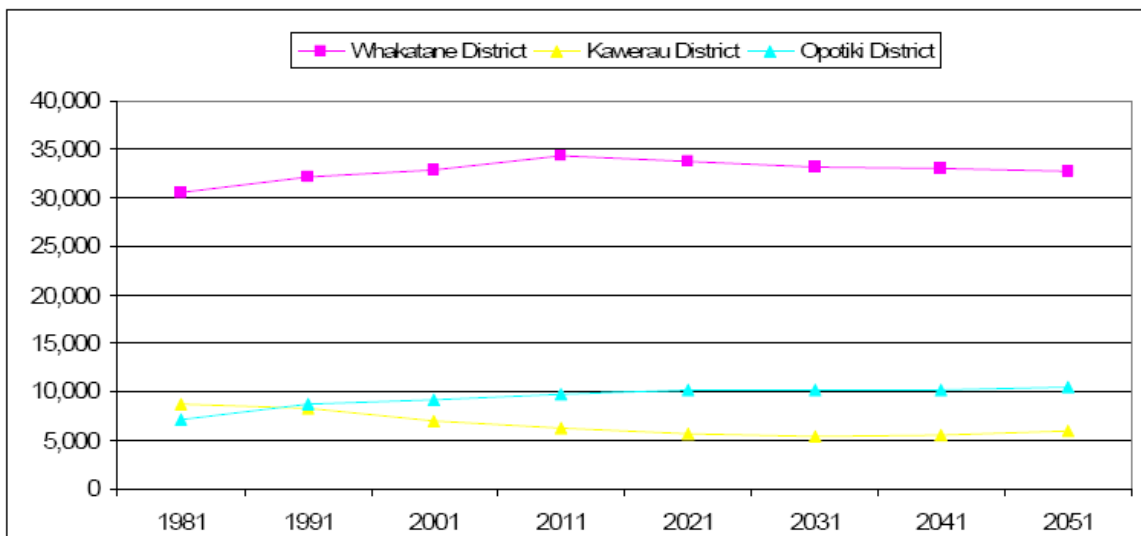
Type	No.	Description	Page
On-going	1	Support increase/improvement in affordable housing stock through: <ul style="list-style-type: none"> a) Redevelopment of existing elder housing stock (including consideration of upgrading, refurbishment, redevelopment and intensification). b) Investigating Public/Private/Social Housing Sector partnerships though the provision of land by Council for affordable housing use. c) Advocating with Central Government and other Agencies in respect of the need for affordable housing provision in the sub-region 	130
On-going	2	Increase housing supply through: <ul style="list-style-type: none"> • zoning (refer section 7.2.3); and • supporting development of Maori Land 	130
On-going	3	Continue to provide housing for elderly	131
On-going	4	Meet some housing needs through the distribution of Stewart and Carruthers funds in accordance with the Trust Deed and Council Policy	131
On-going	5	BOP Housing Study being undertaken. Study conclusions and recommendations considered and where appropriate implemented	131

It is noted that the estimate of around 11,400 households being under housing stress by 2051 is equivalent to over 16% of total projected households in the sub-region. This should encourage the local authorities to reconsider some of these “rejected” strategies given the economic and social consequences of inadequate provision of affordable housing and the scale of the current and future problem in the Western BOP.

8.5 Eastern Bay of Plenty

Demographic analysis of population growth in the Eastern Bay of Plenty sub- region generally expects it to be flat or in mild decline in the future.

Figure 11 Comparison of Historical and Forecast Population Growth in the EBOP Sub-region⁴³.



Source: Presentations of the Environment Bay of Plenty Demographic Forecast 2051 Report, University of Waikato, July 2005

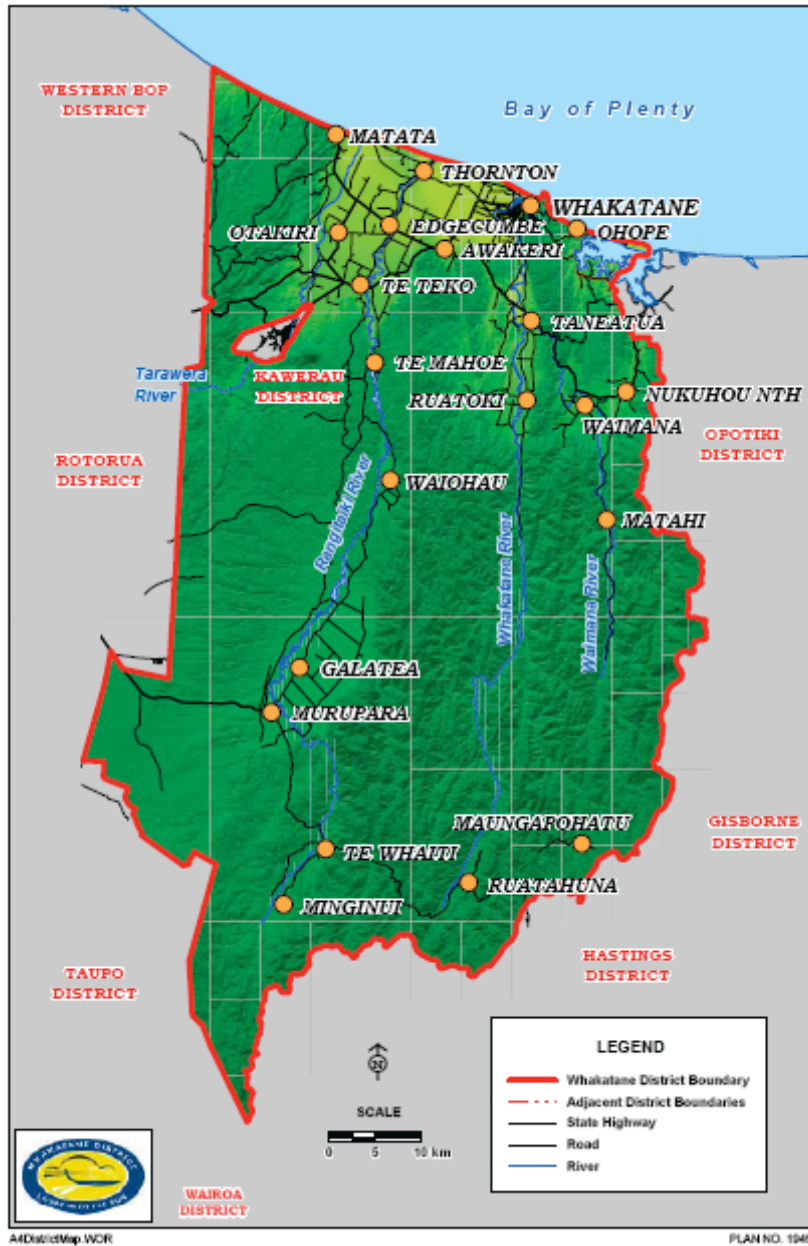
As a whole, the number of Eastern Bay of Plenty residents is expected to remain fairly stable between 2001 and 2051, based on the Environment Bay of Plenty Demographic Forecast. The trend differs from one district to another, however:

- Whakatane District population is expected to remain at a similar level in 2051 as in 2001, going through a small increase in the first decade and then a slight decline between 2011 and 2051;
- Kawerau District population is estimated to undergo a 14% decline between 2001 and 2051, following from the 20% decrease in the number of residents that the region underwent in the previous 20-year period; and
- Opotiki District is forecast to undergo a population increase of 14% by 2051, following a 30% rise between 1981 and 2001.

⁴³ Eastern Bay of Plenty Regional Economic development Strategy, 2006 (prepared for Regional Economic Development Trust and Toi-Economic Development Agency)

8.5.1 Whakatane (including Ohope)

Figure 12 Whakatane District Council Area



In 2006 the Whakatane District population was 33,300 with total occupied dwellings of 11,931.

Whakatane District Council commissioned Beca to undertake a Residential Growth Strategy for Whakatane and Ohope in 2000⁴⁴. Options for accommodating residential growth in the District are currently being developed as part of a revision of the Residential Growth Strategy

⁴⁴ Beca Carter Hollings & Ferner Ltd., Sept. 2000: Whakatane and Ohope Residential Growth Strategy

The Beca report refers to growth projections based on 1996 Census figures, where only the high projection shows the total population increasing from its 1996 base of 33,125 over the next 20 years, whilst the low and medium projections show population decline. This reflects an ageing population structure with limited in-migration.

However the Beca report identifies development pressure due to growth in dwellings exceeding population growth rates. Growth is expected to continue to be dominated by urban Whakatane, and rural-residential and coastal areas, as opposed to the rural hinterland.

In 1996 there were 11,190 households in the Whakatane District, with 6,357 households in the urban Whakatane area

The Beca 2000 report projects total growth in the District of 1,550 ± 390 new dwellings over the 25 year period 1996-2021, with 62.5% being accommodated within urban Whakatane and Ohope (ie. 970 ± 290 dwellings). The projections imply a need to accommodate around 630 additional dwellings in these areas over 1996-2006.

Potential for further residential development in undeveloped parts of Whakatane (e.g. low-lying areas such as off Keepa Rd and in Piripai) is constrained by the need to provide basic infrastructure such as wastewater and stormwater collection and discharge and the need to avoid hazards such as flooding.

The Beca 2000 report estimates there is potential for 1551 new dwellings to be built within the existing residential zones of Whakatane and Ohope over the 20 years from 2000. This would be through a combination of infill and greenfields development and is close to the projected demand for dwellings.

Most of the vacant land was in the Census Area Units of Ohope, Coastlands, and Allandale-Mokorua. As these areas have tended to attract medium-cost houses, there is likely to be very little greenfields land in the District available for low-cost housing. This implies relying on infill opportunities in areas such as Trident and Whakatane West and North. The estimate of a total 1,551 dwellings capacity is based on an assumption that 30% of 900 residential sites in Ohope and Whakatane (as at 2000) would be taken up for infill housing. A higher yield could be possible but the figures suggest that any increase in demand for housing above the medium projection will create a supply crunch for low-cost housing.

The Whakatane District Council Long Term Council Community Plan (LTCCP) 2006-16 (p18) states:

In 2000/2001, the number of building consents for new dwellings in the Whakatane District was 89. In 2002/2003 this figure increased to a total of 143, plus one building consent for an apartment complex of 42 units. In 2004/2005, 178 consents were issued for new dwellings plus an additional two apartment building consents issued for a total of 27 units.

The Council is investigating the residential land potential for the Whakatane urban area. An investigation completed in 2005 found that there was the potential to develop a further 247 dwellings in Ohope, 692 in Coastlands/Piripai and 200 in the Whakatane urban area.

These figures show that there is future capacity within the Whakatane urban area, Ohope and Coastlands/Piripai for further residential development, although the demand for residential sites may be higher than the available land area for the

Whakatane urban area and Ohope over a sustained ten year period. The Council is currently investigating future residential development options.

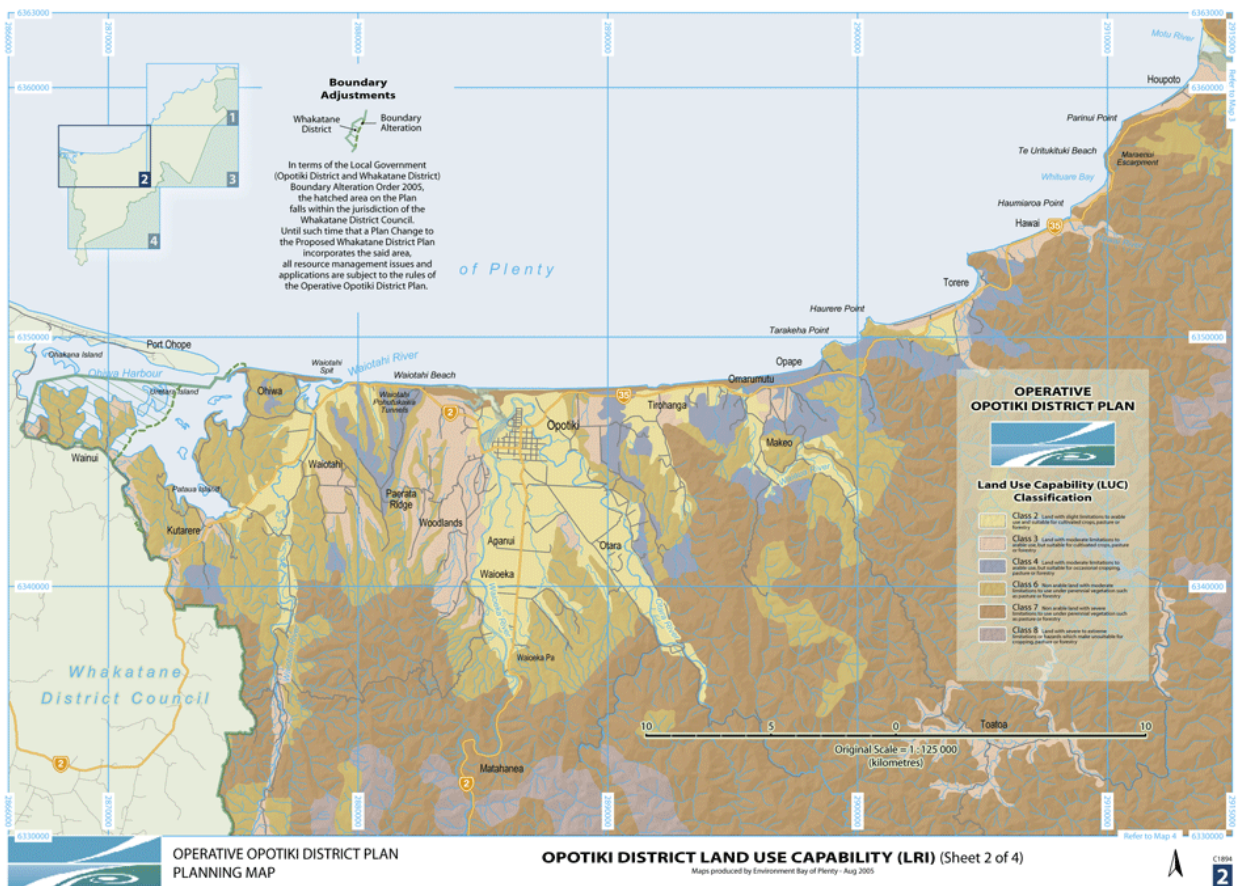
There is also market pressure to redevelop the downtown harbour endowment land in Whakatane for commercial and residential use. The continued development of apartment complexes and more intensive forms of residential development in Ohope and in the Whakatane urban area, and potentially Coastlands/Piripai, will provide for a greater density of accommodation units to be constructed. The figures above do not include potential redevelopment of existing sites for higher density residential development.

There continues to be a demand for residential lots in rural areas of the District. In the period 2000-2005 an average 28% of building consents issued for new dwellings were in rural areas and rural settlements. These tended to be lifestyle properties located close to the Whakatane urban area

8.5.2 Opotiki

The Opotiki district population is projected to increase from 9,201 in 2001 to 12,600 by the year 2021. In the 2006 Census, the usually resident population was 8,973 with 3,270 occupied dwellings.

Figure 13 Opotiki District Council Area



In 2001, the home ownership proportion in the Opotiki District (67.1%) was similar to the rest of New Zealand (67.8%). For rented dwellings, the average weekly rent was \$116 compared with \$174 nationally.

The district is expected to continue to attract population because of particular attributes such as climate, isolation, and naturalness. The District Plan focus has previously emphasised protection of rural land for productive rural purposes with limited provision made for rural-residential subdivision.

The Council has identified two options for providing for rural residential development in the future:

- Restricting development to particular localities considered suitable where rural character would not be compromised
- Allowing development throughout the district but managing the effects of activities on the rural areas.

The second option is currently preferred by the Opotiki District Council⁴⁵ as it is seen as having the advantage of following the market rather than attempting to anticipate location preferences.

Additional residential zoning has also been anticipated to provide sufficient land areas for projected household numbers⁴⁶. These are as follows:

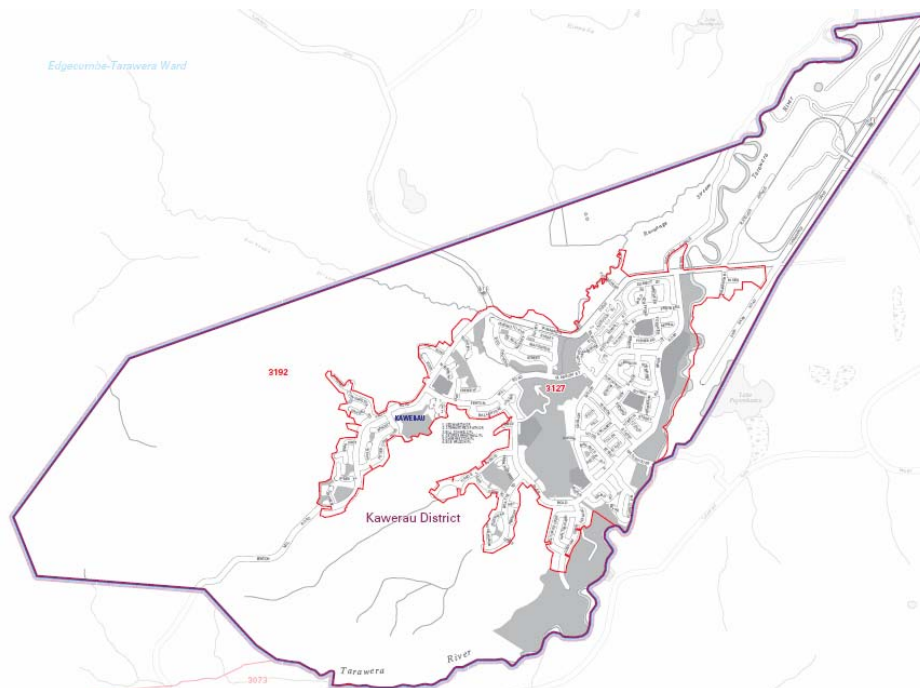
- Waiotahi 200 households
- Paerata 60 households
- Town Infill 100 households
- Wood lands/Hikutaia 350 households

⁴⁵ www.odc.govt.nz/content_environment.htm

⁴⁶ The additional zones are shown in the Proposed Opotiki District Plan Maps, 1998.

8.5.3 Kawerau

Figure 14 **Map of Kawerau District**



In the 2006 Census, the usual resident population of Kawerau District was 6,924 (close to 6,975 in 2001) and there were 2,424 occupied dwellings. In 2001 the unemployment rate was 19.3% (compared with 7.5% for New Zealand as a whole) and 64.5% of people aged 15 years and over had an annual income of \$20,000 or less compared to 52.8% for New Zealand as a whole.

It had a slightly higher home ownership rate than New Zealand as a whole in 2001 (68.8% compared with 67.8%). For dwellings that were rented the average weekly rent paid for permanent private dwellings was \$120 compared with \$174 for New Zealand as a whole.

The Kawerau Economic Development Agency (KEA) reports that housing is available in a range of prices – from \$40,000 to \$250,000. Rental property is also available “at prices ranging around \$140 per week for a 3 bedroom home in a pleasant area”⁴⁷.

A Kawerau DC newsletter in December 2006 identified the level of current new building activity: “Building consents for houses have increased with 13 new dwellings and 6 relocated dwelling consents issued in the period from January 2005 to June 2006.”

Volume two of the Kawerau District Council adopted Long Term Council Community Plan (2006/16) identifies options available to meet the current and future demands for growth. While this excerpt is in relation to wastewater infrastructure it highlights the current low expectations for growth in population and housing.

⁴⁷ affordable housing and the quality of housing accommodation are identified as issues from interview responses.

Kawerau District is expected to experience low growth in demand for additional wastewater services. There are a number of vacant sections in the town that were subdivided some years ago and still have no buildings on them. Even if these sections were occupied, the existing wastewater network would cope with the additional demand.

Current growth predictions means there are no proposed new wastewater pipes in the LTCCP. Any subdivision will be required to install appropriate wastewater systems before they are handed over to Council. The Council's renewal programme for wastewater infrastructure assets as outlined in Council's Long-Term Council Community Plan will meet current and future demands.

8.5.4 Overall Development Potential in Eastern Sub-region

Whilst there is no comprehensive estimate of residential development potential for the sub-region akin to that for the western sub-region the above commentary suggests there is likely to be potential for in the vicinity of a total 2,200 new dwellings in the combined Whakatane Ohope and Opotiki areas. This indicates there is a definite but limited spill-over role for the eastern sub-region in catering for demand for residential accommodation associated with population growth in the western sub-region. This equates to only 3.1% of the estimated demand for a total 70,000 additional households to be accommodated in the western sub-region during 2001 to 2051.

Additional development potential may be feasible to provide in these areas as well as in Kawerau, subject to changes in zoning and provision of necessary infrastructure services. However the potential of such areas to act as spill-over relief for housing demand generated by the western sub-region will be limited due to distance from main employment centres and major health and education facilities.

Similarly, within the Rotorua District, additional housing for commuters to the western sub-region may be provided in the vicinity of Ngongotaha or the northern lakes area. To put this into context Ngongotaha had a population of 3,975 in the 2006 Census with occupied dwellings of 1,518. The area has become more accessible due to recent roading upgrades and it could conceivably accommodate some housing demand pressure from people who would otherwise seek to live in the western sub-region.

8.6 Conclusion

The SmartGrowth strategy for the WBOP sub-region responds to population and household forecasts which show a significant increase in population from 130,000 in 2001 to 284,000 in 2051, and a further 68,900 households (to 117,900) in 2051.

New subdivisions in Tauranga are typically covenanted to require a minimum house of 120m² which in effect prohibits entry level housing. Land owners/developers appear to be oriented to the "middle to upper end of the market" of households. Restrictions on land supply per se did not appear to be a dominant cause of high land costs, but rather a reflection of strong demand to live in the Tauranga area. Nevertheless, the market is not responding to demand for lower priced housing.

Given short-term planning constraints on greenfields development, affordable housing will require consideration of the potential yield from the existing urban area. The local authorities could examine the potential to generate such stock through intensification of less desirable areas or from the effect of people upgrading from existing areas. Affordable housing may be limited to old stock in non-intensifying areas as people transfer or upgrade to new houses in

higher density developments. The opportunities to extract potential for affordable housing from existing neighbourhoods should be taken into account as additional factors in the sequencing and prioritisation of growth areas.

Tauranga City Council and Western Bay of Plenty District Council had considered a range of methods to support increased and improved affordable housing in the SmartGrowth process. The position of the two Councils was that affordable housing is ultimately the responsibility of central government and this cost should not be transferred to the ratepayer.

In relation to affordable housing, actions in the adopted SmartGrowth Strategy are to support the increase in affordable housing stock through:

- Redevelopment of existing elderly housing stock
- Investigating public/private/social housing partnerships through the provision of land by Council for affordable housing
- Advocating to central government and other agencies
- Zoning
- Supporting redevelopment of Maori land

The following options were also considered by the two Councils but were not supported:

- Inclusionary zoning
- Waiver or deferred payment of development contributions
- Waiver or deferred payment of resource consent and building fees
- Council increasing its own housing stock through acquisition.
- Capital funding from the local authority to provide leverage for the Third Sector
- Increased resources into further Maori land projects

Updated actions from the SmartGrowth Strategy (November 2006) in relation to affordable housing included:

- Continue to provide housing for elderly
- Meet some housing needs through the distribution of Trust monies
- Consider and where appropriate implement conclusions and recommendations of this BOP affordable housing study

There is limited forecast growth in population or household formation in the EBOP. There is forecast to be a 14% increase in Opotiki District by 2051. There is significant latent potential in the “Maori economy” in the BOP, particularly the EBOP which could dramatically increase economic growth in this sub-region and the associated need for more affordable homes to support this growth. For Maori in Tauranga and Western Bay of Plenty, other restrictions apply to developing housing on their land including the multiple ownership issue, HNZZC lending rules and planning rules to some extent.

There is potential for “spill-over” housing accommodation and employment in the EBOP, and the vicinity of Ngongotaha or the northern lakes area, to support jobs growth in the WBOP. This emphasises the need to plan for and implement upgraded public transport services across the wider BOP region.

9.0 Incidence of Housing Stress in the BOP Region

9.1 Introduction

As part of this study, SGS estimated the number of households currently living in housing stress in the region. Specifically, this research provides estimates of:

1. number of renter households living in housing stress in the BOP Region; and
2. number of owner occupied households living in housing stress in the BOP Region.

9.2 Methodology Overview

In order to identify households that are living in housing stress, it is necessary to define, in the first instance, what constitutes housing stress. For the purpose of this study, a household is considered to be living in housing stress if the housing occupancy or direct shelter costs exceed 30 percent of the gross household annual income and the household is in the bottom two quintiles of the income distribution.

There are many ways of approaching the housing stress issue. As affordability reflects not just price movements and income trends, but the impact of changes in housing quality over time, several measures of stress can be applied, and none are without a degree of controversy⁴⁸.

For the purposes of this study, we have chosen to apply a conventional or mainstream definition of housing stress, which simply relates to the proportion of household income dedicated to housing costs for lower income groups. The limitations of this approach are acknowledged. Nevertheless, the application of a conventional approach is warranted in this study because, firstly, in the overall research strategy, statistical analysis of housing stress is but one source of intelligence on the nature of this problem in the BOP region. Other sources include qualitative evidence collected from stakeholder interviews and workshops, as well as a review of earlier studies. We have interpreted the statistical analysis of stress in the context of this wider information. Secondly, the terms of reference of the Study required the study team to focus resources on **solutions**, as distinct from more problem analysis.

Use of conventional measures of housing stress was appropriate given this objective, bearing in mind that the robustness of the overall study conclusions and recommendations would be conditioned by a variety of information sources, as noted. Put another way, from a policy development perspective, there is little risk of reaching incorrect or misleading conclusions through the application of conventional measures of housing stress, provided that this is not the sole basis for framing recommendations.

The methodology adopted by SGS to identify households living in housing stress is summarised below:

⁴⁸ If readers wish to further explore alternative measures, or research on housing affordability, the following initial references may be useful:

1. The New Zealand Treasury. Affordability of housing concepts, measurement and evidence. Working Paper 06/03.
2. Select Committee hearings on housing affordability. <http://www.parliament.nz/en-NZ/SC/SubmCalled/0/7/9/07969b3802794267b7bc7e256abe6037.htm>.

- Estimate the number of households in the bottom two quintiles of income distribution (based on 2001 Census data).
- Identify the housing tenure of each of the households in the bottom two quintiles of income distribution (based on 2001 Census data).
- Net out the households that do not incur any direct housing cost (i.e. mortgage payments for owner occupied houses and rent for rental households) (based on 2001 Census data).
- For households in rented dwellings, estimate the number of households that pay more than 30% of their income in rent and are in the bottom two quintiles of income distribution (based on 2001 Census data).
- For owner occupied households, estimate the number of households that pay more than 30% of their income in mortgage repayments (based on 2001 Census and 2001 Household Economic Survey customised dataset obtained from Stats New Zealand).

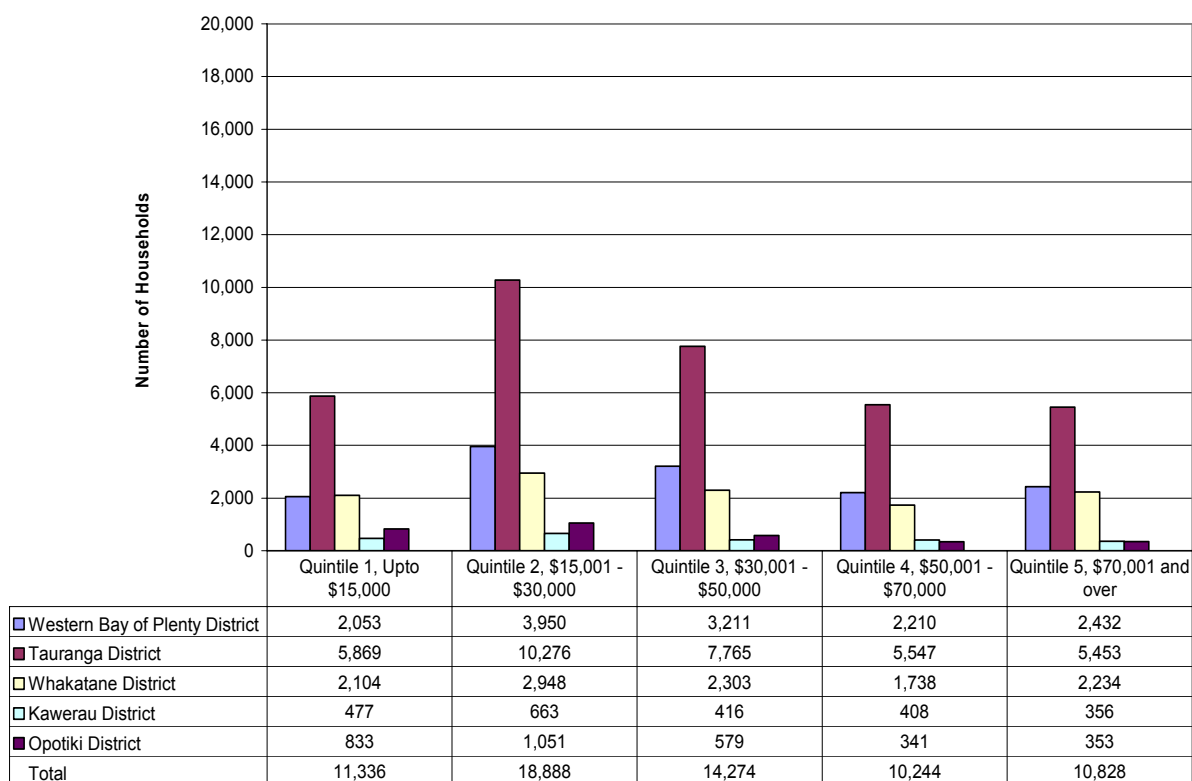
9.3 Household Income and Household Tenure Profile

According to the 2001 Census, the BOP region had around 65,570 households. The income distribution of households in the BOP region suggests that it is highly skewed towards the lower end of the income distribution. Specifically there is significantly higher number of households in the second quintile of the income distribution in each of the territorial authorities in the BOP region⁴⁹.

Overall, around 30,225 households in the BOP region (46%) were in the bottom two quintile of income distribution at the time of the 2001 Census.

⁴⁹ Note that income as counted by the Census is inclusive of all transfer payments, such as the Accommodation Supplement.

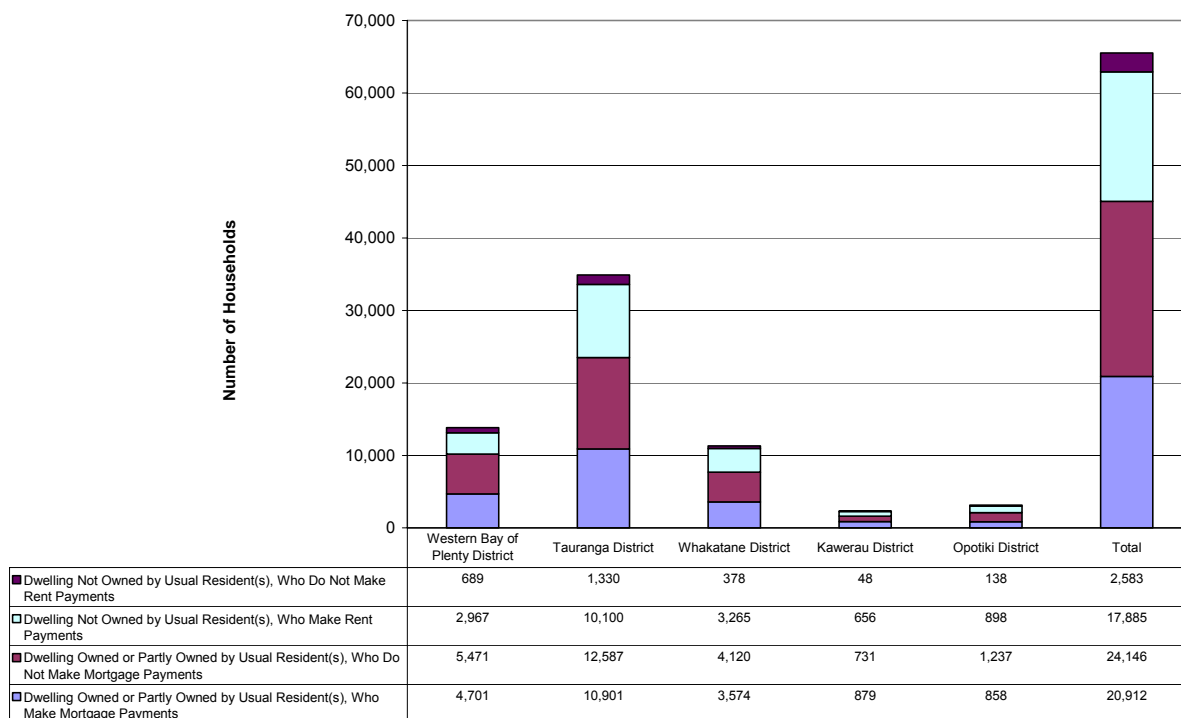
Figure 15 Income Profile of Households in BOP Region by Territorial Authority, 2001



Source: SGS Economics and Planning based on Statistics New Zealand 2001 Census Data

The following figure profiles the housing tenure of households in the BOP region. This suggests that almost half of the owner occupied households do not make any mortgage payments on their dwellings. On the other hand, just over 10% of non-owner occupied households do not make any rental payments.

Figure 16 Household Tenure Profile by Territorial Authority, 2001



Source: SGS Economics and Planning based on Statistics New Zealand 2001 Census Data

On the whole, around 20,900 households in the BOP region make mortgage payments. Of these, approximately 23% are in the bottom two quintile of the income distribution. At the territorial authority level, Kawerau and Opotiki Districts have significantly higher proportion of owner occupied households (30% and 41% respectively) who make mortgage payments and are in the bottom two quintiles of the income distribution.

Table 30 Income Profile of Owner Occupied Households Who Make Mortgage Payments, BOP Region, 2001

Income Quintile	Quintile 1	Quintile 2	Quintile 3	Quintile 4	Quintile 5	Total
Income Range	Up to \$15,000	\$15,001 - \$30,000	\$30,001 - \$50,000	\$50,001 - \$70,000	\$70,001 and over	
Number of Households						
Western Bay of Plenty District	293	793	1,261	1,066	1,287	4,701
Tauranga District	675	1,656	2,837	2,837	2,895	10,901
WBOP Region	968	2,450	4,098	3,904	4,182	15,602
Whakatane District	270	459	790	862	1,193	3,574
Kawerau District	88	174	197	217	203	879
Opotiki District	141	212	200	141	163	858
Eastern BOP	500	845	1,187	1,220	1,558	5,310
Total, BOP Region	1,468	3,295	5,285	5,124	5,740	20,912
% of Total						
Western Bay of Plenty District	6.2%	16.9%	26.8%	22.7%	27.4%	100.0%
Tauranga District	6.2%	15.2%	26.0%	26.0%	26.6%	100.0%
WBOP Region	6.2%	15.7%	26.3%	25.0%	26.8%	100.0%
Whakatane District	7.6%	12.8%	22.1%	24.1%	33.4%	100.0%
Kawerau District	10.0%	19.9%	22.4%	24.7%	23.1%	100.0%
Opotiki District	16.5%	24.7%	23.4%	16.5%	19.0%	100.0%
Eastern BOP	9.4%	15.9%	22.4%	23.0%	29.3%	100.0%
Total, BOP Region	7.0%	15.8%	25.3%	24.5%	27.5%	100.0%

Source: SGS Economics and Planning based on Statistics New Zealand 2001 Census Data

The table below shows that approximately 18,000 households in the BOP region live in rented dwellings and make rental payments. Almost 60% of these households are in the lower end of the income distribution. Kawerau and Opotiki Districts have significantly higher proportion of households in rented dwellings and in the bottom two quintiles of income distribution (64% and 73% respectively) than Whakatane District (57%), Western Bay of Plenty District (58%) or Tauranga City (54%). Whakatane District's income and rent profile resembles the Western Bay of Plenty District and Tauranga District because of the similarities between these districts in terms of the socio economic, housing and household characteristics/ profile.

Table 31 Income Profile of Households in Rented Dwellings and Who Make Rental Payments, BOP Region, 2001

Income Quintile	Quintile 1	Quintile 2	Quintile 3	Quintile 4	Quintile 5	Total
Income Range	Up to \$15,000	\$15,001 - \$30,000	\$30,001 - \$50,000	\$50,001 - \$70,000	\$70,001 and over	
Number of Households						
Western Bay of Plenty District	766	968	682	343	207	2,967
Tauranga District	2,409	3,021	2,331	1,323	1,016	10,100
WBOP Region	3,175	3,989	3,013	1,666	1,223	13,066
Whakatane District	916	961	719	349	321	3,265
Kawerau District	205	212	123	70	46	656
Opotiki District	357	299	130	63	50	898
Eastern BOP	1,478	1,472	972	482	416	4,819
Total, BOP Region	4,653	5,461	3,985	2,148	1,639	17,885
% of Total						
Western Bay of Plenty District	25.8%	32.6%	23.0%	11.6%	7.0%	100.0%
Tauranga District	23.9%	29.9%	23.1%	13.1%	10.1%	100.0%
WBOP Region	24.3%	30.5%	23.1%	12.8%	9.4%	100.0%
Whakatane District	28.0%	29.4%	22.0%	10.7%	9.8%	100.0%
Kawerau District	31.3%	32.3%	18.8%	10.7%	7.0%	100.0%
Opotiki District	39.7%	33.3%	14.4%	7.0%	5.5%	100.0%
Eastern BOP	30.7%	30.5%	20.2%	10.0%	8.6%	100.0%
Total, BOP Region	26.0%	30.5%	22.3%	12.0%	9.2%	100.0%

Source: SGS Economics and Planning based on Statistics New Zealand 2001 Census Data

9.4 Identification of Households Living in Housing Stress in the BOP Region⁵⁰

9.4.1 Households in Rented Dwellings Living in Housing Stress

As noted earlier, households are considered to be living in housing stress if they are in the bottom two quintiles of the income distribution (i.e. annual income less than \$30,000) and incur more than 30% of their income in dwelling occupancy cost (in this case rent).

The following table provides the estimates of sustainable annual rent for households in lower end of the income distribution. Since, income data from Statistics New Zealand is available in ranges, two distinct scenarios were developed:

- Based on upper end of annual income and annual rent range – conservative scenario; and
- Based on mid point of annual income and annual rent range – base case scenario

Hence, households earning between \$5,000 and \$10,000 per year, for example, are considered to be living in housing stress if they incur more than \$2,250 in annual rent under the base case scenario. On the other hand, they are considered to be living in housing stress if they incur more than \$3,000 in annual rent under the conservative scenario.

⁵⁰ Note that the analysis of housing stress classified by different household composition (e.g. employed, retired, beneficiaries etc.) was not possible as such cross-tabulated data (i.e. household type by income and rent (and mortgage)) is not available from Statistics New Zealand.

Income Range	Sustainable Annual Rent (i.e. 30% of annual income)	
	Conservative Scenario - Based on Upper End of Income Range	Base Case Scenario - Based on Mid-point of Income Range
Less than \$5,000	\$1,500	\$750
\$5,001 - \$10,000	\$3,000	\$2,250
\$10,001 - \$15,000	\$4,500	\$3,750
\$15,001 - \$20,000	\$6,000	\$5,250
\$20,001 - \$25,000	\$7,500	\$6,750
\$25,001 - \$30,000	\$9,000	\$8,250

Source: SGS Economics and Planning

Appendix 10 provides detailed estimates of households that are identified to be living in housing stress for each of the income and annual rent categories. The table below provides summary results⁵¹. The analysis suggests that around 7,453 or 42% of households living in rented dwellings and who make rental payments are identified to be living in housing stress in the BOP region. At the territorial authority level, Kawerau and Opotiki are identified to have relatively higher incidence of housing stress for households living in rented dwellings. On the other hand, Whakatane has a lower incidence of housing stress at 38%.

Table 32 Number of Households in Housing Stress for Households Living in Rented Dwellings and Who Make Rental Payments, 2001

	Base Case Scenario	Conservative Scenario	% of Households in Rented Dwellings Who Make Rental Payments
Western Bay of Plenty District	1,242	1,242	41.9%
Tauranga District	4,239	4,239	42.0%
WBOP Region	5,481	5,481	41.9%
Whakatane District	1,251	1,251	38.3%
Kawerau District	291	291	44.4%
Opotiki District	430	430	47.9%
Eastern BOP	1,972	1,972	40.9%
Total, BOP Region	7,453	7,453	41.7%

Source: SGS Economics and Planning based on Statistics New Zealand 2001 Census Data

9.4.2 Owner occupied Households Living in Housing Stress

While the 2001 Census data provides data on household income and rent for households in rented dwellings, it does not provide the same for owner occupied households who make mortgage payments. The only other data source that provides such information is the Household Economic Survey (HES). HES data is based on a sample survey of approximately 3,000 households across New Zealand. This limited the level of detail at which the data could be provided for the BOP region⁵². Hence, the household income and housing

⁵¹ Since Statistics New Zealand provides annual household income and rent data at a fairly detailed level, both conservative and base case scenario provides similar estimates of households living in housing stress.

⁵² The Household Economic Survey (HES) was not designed to provide regional estimates

occupancy costs for owner occupied houses was obtained at an aggregated level for the BOP region and at a relatively more detailed level for non-metropolitan North Island⁵³.

In order to estimate the dwelling occupancy cost for households in owner occupied dwellings who make mortgage repayments, a two stage process was adopted. In the first instance, HES data on household income and mortgage repayments for the BOP region was used to estimate the housing occupancy cost for households in the bottom two quintiles of income distribution. The results of this approach are shown in the table below.

Table 33 *Number of Households by Aggregated Housing Occupancy Cost for Owner Occupied Households Who Make Mortgage Payments and are in Bottom Two Quintiles of Income Distribution, 2001*

	Up to \$5,200	\$5,201 - \$10,350	\$10,351 and over	Total
Western Bay of Plenty District	251	628	207	1,086
Tauranga District	539	1,348	444	2,331
WBOP Region	791	1,976	651	3,418
Whakatane District	169	422	139	729
Kawerau District	61	152	50	262
Opotiki District	82	204	67	354
Eastern BOP	311	778	256	1,345
Total, BOP Region	1,102	2,754	907	4,763

Source: SGS Economics and Planning

The above estimates were then disaggregated to a relatively more detailed level of housing occupancy cost based on HES data for non-metropolitan North Island.

Table 34 *Number of Households by Detailed Housing Occupancy Cost for Owner Occupied Households Who Make Mortgage Payments and are in Bottom Two Quintiles of Income Distribution, 2001*

	Up to \$5,200	\$5,201 - \$6,500	\$6,501 - \$7,750	\$7,751 - \$9,050	\$9,051 - \$10,350	\$10,351 - \$13,000	\$13,001 and over	Total
Western Bay of Plenty District	251	230	135	157	106	160	47	1,086
Tauranga District	539	493	290	338	228	343	101	2,331
WBOP Region	791	722	425	495	334	503	148	3,418
Whakatane District	169	154	91	106	71	107	32	729
Kawerau District	61	55	33	38	26	39	11	262
Opotiki District	82	75	44	51	35	52	15	354
Eastern BOP	311	284	167	195	132	198	58	1,345
Total, BOP Region	1,102	1,006	592	690	466	701	206	4,763

Source: SGS Economics and Planning

The following table identifies the sustainable level of mortgage repayments for households in the bottom two quintiles of the income distribution (i.e. less than \$30,000 per year). Hence, under the base case scenario a household earning less than \$30,000 per year is classified to be living in housing stress if they incur more than \$4,500 per year in mortgage repayments. Under the base case scenario, they would be classified as living in housing stress if they incur more than \$9,000 per year in mortgage repayments.

⁵³ Non-metropolitan north island is defined to include households residing in North Island excluding households in Auckland and Wellington Region

Income Range	Sustainable Annual Mortgage Repayments (i.e. 30% of annual income)	
	Conservative Scenario - Based on Upper End of Income Range	Base Case Scenario - Based on Mid-point of Income Range
\$0 - \$30,000	\$9,000	\$4,500

Table 35 Households in Owner Occupied Dwellings Who Make Mortgage Repayments Living in Housing Stress, 2001

	Conservative Scenario	% of Households in Owner occupied Dwellings Who Make Mortgage Payments	Base Case Scenario	% of Households in Owner occupied Dwellings Who Make Mortgage Payments
Western Bay of Plenty District	313	6.7%	835	17.8%
Tauranga District	672	6.2%	1,792	16.4%
WBOP Region	985	6.3%	2,627	16.8%
Whakatane District	210	5.9%	560	15.7%
Kawerau District	76	8.6%	202	23.0%
Opotiki District	102	11.9%	272	31.7%
Eastern BOP	388	7.3%	1,034	19.5%
Total, BOP Region	1,373	6.6%	3,661	17.5%

Source: SGS Economics and Planning

Hence, the table above shows that between 1,373 and 3,661 or between 6.6% - 17.5% of households living in owner occupied dwellings who make mortgage repayments in the BOP region are estimated to be living in housing stress.

9.5 Conclusion

In this study, a household is said to be under housing stress if the household is in the bottom two quintiles of the income distribution and incurs more than 30 percent of its gross household income in housing occupancy or direct shelter costs.

The income distribution of the households in the BOP region suggests that it is highly skewed towards the bottom two quintile of the income distribution. Specifically a significantly high number of households in the second quintile of the income distribution are noted for each of the territorial authorities in the BOP region.

Overall the analysis suggests that around 7,453 households (41.7%) living in rented dwellings in the BOP region were in housing stress in 2001. In addition, between 1,373 and 3,661 households (6.6% - 17.5%) living in owner occupied dwellings were in housing stress. The lower rate of housing stress among owner occupied households corresponds with their higher income profile. Approximately 77% of households who make mortgage payments are in the upper three quintiles of income distribution compared to 43% for households making rental payments. This difference can be easily explained - income is a major discriminating factor in a household's ability to access home loans.

In total, between 8,800 and 11,100 households, or 13% to 17% of all households, in the BOP region live in housing stress based on 2001 Census data. It is significant that in the BOP

Region, housing stress afflicts a significant proportion of home owners as well as renters. Within the BOP region, Kawerau and Opotiki districts are estimated to have the highest incidence of housing stress. There does not appear to be a simple pattern of variation in levels of housing stress between Eastern and Western Bay of Plenty.

Table 36 Households Living in Housing Stress in BOP Region, 2001

	Households in Rented Dwellings	Households in Owner Occupied Dwellings		Total		% of Total Households	
		Conservative Scenario	Base Case Scenario	Conservative Scenario	Base Case Scenario	Conservative Scenario	Base Case Scenario
Western Bay of Plenty District	1,242	313	835	1,555	2,077	11%	15%
Tauranga District	4,239	672	1,792	4,911	6,031	14%	17%
WBOP Region	5,481	985	2,627	6,466	8,108	13%	17%
Whakatane District	1,251	210	560	1,461	1,811	13%	16%
Kawerau District	291	76	202	366	493	16%	21%
Opotiki District	430	102	272	532	702	17%	22%
Eastern BOP	1,972	388	1,034	2,359	3,006	14%	18%
Total, BOP Region	7,453	1,373	3,661	8,825	11,114	13%	17%

It is recommended that organisations in the BOP consider updating the analysis of housing stress using the models developed for this study incorporating results of the 2006 Census, once the full census results and 2006 HES data are released. This is expected to be in October or November 2007. Organisations in the region may also wish to consider commissioning an especially devised survey to collect information at a detailed level on household income and housing occupancy cost. This data is not collected in the Census and HES is the only data source that provides this information, hence this data is not as comprehensive and specific to the region as would be desirable when using the results for planning purposes. Such analyses could also use alternative measures of housing affordability and incorporate sensitivity analysis on the impact of key variables.

9.6 A Post-script – Trends in New Zealand Living Standards

At the March 2007 Reference Group meeting in Opotiki a number of the members considered it was important to emphasise that in the absence of statistical information available since the 2001 Census⁵⁴ that household situations have not improved, and in many cases have deteriorated further.

The New Zealand Living Standards Report⁵⁵ (2004) produced for the Ministry of Social Development used the Economic Living Standard Index (ELSI) measurement tool to provide a snapshot of hardship in 2004 and compared it with their previous analysis in 2000. The tool measures not just income levels, but also incorporates measures of actual living standards including; assets such as home ownership; human capital such as education and personal networks, impacts of high debt and episodes of illness; and life history events such as marriage break-ups and business failures. While similar in some respects to the standard

⁵⁴ Note: necessary data tables from Census 2006 and a Household Economic Survey from a corresponding period were not available for this study

⁵⁵ Jensen J, Krishnan V, Hodgson R, Sathiyandra S, Templeton R. *New Zealand Living Standards 2004: An Overview*. July 2006. Centre for Social Research and Evaluation, Ministry of Social Development

snapshot measure of deprivation (NZ Dep 2001), this research also includes historical events that impact on ongoing resiliency.

Although this study does not provide specific regional analysis, it provides an insight into the likely trends that would have occurred in housing stress since 2001. Key findings included:

- Average living standards across the whole population are similar for 2000 and 2004. About 24% of people are living with some degree of hardship.
- The gap between those with high living standards and those with low living standards has widened slightly over this period. The main reason is the shift of more beneficiary families with children into the severe hardship category. Maori and Pacific peoples are over-represented in both the beneficiary families with children and severe hardship groups. In 2004, there were 8% of the population living with severe hardship, compared with 5% in 2000.
- Having a high income eliminates the risk of low living standards. However those with an income less than \$10,000 per annum may still have comfortable living standards (33% of the population) due to homeownership without a mortgage or having savings. This group are largely superannuitants.
- People who rent have lower living standards than those who own a home, with or without a mortgage. About 44% of people who rent have some degree of hardship compared with only 8% of people who own a mortgage-free home. The rate of homeownership has been falling in recent years and is predicted to continue to fall in the future.
- People who have had two or more marriage (including de facto relationships) break-ups are more likely to experience hardship. This affects women more than men.
- There is a wide difference in the likelihood of suffering hardship depending on whether a person's income comes from New Zealand Superannuation, market income or income-tested benefits, whatever the level of income. The superannuitants group and market-income groups on average have above New Zealand-average living standards with superannuitants having the highest average living standard. About 8% of superannuitants experience some degree of hardship compared with 18% of market-income earners and 55% of income-tested beneficiaries.
- There are 26% of income-tested beneficiaries in severe hardship as at June 2004 compared with 17% in June 2000. While the number of people on benefits declined between 2000 and 2004, there is a larger number and proportion of them in severe hardship in 2004.
- When considering low-income families specifically (defined as below the 33rd percentile of the equivalent disposal incomes), there is still the same gradation in the proportion of New Zealand superannuitants, market-income earners and income-tested beneficiaries who suffer some degree of hardship (13% of superannuitants, 40% of market-income earners and 65% of income-tested beneficiaries). The proportion of families relying on a low-income from income-tested benefits experiencing severe hardship has increased from 18% in 2000 to 29% in 2004.

- The average living standard for Maori and Pacific peoples is much the same overall in 2004 as for 2000. However there has been a greater spread of living standards with a higher proportion of Maori and Pacific peoples fitting into the severe hardship category in 2004 compared with 2000 (7% to 17% for Maori and 15% to 27% for Pacific peoples).

10.0 Labour Market and Demand for Affordable Housing

10.1 Introduction

As part of this study, SGS examined the relationship between the labour market conditions and the demand for affordable housing. This chapter reports on the results of the analysis. Specifically, this chapter estimates the number of affordable housing units required in the Bay of Plenty over the 25 years to 2031 to attract and retain an optimal level of labour supply in the region. The detrimental economic impact of not supplying the required number of additional affordable housing units is also documented.

10.2 Methodology Overview

The methodology adopted by SGS is summarised below and can be classified into three sub-components – projecting the future trajectory of the economy; estimating the demand for affordable housing required to support the projected economic growth; and estimating the detrimental economic impact of not providing the required number of affordable housing.

Projecting future trajectory of the economy:

- Using data from Statistics New Zealand , an input-output model of the region was synthesised. The input-output model details the industry linkages and the multiplier or flow-on effects of raising the output in any sector of the regional economy.
- Utilised the multipliers to project employment growth by industry in the region. The employment forecast model used two economic stimuli: a) the inter-regional and international exports growth - assumed to grow in line with historical trends in New Zealand Gross Domestic Product (GDP) by industry; and b) expected growth in household expenditure due to the expected population growth.
- Applied the historical relationship between employment by industry and occupation, taking into account the changes in occupational structure over time, to estimate the likely occupational structure of the regional economy. This was then related to the income profile to estimate the number of jobs by annual personal income categories.

Projecting demand for affordable housing:

- Since housing occupancy cost is borne by the households and not individuals, using historical relationships between annual personal income of employed residents and household income and the number of employed people in households in each income category, the number of households in each income group was estimated.
- The projected household income was then related to the housing occupancy cost (or direct cost of shelter) to estimate the number of households in the bottom two quintiles which may be under housing stress.

Estimating the economic impact of not supplying the required number of affordable housing:

- By applying the regional input-output model, the detrimental direct and flow-on economic effect of not providing sufficient affordable housing was then documented.

10.3 Future Trajectory of the BOP Economy - Employment Forecasts

10.3.1 SGS Employment Forecast Model

As a general rule of thumb, employment in each industry can be estimated as a ratio of total industry production/ output. Therefore, if the growth in each industry sector's output is known then it should be possible to forecast the associated level of employment.

A common form of economic analysis that utilises industry production is the regional Input-Output model. Such a model was developed for the Bay of Plenty (BOP)⁵⁶, Western Bay of Plenty Region (WBOP)⁵⁷ and Eastern Bay of Plenty Region (EBOP)⁵⁸ by SGS using statistical adjustment of the national Input-Output coefficients. The method used is similar to that used by leading statistical agencies and is detailed in Appendix 11⁵⁹.

As part of an Input-Output model, the total value of exports (international and inter-regional) for each industry is estimated. Assuming that exports grow in proportion to forecasted New Zealand GDP growth by industry and applying regional employment multipliers, it is possible to project the amount of employment that will be generated by a region as industry sectors change their production levels to service the export demand.

The employment forecasting model also took into account the impact of population growth by looking at consumer spending habits in the region⁶⁰. This growth in consumer spending will need to be supported by the labour force that would be earning wages and salaries. In other words, any increase in demand due to growth in consumer spending would in turn require an increase in wages (for this new population). Hence, the population in an area can be treated as an industry with both supply (wages) and demand streams (consumer spending). The effect of this pseudo industry will not only provide its own economic stimulus but also magnify the economic stimulus that is provided due to export growth.

⁵⁶ Bay of Plenty region is defined to include the Western Bay of Plenty District, Tauranga City, Rotorua District, Whakatane District, Kawerau District and Opotiki District.

Note that while the BOP region as defined for the purpose of this study does not include Rotorua District, it was necessary to include Rotorua in this sub-component research due to the close inter-action in the labour market between Rotorua and the rest of the BOP region. In addition, the BOP region as defined by Statistics New Zealand includes Rotorua District; the non-inclusion of Rotorua would have therefore limited the data available from Statistics New Zealand. This in turn would have limited the level of detail at which the model could be calibrated.

⁵⁷ Western Bay of Plenty SmartGrowth region is defined to include the Western BOP District and Tauranga City.

⁵⁸ Eastern Bay of Plenty region is defined to include the Rotorua District, Whakatane District, Kawerau District and Opotiki District.

⁵⁹ Statistics New Zealand constructs and publishes a national inter-industry flow table or input-output table, showing flows to and from each industry for the whole of the New Zealand economy. To translate this to a BOP IO table, SGS applies certain assumptions about the regional economy and by utilising data describing employment levels, population, exports and imports. Various iterative mathematical techniques such as the RAS method and Leontief inverse are used in the process. The procedure also generates the output, employment and value added multipliers, classified according to 49 standard Input Output industry classifications.

Refer to Appendix 11 for a detailed description of SGS's Input Output Modelling methodology.

⁶⁰ Population projections for the region were sourced from *Environment Bay of Plenty, August 2006, Demographic Forecast 2051, Strategic Policy Publication 2006/01*.

By using an Input-Output table it is possible to produce regional employment multipliers. Using these employment multipliers it is then possible to project the amount of employment that would be generated in the region as industry sectors increase their production to meet export demand and total household expenditure in the region grows due to population growth.

In summary, the SGS Employment Forecasting Model simulates the regional economy through the regional Input–Output (IO) Model and projects employment based on two key economic stimuli – growth in exports (international and inter-regional exports) and growth in resident population and the resultant consumer spending.

10.3.2 Employment by Industry Forecasts

Appendix 11 provides the detailed employment forecasts for each of the 49 standard Input Output industries based on the above noted methodology for the BOP Region, WBOP Region and EBOP Region. The tables below provide the forecasts for each of the 17 ANZSIC⁶¹ 1 digit industries.

Overall, the analysis suggests that the BOP region is expected to grow by almost 55,000 jobs between 2001 and 2031. Of these approximately 33,000 jobs or 60% are expected to be located in the Western Bay of Plenty SmartGrowth Region (includes Western Bay of Plenty District and Tauranga City). Consequently, the Eastern Bay of Plenty Region is expected to grow by approximately 22,000 jobs by 2031.

Major growth sectors in the BOP region include:

- Retail Trade – 9,639 jobs
- Agriculture, Forestry and Fishing – 7,631 jobs. Specific growth sectors within Agriculture include Horticulture and fruit growing, Dairy cattle farming and Services to agriculture, hunting and trapping (see Appendix 11)
- Property and Business Services – 5,778 jobs. Specifically Businesses services – 3,779 jobs, and Real estate – 1,736 jobs with the balance 264 jobs growth expected to be in Equipment hire and investors in other property (see Appendix 11)
- Manufacturing – 5,778 jobs. Specific growth sectors within Manufacturing include Wood product manufacturing, Machinery and equipment manufacturing, Other food manufacturing and Furniture and other manufacturing (see Appendix 11)
- Health and Community Services – 4,897 jobs
- Accommodation, Cafes and Restaurants – 4,782 jobs
- Construction – 4,048 jobs
- Education – 2,834 jobs.

Together these eight sectors account for over 80% of total employment growth in the BOP region.

⁶¹ Australian and New Zealand Standard Industrial Classification

Table 37 Employment by ANZSIC 1 Digit Industry Forecasts, Bay of Plenty Region, 2001 – 31

ANZSIC 1 Digit Industry Classification	Actual	Forecasts						Jobs Growth, 2001-31	Annual Average Growth, 2001-31
	2001	2006	2011	2016	2021	2026	2031		
Agriculture, Forestry and Fishing	11,495	12,111	13,584	15,045	16,398	17,773	19,126	7,631	1.7%
Mining	114	132	141	160	170	185	198	84	1.9%
Manufacturing	12,839	13,320	14,374	15,458	16,434	17,417	18,437	5,598	1.2%
Electricity, Gas and Water Supply	159	168	184	198	213	227	241	82	1.4%
Construction	6,684	7,184	8,058	8,668	9,399	10,026	10,732	4,048	1.6%
Wholesale Trade	4,703	5,031	5,506	5,957	6,402	6,835	7,284	2,581	1.5%
Retail Trade	13,464	14,907	16,664	18,331	19,922	21,494	23,103	9,639	1.8%
Accommodation, Cafes and Restaurants	5,107	5,729	6,605	7,416	8,256	9,052	9,889	4,782	2.2%
Transport and Storage	3,828	4,086	4,175	4,375	4,492	4,643	4,787	959	0.7%
Communication Services	832	880	969	1,052	1,134	1,218	1,303	471	1.5%
Finance and Insurance	1,937	2,071	2,318	2,545	2,773	3,000	3,229	1,293	1.7%
Property and Business Services	8,805	9,540	10,618	11,599	12,588	13,579	14,583	5,778	1.7%
Government Administration and Defence	2,979	2,987	3,025	3,049	3,077	3,101	3,127	148	0.2%
Education	7,593	7,927	8,485	8,937	9,458	9,932	10,428	2,834	1.1%
Health and Community Services	9,151	9,832	10,758	11,551	12,413	13,217	14,048	4,897	1.4%
Cultural and Recreational Services	2,000	2,226	2,550	2,842	3,143	3,435	3,734	1,734	2.1%
Personal and other Services	2,957	3,258	3,728	4,111	4,547	4,951	5,373	2,416	2.0%
Total Employment	94,646	101,390	111,744	121,294	130,820	140,087	149,621	54,975	1.5%

Source: SGS Economics and Planning

Table 38 Employment by ANZSIC 1 Digit Industry Forecasts, Western Bay of Plenty SmartGrowth Region, 2001 – 31

ANZSIC 1 Digit Industry Classification	Actual	Forecasts						Jobs Growth, 2001-31	Annual Average Growth, 2001-31
	2001	2006	2011	2016	2021	2026	2031		
Agriculture, Forestry and Fishing	6,103	6,509	7,417	8,200	8,982	9,750	10,511	4,408	1.8%
Mining	65	76	81	92	98	106	114	49	1.9%
Manufacturing	6,504	6,959	7,595	8,215	8,817	9,405	10,015	3,510	1.4%
Electricity, Gas and Water Supply	51	55	59	64	68	72	77	26	1.4%
Construction	4,180	4,509	5,081	5,479	5,958	6,370	6,832	2,652	1.7%
Wholesale Trade	2,741	2,988	3,324	3,641	3,961	4,277	4,597	1,856	1.7%
Retail Trade	7,401	8,321	9,432	10,496	11,530	12,564	13,601	6,200	2.0%
Accommodation, Cafes and Restaurants	2,125	2,417	2,819	3,196	3,588	3,964	4,352	2,228	2.4%
Transport and Storage	2,396	2,581	2,602	2,699	2,740	2,809	2,867	471	0.6%
Communication Services	507	551	620	686	752	820	887	380	1.9%
Finance and Insurance	1,151	1,254	1,429	1,591	1,757	1,923	2,089	937	2.0%
Property and Business Services	5,245	5,757	6,478	7,131	7,797	8,467	9,140	3,896	1.9%
Government Administration and Defence	1,296	1,300	1,317	1,328	1,341	1,352	1,364	68	0.2%
Education	3,371	3,522	3,772	3,976	4,210	4,424	4,647	1,276	1.1%
Health and Community Services	4,990	5,369	5,882	6,322	6,801	7,249	7,710	2,720	1.5%
Cultural and Recreational Services	801	899	1,036	1,161	1,290	1,417	1,544	743	2.2%
Personal and other Services	1,656	1,840	2,123	2,358	2,624	2,873	3,130	1,475	2.1%
Total	50,583	54,907	61,067	66,634	72,314	77,843	83,478	32,895	1.7%

Source: SGS Economics and Planning

Table 39 Employment by ANZSIC 1 Digit Industry Forecasts, Eastern Bay of Plenty Region, 2001 – 31

ANZSIC 1 Digit Industry Classification	Actual	Forecasts						Jobs Growth, 2001-31	Annual Average Growth, 2001-31
	2001	2006	2011	2016	2021	2026	2031		
Agriculture, Forestry and Fishing	5,392	5,602	6,167	6,844	7,416	8,023	8,615	3,223	1.6%
Mining	49	57	60	68	72	78	83	35	1.8%
Manufacturing	6,335	6,360	6,779	7,243	7,616	8,012	8,422	2,088	1.0%
Electricity, Gas and Water Supply	108	114	125	134	145	154	165	56	1.4%
Construction	2,503	2,676	2,978	3,189	3,441	3,656	3,900	1,397	1.5%
Wholesale Trade	1,962	2,043	2,182	2,317	2,441	2,558	2,687	725	1.1%
Retail Trade	6,063	6,586	7,231	7,835	8,391	8,930	9,502	3,439	1.5%
Accommodation, Cafes and Restaurants	2,982	3,312	3,786	4,220	4,668	5,088	5,536	2,554	2.1%
Transport and Storage	1,432	1,505	1,574	1,675	1,752	1,835	1,920	487	1.0%
Communication Services	324	329	349	367	382	398	415	91	0.8%
Finance and Insurance	785	817	889	953	1,017	1,077	1,141	356	1.3%
Property and Business Services	3,561	3,783	4,139	4,469	4,792	5,112	5,443	1,882	1.4%
Government Administration and Defence	1,684	1,687	1,708	1,721	1,736	1,749	1,763	79	0.2%
Education	4,223	4,405	4,713	4,962	5,248	5,508	5,781	1,558	1.1%
Health and Community Services	4,161	4,463	4,877	5,229	5,612	5,968	6,338	2,177	1.4%
Cultural and Recreational Services	1,199	1,327	1,514	1,681	1,853	2,019	2,190	990	2.0%
Personal and other Services	1,301	1,418	1,605	1,753	1,923	2,078	2,243	942	1.8%
Total	44,063	46,483	50,676	54,660	58,506	62,244	66,143	22,080	1.4%

Source: SGS Economics and Planning

10.3.3 Employment by Occupation Forecasts

In order to estimate the personal income of employed people it is necessary to estimate the likely occupational structure of the forecasted jobs by industry.

The occupational profile of the New Zealand economy and the sub-regions within New Zealand has been changing rapidly and is becoming biased towards more professional jobs. These changes have been brought about by a range of factors, principal among them being rapid globalisation and the impact this has had on the nature of work.

The table below shows that over the 1996 to 2001 period, the proportion of people employed as Legislators, Administrators and Managers and Professionals in the BOP increased significantly while the proportion of people employed as Clerks, Agriculture and Fishery Workers and Elementary Occupations declined.

Table 40 Change in Occupational Profile, Bay of Plenty, 1996 – 2001

Occupations	1996	2001	Change, 1996-2001
Legislators, Administrators and Managers	11.5%	12.3%	0.7%
Professionals	11.1%	12.6%	1.5%
Technicians and Associate Professionals	9.9%	10.1%	0.1%
Clerks	12.0%	11.5%	-0.5%
Service and Sales Workers	15.2%	15.4%	0.2%
Agriculture and Fishery Workers	13.1%	11.6%	-1.4%
Trades Workers	10.4%	10.2%	-0.1%
Plant and Machine Operators and Assemblers	9.1%	9.2%	0.1%
Elementary Occupations	7.8%	7.2%	-0.6%
Total	100.0%	100.0%	0.0%

Source: Derived from Statistics New Zealand, 1996 and 2001 Census

In addition, selected industry sectors such as Agriculture, Forestry and Fishing and Manufacturing are more susceptible to changes in occupational structure compared to others. Hence, the changes in the occupational profile for each industry was analysed separately and linearly forecasted to 2031.

Applying the projected occupational structure for each industry, it was then possible to estimate the employment by industry and occupation for the BOP region. The summarised results are provided in the table below.

The analysis suggests that the number of people employed as Legislators, Administrators and Managers is expected to grow significantly followed by Service and Sales Workers, Professionals and Plant and Machine Operators and Assemblers. Together these four occupations are expected to account for over 60% of total jobs growth to 2031 in the BOP region.

Table 41 Employment by Occupation Forecasts, Bay of Plenty Region, 2001 – 31

Occupations	Actual Employment	Forecasts						Jobs Growth, 2001-31	Annual Average Growth, 2001-31
	2001	2006	2011	2016	2021	2026	2031		
Legislators, Administrators and Managers	11,669	13,175	15,114	16,963	18,816	20,646	22,531	10,862	2.2%
Professionals	12,311	13,302	14,717	15,997	17,354	18,665	20,021	7,710	1.6%
Technicians and Associate Professionals	9,642	10,075	10,831	11,502	12,196	12,863	13,558	3,916	1.1%
Clerks	11,080	11,728	12,764	13,729	14,700	15,663	16,661	5,581	1.4%
Service and Sales Workers	14,493	15,852	17,662	19,292	20,925	22,482	24,083	9,589	1.7%
Agriculture and Fishery Workers	10,780	11,219	12,335	13,374	14,308	15,215	16,087	5,307	1.3%
Trades Workers	9,381	9,840	10,690	11,406	12,136	12,817	13,544	4,163	1.2%
Plant and Machine Operators and Assemblers	8,588	9,338	10,362	11,384	12,369	13,359	14,383	5,795	1.7%
Elementary Occupations	6,701	6,861	7,268	7,647	8,015	8,376	8,754	2,053	0.9%
Total	94,646	101,390	111,744	121,294	130,820	140,087	149,621	54,975	1.5%

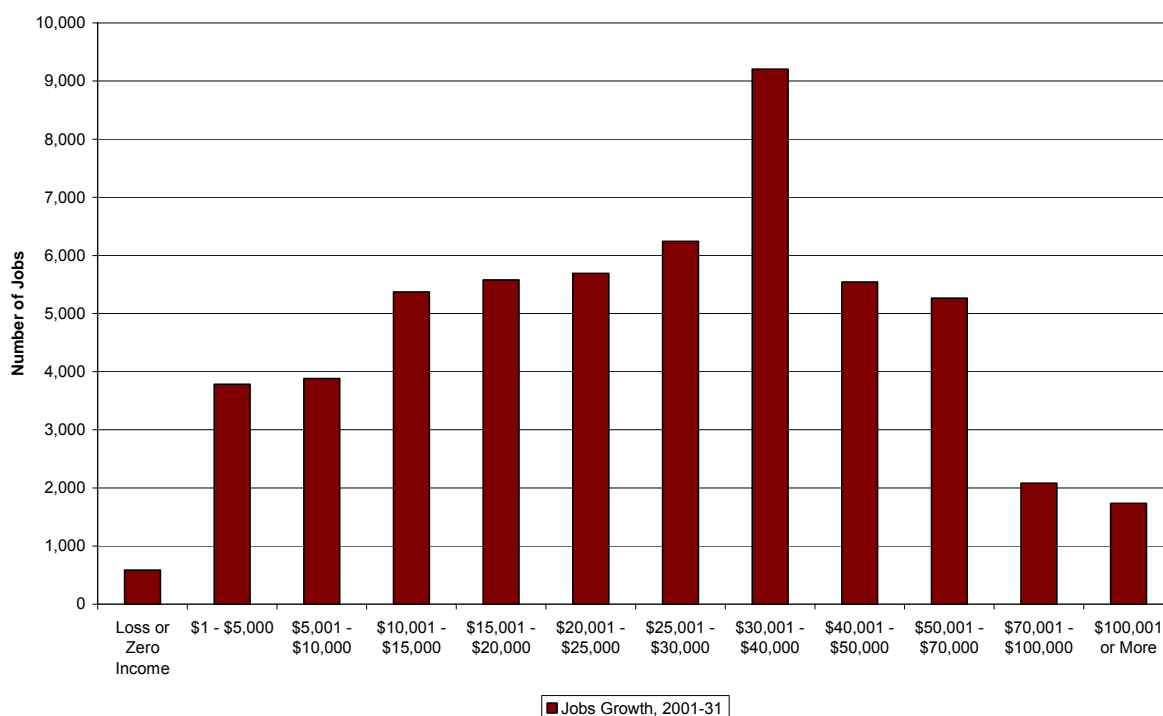
Source: SGS Economics and Planning

10.3.4 Employment by Personal Income Forecasts

In order to project the number of jobs by annual income categories, SGS obtained a cross-tabulated 2001 Census data from Statistics New Zealand on occupation and personal income⁶² for the BOP region. Using this information, it was then possible to forecast the number of jobs by income categories.

The figure below shows the income distribution of the projected jobs growth to 2031. Detailed results are presented in the table below.

Figure 17 Employment Growth by Income Range, Bay of Plenty Region, 2001 – 31



Source: SGS Economics and Planning

⁶² Data provided by Statistics New Zealand included information on personal income of employed persons from all sources and not just from employment. Projected personal income therefore includes income from all sources including any benefits/supplements they might receive.

Table 42 Employment by Income Range Forecasts, Bay of Plenty Region, 2001 – 31

	2001	2006	2011	2016	2021	2026	2031	Jobs Growth, 2001-31	Annual Average Growth, 2001-31
Loss or Zero Income	987	1,058	1,170	1,275	1,377	1,476	1,578	590	1.57%
\$1 - \$5,000	6,883	7,349	8,070	8,731	9,385	10,018	10,667	3,783	1.47%
\$5,001 - \$10,000	6,976	7,450	8,188	8,866	9,538	10,189	10,857	3,881	1.49%
\$10,001 - \$15,000	9,619	10,273	11,294	12,232	13,163	14,065	14,992	5,373	1.49%
\$15,001 - \$20,000	9,916	10,595	11,654	12,628	13,594	14,533	15,496	5,580	1.50%
\$20,001 - \$25,000	10,065	10,759	11,834	12,826	13,812	14,771	15,759	5,693	1.51%
\$25,001 - \$30,000	11,108	11,859	13,038	14,127	15,209	16,264	17,351	6,244	1.50%
\$30,001 - \$40,000	15,917	17,040	18,769	20,363	21,960	23,515	25,120	9,203	1.53%
\$40,001 - \$50,000	9,201	9,890	10,924	11,879	12,841	13,778	14,744	5,543	1.58%
\$50,001 - \$70,000	8,318	8,982	9,958	10,863	11,775	12,665	13,582	5,264	1.65%
\$70,001 - \$100,000	3,085	3,350	3,735	4,094	4,454	4,807	5,169	2,084	1.74%
\$100,001 or More	2,570	2,787	3,110	3,411	3,712	4,006	4,307	1,737	1.74%
Total	94,646	101,390	111,744	121,294	130,820	140,087	149,621	54,975	1.54%

Source: SGS Economics and Planning

Based on the forecasts in Table 42, 57.9% of total jobs in 2031 will provide an employment income range of up to \$30,000.

10.4 Demand for Affordable Housing

Housing cost or direct shelter cost is borne by the households and not individuals. Hence, it is necessary to estimate the household income of people who would occupy the above projected jobs.

In order to estimate the household income of people occupying the projected jobs, a custom made (i.e. unpublished) cross-tabulated 2001 Census data was obtained from Statistics New Zealand on personal income of employed residents and their household income⁶³. In other words, the data obtained from Statistics New Zealand provided information on the household income of each person who is employed and earned \$x from her/his job in the BOP region.

The data on the average number of employed persons per household for each household income categories from Statistics New Zealand was also obtained. This was used to estimate the number of households by annual household income categories. The table below presents the results of the analysis.

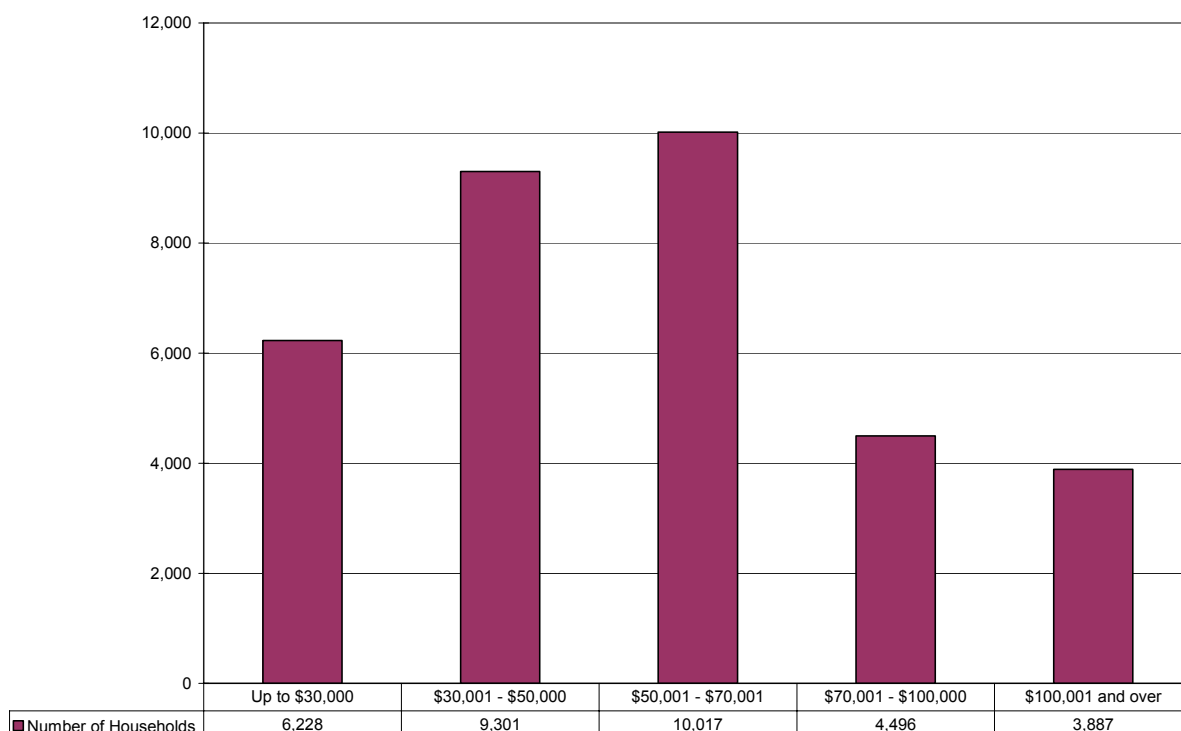
⁶³ Household income data provided by Statistics New Zealand included information on income from all sources and not just from employment. Projected household income therefore includes income from all sources including any benefits/ supplements they might receive.

Table 43 Change in Number of Employed Persons and Households by Personal Income and Household Income, Bay of Plenty Region, 2001 – 31

Total Personal Income of Employed Persons	Total Household Income with Employed Person(s)												
	Loss or Zero Income	\$1 - \$5,000	\$5,001 - \$10,000	\$10,001 - \$15,000	\$15,001 - \$20,000	\$20,001 - \$25,000	\$25,001 - \$30,000	\$30,001 - \$40,000	\$40,001 - \$50,000	\$50,001 - \$70,000	\$70,001 - \$100,000	\$100,001 or More	Total
Loss or Zero income	183	21	21	41	39	19	44	60	50	52	35	25	590
\$1 - \$5,000	12	299	30	225	175	207	273	528	466	662	550	355	3,783
\$5,001 - \$10,000	0	0	390	114	526	312	243	546	506	775	296	173	3,881
\$10,001 - \$15,000	0	0	0	980	16	419	1,224	448	887	821	367	211	5,373
\$15,001 - \$20,000	0	0	0	20	1,056	16	707	1,268	529	1,106	646	233	5,580
\$20,001 - \$25,000	0	0	0	0	22	1,128	20	1,060	1,309	1,192	602	361	5,693
\$25,001 - \$30,000	0	0	0	0	0	0	1,271	402	1,243	1,945	1,032	351	6,244
\$30,001 - \$40,000	0	0	0	0	0	0	0	2,001	1,188	3,627	1,673	714	9,203
\$40,001 - \$50,000	0	0	0	0	0	0	0	0	1,336	1,507	1,879	821	5,543
\$50,001 - \$70,000	0	0	0	0	0	0	0	0	0	1,843	1,573	1,848	5,264
\$70,001 - \$100,000	0	0	0	0	0	0	0	0	0	0	825	1,259	2,084
\$100,001 or More	0	0	0	0	0	0	0	0	0	0	0	1,737	1,737
Total, Persons	195	320	442	1,379	1,834	2,101	3,783	6,312	7,515	13,529	9,478	8,087	54,975
Total, Households	83	46	166	1,042	1,267	922	2,703	3,158	6,143	10,017	4,496	3,887	33,930

Source: SGS Economics and Planning

Figure 18 *Households Occupying Projected Job Growth by Income Quintile, Bay of Plenty Region, 2001 – 31*



Source: SGS Economics and Planning

This suggests that the total 55,000 jobs growth projected to 2031 would be occupied by approximately 34,000 households. The income distribution of households occupying the projected jobs growth suggests that approximately 15,500 households would be in the bottom two quintiles⁶⁴.

Finally, customised data on household income and dwelling occupancy cost (i.e. direct shelter cost) from the Household Economic Survey (HES) was obtained from the Statistics New Zealand⁶⁵. HES data is based on a sample survey of approximately 3,000 households across New Zealand. This limited the level of detail at which the data could be provided for the BOP region⁶⁶. Hence, the data was obtained for BOP region at an aggregated level of housing occupancy costs and at a relatively more detailed level for the non-metropolitan North Island⁶⁷.

In order to estimate the dwelling occupancy cost for the above projected households in the BOP region, a two stage process was adopted. In the first instance, HES data on household income and dwelling occupancy cost for the BOP region was used to estimate the annual

⁶⁴ Strictly speaking the bottom two quintiles of income distribution should include households with annual income of less than \$45,000 per annum. However, due to the data limitations, an exact estimate of households in the bottom two quintiles was not possible. For the purpose of this report households earning less than \$50,000 per annum was classified as being in the bottom two quintiles of the income distribution.

⁶⁵ Note that while the Census provides data on household income and annual/ weekly rent for households in rented private dwellings, it does not provide data on cost of housing for people purchasing their dwellings (i.e. mortgage repayments). The only other data source that provides this information is the Household Economic Survey.

⁶⁶ The Household Economic Survey (HES) was not designed to provide regional estimates

⁶⁷ Non-metropolitan North Island is defined to include households residing in North Island excluding the residents of Auckland and Wellington Region.

household occupancy costs at an aggregated level. The results of this approach are shown in the table below.

Table 44 *Change in Number of Households Participating in Labour Market by Annual Household Income by Broad Annual Housing Occupancy Cost, Bay of Plenty Region, 2001 – 31*

Annual Household Income	Annual Housing Occupancy Cost/ Direct Cost of Shelter			
	Up to \$5,200	\$5,201 - \$10,350	\$10,351 and over	Total
Up to \$30,000	1,441	3,601	1,186	6,228
\$30,001 - \$50,000	2,389	4,779	2,133	9,301
\$50,001 and over	1,022	10,450	6,928	18,400
Total	4,852	18,830	10,248	33,930

Source: SGS Economics and Planning

The above forecasts were then disaggregated to a relatively more detailed level of housing occupancy costs based on HES data for non-metropolitan North Island.

Table 45 *Change in Number of Households Participating in Labour Market by Annual Household Income by Disaggregated Annual Housing Occupancy Cost, Bay of Plenty Region, 2001 – 31⁶⁸*

Annual Household Income	Annual Housing Occupancy Cost/ Direct Cost of Shelter							Total
	Up to \$5,200	\$5,201 - \$6,500	\$6,501 - \$7,750	\$7,751 - \$9,050	\$9,051 - \$10,350	\$10,351 - \$13,000	\$13,001 and over	
Up to \$30,000	1,441	1,316	774	902	609	917	270	6,228
\$30,001 - \$50,000	2,389	756	1,327	1,838	858	1,817	316	9,301
\$50,001 and over	1,022	1,875	2,400	3,325	2,850	3,393	3,536	18,400
Total	4,852	3,946	4,502	6,065	4,317	6,127	4,122	33,930

Source: SGS Economics and Planning

10.4.1 Households under Housing Stress

A household is considered to be under housing stress if the housing occupancy or direct shelter costs exceed 30 percent of the gross household annual income and the household is in the bottom two quintiles of the income distribution.

In order to estimate the proportion of annual income households incur on housing, two different scenarios were developed

- 1) based on the mid point of income and housing cost range; and
- 2) based on the upper end of the income and housing cost range.

⁶⁸ Note that this assumes a constant relationship between household income and housing cost. In other words the supply side of the housing market is assumed to stay the same, responding to the demand for housing under each housing cost range and at least maintaining the current affordability levels. However, the housing affordability has deteriorated over the years, and it is likely to become worse in the future. The projected number of households under housing stress is therefore expected to be conservative.

Table 46 Housing Cost as Percent of Household Income Range, Base Case Scenario, Based on Mid Point of Income and Housing Cost Range

Mid Point of Household Income Range	Mid Point of Housing Cost Range						
	\$2,600	\$5,850	\$7,125	\$8,400	\$9,700	\$11,675	\$13,001 and over
\$15,000	17%	39%	48%	56%	65%	78%	greater than 78%
\$40,000	7%	15%	18%	21%	24%	29%	greater than 29%

Source: SGS Economics and Planning

Table 47 Housing Cost as Percent of Household Income Range, Conservative Scenario, Based on Upper End of Income and Housing Cost Range

Upper end of Household Income Range	Upper end of Housing Cost Range						
	\$5,200	\$6,500	\$7,750	\$9,050	\$10,350	\$13,000	\$13,001 and over
\$30,000	17%	22%	26%	30%	35%	43%	greater than 43%
\$50,000	10%	13%	16%	18%	21%	26%	greater than 26%

Source: SGS Economics and Planning

Hence, under the conservative scenario a household earning less than \$30,000 per year is classified to be under housing stress if it incurs more than \$9,050 per year in housing cost. On the other hand, they would be classified as being under housing stress if they incur more than \$5,200 in housing cost under the base case scenario. For households earning between \$30,000 and \$50,000 per year, they would be classified as being under housing stress if they incur more than \$13,000 per year in housing cost under both conservative and base case scenarios.

This suggests that between 3,000 and 5,100 households with people occupying the projected jobs growth are expected to be under housing stress between 2001 and 2031. In other words, approximately 3,000 to 5,100 affordable dwellings need to be supplied in the BOP region in order to support the economic/ labour market outcomes reported in Chapter 10. Note that this includes both affordable rental and homeownership tenures.

Table 48 Change in Number of Households Participating in Labour Market and Under Housing Stress, Bay of Plenty Region, 2001 – 31

Annual Income	Number of Households under Housing Stress	
	Conservative Scenario	Base Case Scenario
Up to \$30,000	2,698	4,788
\$30,001 - \$50,000	316	316
Total, Bottom Two Quintiles	3,014	5,104

Source: SGS Economics and Planning

10.5 Economic Impact of Short Supply of Affordable Housing

Assuming that the above projected demand for affordable housing is not supplied in the BOP region, it is possible to articulate the detrimental effect this would have on regional output, value added (or income) and jobs. In doing this, it assumes that the labour market participants under housing stress (i.e. 3,000 to 5,100 households) would relocate elsewhere in New Zealand and the employers would therefore not be able to find appropriate skills to fill the vacancies.

In order to estimate the economic impact of not supplying the above estimated affordable housing, it was necessary to work backwards through each of the steps reported above and estimate the number of jobs in each industry that would not be occupied due to the lack of sufficient affordable housing and therefore sufficient labour supply.

The analysis suggests that around 5,000 and 8,700 jobs in the BOP region would be dependent on the supply of affordable housing between 2001 and 2031. The majority of these would be employed as Service and Sales Workers, Legislators, Administrators and Managers and Agriculture and Fishery Workers; and the industry sectors most impacted by lack of affordable housing would include Retail Trade, Agriculture; Forestry and Fishing, and Accommodation, Cafes and Restaurants.

Table 49 Jobs by Occupation Requiring Affordable Housing, Bay of Plenty Region, 2001 – 31

	Conservative Scenario	Base Case Scenario
Legislators, Administrators and Managers	609	1,085
Professionals	389	693
Technicians and Associate Professionals	308	548
Clerks	581	1,048
Service and Sales Workers	1,523	2,464
Agriculture and Fishery Workers	601	999
Trades Workers	283	541
Plant and Machine Operators and Assemblers	428	805
Elementary Occupations	293	486
Total	5,015	8,669

Source: SGS Economics and Planning

Table 50 Jobs by Industry Requiring Affordable Housing, Bay of Plenty Region, 2001 – 31

	Conservative Scenario	Base Case Scenario
Agriculture, Forestry and Fishing	659	1,135
Mining	9	16
Manufacturing	456	812
Electricity, Gas and Water Supply	7	12
Construction	309	557
Wholesale Trade	237	406
Retail Trade	1,040	1,777
Accommodation, Cafes and Restaurants	549	910
Transport and Storage	79	143
Communication Services	45	80
Finance and Insurance	80	144
Property and Business Services	447	786
Government Administration and Defence	10	17
Education	194	348
Health and Community Services	502	845
Cultural and Recreational Services	179	306
Personal and other Services	215	373
Total	5,015	8,669

Source: SGS Economics and Planning

This short supply of labour due to the lack of affordable housing in the BOP region is expected to have significant flow on effects on the upward linked industries (or supplier industries). By applying the multipliers derived from the regional Input-Output model for BOP region (see Appendix 11) it is possible to estimate these flow on effects. The results are shown in the tables below.

Hence, if the required stock of future affordable housing is not supplied, it will negatively impact on the BOP region's total output by \$721 million; jobs growth would be lower by 6,640 and total value added would be lower by \$280 million under the conservative scenario.

Under the Base Case Scenario, the negative impact of the short supply of affordable housing rises to \$1.26 billion in terms of total output, 11,500 jobs and \$490 million in value added.

For contextual purposes, BOP offered 94,646 jobs in 2001, regional output was estimated at \$11.92 billion and value added was estimated at \$4.5 billion.

Table 51 Economic Impact of Short Supply of Affordable Housing, Conservative Scenario, Bay of Plenty Region

Industry	Initial Effect			Flow On Effects			Total Effects		
	Output	Employment	Value Added	Output	Employment	Value Added	Output	Employment	Value Added
Horticulture and fruit growing	-\$10.1 m	-190	-\$4.0 m	-\$1.4 m	-26	-\$0.6 m	-\$11.6 m	-216	-\$4.6 m
Livestock and cropping farming	-\$3.1 m	-36	-\$0.7 m	-\$0.9 m	-11	-\$0.2 m	-\$4.0 m	-47	-\$0.9 m
Dairy cattle farming	-\$20.0 m	-187	-\$8.7 m	-\$0.8 m	-8	-\$0.4 m	-\$20.8 m	-195	-\$9.1 m
Other farming	\$0.0 m	0	\$0.0 m	-\$0.3 m	-7	-\$0.1 m	-\$0.3 m	-7	-\$0.1 m
Services to agriculture, hunting and trapping	-\$15.9 m	-184	-\$6.5 m	-\$2.1 m	-25	-\$0.9 m	-\$18.0 m	-209	-\$7.3 m
Forestry and logging	-\$17.3 m	-57	-\$8.7 m	-\$3.7 m	-12	-\$1.9 m	-\$21.0 m	-69	-\$10.5 m
Fishing	-\$1.0 m	-4	-\$0.1 m	-\$0.6 m	-3	-\$0.1 m	-\$1.6 m	-7	-\$0.2 m
Mining and quarrying	-\$2.5 m	-9	-\$1.0 m	-\$0.5 m	-2	-\$0.2 m	-\$3.0 m	-11	-\$1.2 m
Oil & gas exploration & extraction	\$0.0 m	0	\$0.0 m	\$0.0 m	0	\$0.0 m	\$0.0 m	0	\$0.0 m
Meat and meat product manufacturing	-\$0.8 m	-3	-\$0.3 m	-\$1.3 m	-5	-\$0.5 m	-\$2.1 m	-8	-\$0.8 m
Dairy product manufacturing	-\$1.0 m	-1	-\$0.2 m	-\$2.0 m	-3	-\$0.3 m	-\$3.0 m	-4	-\$0.5 m
Other food manufacturing	-\$12.6 m	-48	-\$2.6 m	-\$4.8 m	-18	-\$1.0 m	-\$17.4 m	-66	-\$3.6 m
Beverage, malt and tobacco manufacturing	-\$4.0 m	-8	-\$0.8 m	-\$3.1 m	-7	-\$0.6 m	-\$7.0 m	-15	-\$1.4 m
Textile and apparel manufacturing	\$0.0 m	0	\$0.0 m	-\$1.2 m	-11	-\$0.3 m	-\$1.2 m	-11	-\$0.3 m
Wood product manufacturing	-\$33.8 m	-186	-\$11.4 m	-\$4.9 m	-27	-\$1.6 m	-\$38.7 m	-213	-\$13.0 m
Paper & paper product manufacturing	\$0.0 m	0	\$0.0 m	-\$2.0 m	-5	-\$0.6 m	-\$2.0 m	-5	-\$0.6 m
Printing, publishing & recorded media	-\$4.2 m	-30	-\$1.6 m	-\$6.6 m	-47	-\$2.5 m	-\$10.9 m	-77	-\$4.0 m
Petroleum and industrial chemical manufacturing	-\$3.1 m	-4	-\$0.2 m	-\$4.8 m	-7	-\$0.3 m	-\$7.9 m	-11	-\$0.4 m
Rubber, plastic and other chemical product manufacturing	-\$3.0 m	-12	-\$0.5 m	-\$3.5 m	-14	-\$0.6 m	-\$6.5 m	-26	-\$1.2 m
Non-metallic mineral product manufacturing	-\$2.4 m	-10	-\$0.9 m	-\$2.5 m	-10	-\$0.9 m	-\$4.9 m	-20	-\$1.8 m
Basic metal manufacturing	-\$0.2 m	-1	\$0.0 m	-\$0.2 m	-1	\$0.0 m	-\$0.5 m	-1	-\$0.1 m
Structural, sheet and fabricated metal product manufacturing	-\$7.0 m	-35	-\$2.3 m	-\$5.3 m	-26	-\$1.7 m	-\$12.3 m	-61	-\$4.0 m
Transport equipment manufacturing	-\$1.1 m	-7	-\$0.1 m	-\$2.5 m	-16	-\$0.3 m	-\$3.5 m	-22	-\$0.5 m
Machinery & equipment manufacturing	-\$11.4 m	-75	-\$2.9 m	-\$3.7 m	-25	-\$0.9 m	-\$15.1 m	-100	-\$3.8 m
Furniture and other manufacturing	-\$3.6 m	-36	-\$0.9 m	-\$1.9 m	-19	-\$0.5 m	-\$5.4 m	-54	-\$1.4 m
Electricity generation and supply	-\$2.4 m	-3	-\$1.3 m	-\$1.6 m	-2	-\$0.9 m	-\$4.0 m	-5	-\$2.2 m
Gas supply	-\$0.1 m	0	-\$0.1 m	-\$0.1 m	0	\$0.0 m	-\$0.2 m	0	-\$0.1 m
Water supply	-\$1.2 m	-4	-\$0.5 m	-\$0.7 m	-2	-\$0.3 m	-\$1.9 m	-6	-\$0.8 m

Industry	Initial Effect			Flow On Effects			Total Effects		
	Output	Employment	Value Added	Output	Employment	Value Added	Output	Employment	Value Added
Construction	-\$46.1 m	-309	-\$12.0 m	-\$11.4 m	-76	-\$3.0 m	-\$57.4 m	-385	-\$14.9 m
Wholesale trade	-\$39.2 m	-237	-\$15.6 m	-\$23.6 m	-142	-\$9.4 m	-\$62.8 m	-379	-\$25.0 m
Retail trade	-\$60.4 m	-1,040	-\$26.1 m	-\$15.9 m	-274	-\$6.9 m	-\$76.3 m	-1,314	-\$33.0 m
Accommodation, restaurants and bars	-\$26.5 m	-549	-\$9.2 m	-\$3.5 m	-72	-\$1.2 m	-\$30.0 m	-620	-\$10.4 m
Road transport	-\$5.9 m	-50	-\$2.4 m	-\$5.4 m	-46	-\$2.2 m	-\$11.3 m	-96	-\$4.6 m
Water and rail transport	\$0.0 m	0	\$0.0 m	-\$1.1 m	-5	-\$0.6 m	-\$1.1 m	-5	-\$0.6 m
Air transport, services to transport and storage	-\$5.8 m	-28	-\$1.2 m	-\$4.6 m	-22	-\$1.0 m	-\$10.4 m	-51	-\$2.2 m
Communication services	-\$9.3 m	-45	-\$3.5 m	-\$9.3 m	-45	-\$3.6 m	-\$18.7 m	-90	-\$7.1 m
Finance	-\$7.4 m	-44	-\$4.2 m	-\$8.6 m	-51	-\$5.0 m	-\$16.0 m	-95	-\$9.2 m
Insurance	-\$1.6 m	-8	-\$0.5 m	-\$1.9 m	-9	-\$0.5 m	-\$3.6 m	-17	-\$1.0 m
Services to finance and insurance	-\$3.7 m	-28	-\$1.5 m	-\$4.8 m	-37	-\$2.0 m	-\$8.5 m	-66	-\$3.5 m
Real estate	-\$29.0 m	-134	-\$13.1 m	-\$12.8 m	-59	-\$5.8 m	-\$41.8 m	-194	-\$18.9 m
Ownership of owner occupied dwellings	\$0.0 m	0	\$0.0 m	-\$13.4 m	0	-\$6.4 m	-\$13.4 m	0	-\$6.4 m
Equipment hire and investors in other property	-\$4.9 m	-20	-\$0.8 m	-\$3.1 m	-13	-\$0.5 m	-\$8.0 m	-33	-\$1.3 m
Business services	-\$28.0 m	-293	-\$14.0 m	-\$29.4 m	-307	-\$14.7 m	-\$57.3 m	-600	-\$28.7 m
Central government administration, defence, public order and safety services	-\$0.8 m	-9	-\$0.4 m	-\$0.2 m	-2	-\$0.1 m	-\$1.0 m	-11	-\$0.5 m
Local government administration services and civil defence	-\$0.2 m	-1	-\$0.1 m	\$0.0 m	0	\$0.0 m	-\$0.2 m	-1	-\$0.1 m
Education	-\$9.5 m	-194	-\$6.4 m	-\$0.7 m	-15	-\$0.5 m	-\$10.3 m	-209	-\$6.9 m
Health and community services	-\$31.5 m	-502	-\$18.8 m	-\$1.3 m	-21	-\$0.8 m	-\$32.8 m	-522	-\$19.6 m
Cultural and recreational services	-\$19.7 m	-179	-\$6.0 m	-\$4.8 m	-43	-\$1.4 m	-\$24.5 m	-222	-\$7.5 m
Personal and other community services	-\$8.8 m	-215	-\$4.2 m	-\$2.0 m	-47	-\$0.9 m	-\$10.8 m	-263	-\$5.1 m
Total	-\$500.2 m	-5,015	-\$196.3 m	-\$221.0 m	-1,625	-\$84.6 m	-\$721.2 m	-6,640	-\$280.9 m

Source: SGS Economics and Planning

Table 52 Economic Impact of Insufficient Supply of Affordable Housing, Base Case Scenario, Bay of Plenty Region

Industry	Initial Effect			Flow On Effects			Total Effects		
	Output	Employment	Value Added	Output	Employment	Value Added	Output	Employment	Value Added
Horticulture and fruit growing	-\$17.5 m	-327	-\$7.0 m	-\$2.4 m	-45	-\$1.0 m	-\$19.9 m	-373	-\$7.9 m
Livestock and cropping farming	-\$5.3 m	-62	-\$1.2 m	-\$1.6 m	-19	-\$0.4 m	-\$6.9 m	-81	-\$1.5 m
Dairy cattle farming	-\$34.4 m	-323	-\$15.1 m	-\$1.5 m	-14	-\$0.6 m	-\$35.9 m	-336	-\$15.7 m
Other farming	\$0.0 m	0	\$0.0 m	-\$0.5 m	-11	-\$0.2 m	-\$0.5 m	-11	-\$0.2 m
Services to agriculture, hunting and trapping	-\$27.3 m	-318	-\$11.1 m	-\$3.7 m	-42	-\$1.5 m	-\$31.0 m	-360	-\$12.6 m
Forestry and logging	-\$29.8 m	-98	-\$14.9 m	-\$6.6 m	-22	-\$3.3 m	-\$36.4 m	-119	-\$18.2 m
Fishing	-\$1.7 m	-7	-\$0.2 m	-\$1.1 m	-5	-\$0.1 m	-\$2.8 m	-12	-\$0.4 m
Mining and quarrying	-\$4.3 m	-16	-\$1.7 m	-\$0.9 m	-3	-\$0.3 m	-\$5.2 m	-19	-\$2.0 m
Oil & gas exploration & extraction	\$0.0 m	0	\$0.0 m	\$0.0 m	0	\$0.0 m	\$0.0 m	0	\$0.0 m
Meat and meat product manufacturing	-\$1.4 m	-5	-\$0.5 m	-\$2.3 m	-8	-\$0.9 m	-\$3.7 m	-13	-\$1.4 m
Dairy product manufacturing	-\$1.8 m	-2	-\$0.3 m	-\$3.5 m	-5	-\$0.6 m	-\$5.3 m	-7	-\$0.9 m
Other food manufacturing	-\$22.4 m	-85	-\$4.7 m	-\$8.3 m	-32	-\$1.7 m	-\$30.8 m	-117	-\$6.4 m
Beverage, malt and tobacco manufacturing	-\$7.0 m	-15	-\$1.4 m	-\$5.2 m	-11	-\$1.1 m	-\$12.3 m	-26	-\$2.5 m
Textile and apparel manufacturing	\$0.0 m	0	\$0.0 m	-\$2.2 m	-19	-\$0.5 m	-\$2.2 m	-19	-\$0.5 m
Wood product manufacturing	-\$60.2 m	-332	-\$20.2 m	-\$8.7 m	-48	-\$2.9 m	-\$68.9 m	-379	-\$23.1 m
Paper & paper product manufacturing	\$0.0 m	0	\$0.0 m	-\$3.4 m	-8	-\$1.0 m	-\$3.4 m	-8	-\$1.0 m
Printing, publishing & recorded media	-\$7.5 m	-53	-\$2.8 m	-\$11.6 m	-82	-\$4.3 m	-\$19.1 m	-136	-\$7.0 m
Petroleum and industrial chemical manufacturing	-\$5.5 m	-8	-\$0.3 m	-\$8.4 m	-12	-\$0.5 m	-\$13.8 m	-20	-\$0.8 m
Rubber, plastic and other chemical product manufacturing	-\$5.3 m	-21	-\$1.0 m	-\$6.2 m	-25	-\$1.1 m	-\$11.5 m	-46	-\$2.1 m
Non-metallic mineral product manufacturing	-\$4.3 m	-18	-\$1.6 m	-\$4.5 m	-18	-\$1.6 m	-\$8.8 m	-36	-\$3.2 m
Basic metal manufacturing	-\$0.4 m	-1	-\$0.1 m	-\$0.4 m	-1	-\$0.1 m	-\$0.8 m	-3	-\$0.1 m
Structural, sheet and fabricated metal product manufacturing	-\$12.5 m	-62	-\$4.1 m	-\$9.3 m	-46	-\$3.0 m	-\$21.8 m	-107	-\$7.2 m
Transport equipment manufacturing	-\$1.9 m	-12	-\$0.3 m	-\$4.3 m	-27	-\$0.6 m	-\$6.2 m	-39	-\$0.8 m
Machinery & equipment manufacturing	-\$20.3 m	-134	-\$5.2 m	-\$6.5 m	-43	-\$1.7 m	-\$26.8 m	-177	-\$6.8 m
Furniture and other manufacturing	-\$6.4 m	-63	-\$1.7 m	-\$3.3 m	-32	-\$0.8 m	-\$9.6 m	-96	-\$2.5 m
Electricity generation and supply	-\$4.3 m	-6	-\$2.4 m	-\$2.8 m	-4	-\$1.6 m	-\$7.1 m	-9	-\$3.9 m
Gas supply	-\$0.3 m	0	-\$0.1 m	-\$0.1 m	0	\$0.0 m	-\$0.4 m	0	-\$0.1 m
Water supply	-\$2.2 m	-7	-\$1.0 m	-\$1.2 m	-4	-\$0.5 m	-\$3.3 m	-10	-\$1.5 m

Industry	Initial Effect			Flow On Effects			Total Effects		
	Output	Employment	Value Added	Output	Employment	Value Added	Output	Employment	Value Added
Construction	-\$83.1 m	-557	-\$21.6 m	-\$20.2 m	-136	-\$5.2 m	-\$103.3 m	-693	-\$26.8 m
Wholesale trade	-\$67.3 m	-406	-\$26.8 m	-\$41.1 m	-248	-\$16.4 m	-\$108.4 m	-654	-\$43.2 m
Retail trade	-\$103.2 m	-1,777	-\$44.7 m	-\$27.7 m	-478	-\$12.0 m	-\$131.0 m	-2,255	-\$56.7 m
Accommodation, restaurants and bars	-\$44.0 m	-910	-\$15.2 m	-\$6.1 m	-125	-\$2.1 m	-\$50.1 m	-1,035	-\$17.3 m
Road transport	-\$10.8 m	-92	-\$4.3 m	-\$9.4 m	-80	-\$3.8 m	-\$20.2 m	-172	-\$8.2 m
Water and rail transport	\$0.0 m	0	\$0.0 m	-\$2.0 m	-9	-\$1.0 m	-\$2.0 m	-9	-\$1.0 m
Air transport, services to transport and storage	-\$10.6 m	-52	-\$2.3 m	-\$8.0 m	-39	-\$1.7 m	-\$18.7 m	-90	-\$4.0 m
Communication services	-\$16.7 m	-80	-\$6.3 m	-\$16.3 m	-78	-\$6.2 m	-\$33.0 m	-158	-\$12.6 m
Finance	-\$13.3 m	-79	-\$7.7 m	-\$15.0 m	-89	-\$8.6 m	-\$28.4 m	-168	-\$16.3 m
Insurance	-\$3.0 m	-14	-\$0.8 m	-\$3.4 m	-16	-\$0.9 m	-\$6.4 m	-30	-\$1.8 m
Services to finance and insurance	-\$6.7 m	-51	-\$2.7 m	-\$8.5 m	-65	-\$3.4 m	-\$15.2 m	-116	-\$6.1 m
Real estate	-\$50.9 m	-236	-\$23.0 m	-\$22.3 m	-103	-\$10.1 m	-\$73.2 m	-339	-\$33.1 m
Ownership of owner occupied dwellings	\$0.0 m	0	\$0.0 m	-\$23.2 m	0	-\$11.2 m	-\$23.2 m	0	-\$11.2 m
Equipment hire and investors in other property	-\$8.6 m	-36	-\$1.4 m	-\$5.4 m	-23	-\$0.9 m	-\$14.1 m	-58	-\$2.3 m
Business services	-\$49.1 m	-514	-\$24.6 m	-\$51.2 m	-535	-\$25.6 m	-\$100.3 m	-1,049	-\$50.2 m
Central government administration, defence, public order and safety services	-\$1.4 m	-16	-\$0.7 m	-\$0.4 m	-4	-\$0.2 m	-\$1.8 m	-20	-\$0.9 m
Local government administration services and civil defence	-\$0.4 m	-2	-\$0.1 m	\$0.0 m	0	\$0.0 m	-\$0.4 m	-2	-\$0.1 m
Education	-\$17.1 m	-348	-\$11.4 m	-\$1.3 m	-26	-\$0.9 m	-\$18.4 m	-374	-\$12.3 m
Health and community services	-\$53.1 m	-845	-\$31.7 m	-\$2.2 m	-36	-\$1.3 m	-\$55.3 m	-881	-\$33.0 m
Cultural and recreational services	-\$33.7 m	-306	-\$10.3 m	-\$8.3 m	-75	-\$2.5 m	-\$42.0 m	-381	-\$12.8 m
Personal and other community services	-\$15.3 m	-373	-\$7.3 m	-\$3.4 m	-83	-\$1.6 m	-\$18.7 m	-455	-\$8.9 m
Total	-\$872.4 m	-8,669	-\$341.5 m	-\$385.8 m	-2,835	-\$147.6 m	-\$1,258.3 m	-11,504	-\$489.1 m

Source: SGS Economics and Planning

10.6 Conclusion

In summary, the analysis suggests that the BOP economy is expected to grow by approximately 55,000 jobs between 2001 and 2031 (1833 jobs per annum). Major growth sectors include:

- Retail Trade – 9,639 jobs
- Agriculture, Forestry and Fishing – 7,631 jobs
- Property and Business Services – 5,778 jobs
- Manufacturing – 5,778 jobs
- Health and Community Services – 4,897 jobs
- Accommodation, Cafes and Restaurants – 4,782 jobs
- Construction – 4,048 jobs
- Education – 2,834 jobs.

In order to facilitate the projected level of economic growth, the BOP region needs to supply additional 3,000 affordable dwellings (includes both rental and homeownership tenures) under a conservative scenario. Under the base case scenario, the BOP region needs to supply approximately 5,100 affordable dwellings (170 dwellings per annum).

Table 53 Required Number of Affordable Houses Necessary to Support Labour Market Outcomes

	Total Additional Demand for Affordable Housing, 2001-31	Additional Demand Per Year to 2031
Conservative Scenario	3,014	100
Base Case Scenario	5,104	170

The economic impact of not supplying the required number of affordable dwellings is significant and affects regional output, employment and value added in the economy.

Under the conservative scenario, the direct impact of not supplying the required 3,000 affordable dwelling is estimated to lead to decline in jobs growth by 5,000, decline in projected regional output growth by \$500 million and value added by \$196 million. Taking into account the flow-on effects, total jobs growth would be lower by 6,640 in the BOP region, regional output would be lower by \$721 million and value added would decline by \$280 million between 2001 and 2031. This suggests that on average, total jobs growth in BOP region will be lower by 227 per annum, regional output will be lower by \$24m pa and value added will be lower by \$9.4m per annum.

Table 54 Detrimental Economic Impact of Not Supplying the Required Number of Affordable Housing

	Total Impact on Output		Total Impact on Employment		Total Impact on Value Added	
	Total	Average Per Year	Total	Average Per Year	Total	Average Per Year
Conservative Scenario	-\$721.2 m	-\$24.0 m	-6,640	-221	-\$280.9 m	-\$9.4 m
Base Case Scenario	-\$1,258.3 m	-\$41.9 m	-11,504	-383	-\$489.1 m	-\$16.3 m

Under the base case scenario, the total negative impact of not supplying the required 5,100 affordable dwellings (170 dwellings per annum) is estimated to be 11,500 jobs (383 jobs per annum), \$1.26 billion (\$42 million per annum) in regional output, and \$490 million (\$16.3 million per annum) in value added.

The modelling work completed in this study is based on the information currently available, and also holds a number of variables constant across the forecast period. The methodology is described in section 10.2, and Appendix 11 outlines assumptions used. While there may be some potential variability associated with the underlying assumptions, the results of the modelling show a significant impact on the region.

It is recommended that economic development agencies in the region and the Department of Labour consider carrying out some more detailed survey work to get a better and finer grained employment dataset and forecasts which could then be input to the model developed for this study. More specific forecasts of labour by TLA by low income category, etc, could also be incorporated based on a more robust input dataset from additional survey work recommended as additional work in section 9.5 (that is a survey to collect information at a detailed level on household income and housing occupancy cost). This analysis could also be linked with transport modelling carried out by local authorities, that incorporates home location and commuting patterns (both within and outside the BOP region).

11. Housing Issues for Seasonal and Temporary Workers

Horticulture is a significant industry in the Bay of Plenty. It has been recognised for some time that locating sufficient seasonal workers to pick and pack the crops must be secured otherwise production is wasted. Accommodation of these seasonal workers has been and continues to be a significant issue.

This chapter identifies the estimated size of the labour force in the industry in the region, outlines the range of current national and regional initiatives that address the employment and accommodation of seasonal workers, and proposes some complementary initiatives that would assist with accommodating seasonal workers.

11.1 The Labour Force and Current Initiatives

Horticultural activities occupy a significant amount of land in the Bay of Plenty, as shown in the following table.

Table 55 Land Areas for Horticulture in BOP⁶⁹

Crop	Area (ha)
Kiwifruit	9100
Avocado	1900
Summerfruit	2035
Vegetables	143

It has been estimated that approximately 12,000 seasonal workers are needed in the kiwifruit industry from March-June each year as pickers and workers in pack-houses⁷⁰. Currently, however the numbers for seasonal workers in total and by product area in the Bay of Plenty are unreliable. Information for the kiwifruit sector is more developed than for the other horticultural sectors. These overall numbers vary by month according to the nature of the seasonal tasks. The table below shows the estimated monthly labour requirement for the BOP in total.

Table 56 Kiwifruit Seasonal Labour Requirement – BOP Total⁷¹

	2005	2006	Change 06/05
January	817	871	54
February	1,193	1,330	137
March	2,523	2,609	86
April	4,574	4,829	255
May	4,574	4,829	255
June	4,667	4,936	269
July	1,266	1,315	49
August	1,212	1,259	47
September	1,259	1,317	57
October	1,149	1,149	-0
November	693	725	32
December	2,863	2,869	5

⁶⁹ Agricultural Production Survey, June 2005. Statistics NZ.

⁷⁰ Bay of Plenty Times. Jobs crisis hits Bay kiwifruit industry. 22 March 2006

⁷¹ From the Department of Labour Customised Seasonal Labour Forecasting Model, utilising worker forecast based on hectares planted and production levels in the Zespri annual report

The Department of Labour has commenced a project, in partnership with the industry, to survey growers and pack-houses to identify more accurately the demand and timing for seasonal workers for the key horticultural products. This will assist in the identification of workers available within the region, versus those coming into the region, and thereby the precise accommodation requirements. It has also been identified that provision of appropriate quality accommodation is an issue that needs to be addressed in the region.

Initiatives that are underway in the region include:

- The New Zealand Kiwifruit Growers have established a seasonal labour office, which incorporates a seasonal labour co-ordinator whose role includes: finding work, employing legal labour, accommodation coordination, immigration assistance and permits, industry labour issues
- Buses are used to transport workers into the region.
- Major growers have established backpackers' style hostel accommodation. For instance the old Te Puke Auto Barn is being converted into a 270 bed hostel for \$1 million called "Kiwi Corral". The developer has also been given approval by Transit New Zealand and Western Bay of Plenty District Council to establish 25 sites on the 1.4 ha property for motor homes and caravans.⁷²
- There are a range of backpacker and other accommodation providers in the BOP who actively promote their availability and services to seasonal workers
- Education initiatives are underway to multi-skill workers so they can be profitably employed in the industry, or the region, for the remainder of the year to reduce the size of the seasonal pool required and match skills to demand. This will also reduce the demand for peak period accommodation. This training-oriented approach is consistent with the objectives in the seasonal labour strategy⁷³ which was launched in 2005.

There are national websites that link seasonal workers with employers, and also identify potential accommodation options, e.g. www.worksite.govt.nz/en/regional/bay-of-plenty-region and <http://www.seasonalwork.co.nz/search.bsp?region=D&jobtype=>

The Government Seasonal Work Permit (SWP) Pilot has been superseded by the Recognised Seasonal Employer (RSE) Policy. There are transitional provisions in place to 30 September 2007 (the end date for the SWP) to provide the industry the time to meet the requirements of the new RSE policy. This policy aims to provide the ability to horticulture and viticulture industries to apply to recruit workers from overseas, to supplement their New Zealand labour force at times of high seasonal demand. The employers need to obtain RSE status and an agreement to recruit.

The scheme requires accommodation of workers to be addressed, and also the quality of that accommodation (which is catered for by workplace assessments). The employers must provide details of how they plan to address the following pastoral care, and health and safety requirements⁷⁴:

- i transportation to and from the port of arrival and departure;
- ii an induction programme;
- iii **suitable accommodation;**
- iv **transportation to and from the worksite(s);**
- v access to personal banking;

⁷² Bay of Plenty Times. 22 March 2007

⁷³ Medium – Long-term Horticulture and Viticulture Seasonal Labour Strategy - Supporting Industries with Seasonal Labour Demands to Achieve Sustainable Growth. Prepared by The Horticulture and Viticulture Seasonal Working Group - A Partnership made up of Industry, Government, and other Organisations. December 2005

⁷⁴ Amendments to the Immigration NZ Operational Manual – Recognised Seasonal Employer Work Policy and Consequential Amendments. 11 April 2007.
<http://www.immigration.govt.nz/NR/rdonlyres/024F5990-31B4-4DA2-8BD5-E452C11F5BC5/0/AmendmentCircular200705.pdf>

- vi provision of personal protective equipment;
- vii provision of onsite facilities (toilets, hand washing, first aid, shelter, fresh drinking water);
- viii necessary language translation, e.g. for health and safety purposes; and
- ix opportunity for recreation and religious observance.

The Ministry of Social Development has declared labour shortages in several regions in New Zealand, including the Tauranga City Council area and the Western Bay of Plenty District Council area.

In the Western Bay of Plenty in particular there is limited availability of rental accommodation and it is generally expensive (see section 7.3). Prices of rental accommodation in the EBOP are lower on average than the WBOP.

While commercial imperatives will generally make new horticultural developments (either growers or pack-house facilities) factor in the supply and accommodation of workers in their investment decision, some operators may rely on labour service providers and the housing markets to address their requirements. Where there is a significant lack of affordable housing for both rental and ownership in the region, this approach potentially will put upwards pressure on rental prices and could generate indirect public subsidies in support of these commercial enterprises (if public bodies provide funding to support development of housing for the rental market rather than the “exacerbator” paying) . As a result, it is suggested that these developments of scale should be obliged to contribute towards seasonal accommodation. Many large operators have, or are, investing in on-site accommodation or local accommodation facilities.

11.2 Conclusion

What is required in the BOP region for accommodation of seasonal workers in affordable housing is principally “more of the same.” That is continuation and enhancement of: labour co-ordination services in the region, bus transport services for workers, continuation of education to upskill and retain workers in the region, provision of accommodation by major industry operators, and the accommodation requirements inherent in the RSE Policy.

There is a realisation in the industry that to meet current and future labour shortages for seasonal workers, the provision of accommodation is of paramount importance. Better information on the size of the labour force for horticultural production is necessary to assist with planning, and current surveys that are underway will assist with this..

There is potential, however, to explore further complementary options including:

- Greater utilisation of vacant properties in Kawerau, and other areas in the BOP or just outside the region, supplemented by improved public transport or dedicated industry funded/supplied transport
- Relaxation of conditions on rural zoned properties to allow provision of short term multi-unit seasonal worker accommodation, with consent to use for a defined number of nights for holiday accommodation outside seasonal peaks to enable an improved return on the investment
- Require all major agribusiness, tourism and other development proposals that rely on low wage workers to incorporate suitable on-site accommodation and/or provide cash in lieu payments to registered off-site accommodation providers, or demonstrate how their workers will be accommodated in peak periods. This could be introduced by Councils as a condition on resource consents

12. Maori Land and Housing Issues

The three significant issues for the region which are covered in this chapter are:

- The latent potential associated with Maori economic development in the region, and the need for additional affordable housing for lower paid occupations that would be required to support this growth
- The location and nature of Multiple-owned Maori land throughout the BOP and the constraints and opportunities to develop affordable housing on this land including legislation, Council planning policies, and access to finance
- Housing condition, particularly in the EBOP and especially in rural areas.

12.1 Demographic Information

To set the issues in context it is helpful to first consider some basic demographic information on Maori in the region. Some key statistics are contained in the next table.

Table 57 Statistics for Maori by TLA Area (Source: Statistics NZ 2001)⁷⁵

Measure	Tauranga	WBOP	Whakatane	Kawerau	Opotiki
% Maori	16.1%	17.5%	42.2%	59.9%	57.3%
Number of Maori	14,112	6,399	13,200	3,915	4,995
Median income for Maori	\$14,000 (\$16,800)	\$13,400 (\$17,300)	\$12,100	\$13,000	\$11,000
% over 15 with income <\$20,000	65.0% (56.9%)	67.8% (56.2%)	70.2%	66.5%	77.6%
Unemployment	19.9% (7.5%)	17.1% (6.7%)	24.8%	26.1%	25%
Crowding – number of people/bedroom	1.09 (0.82)	1.09 (0.82)	1.11 (0.85)	1.08 (0.85)	1.09 (0.87)
Equivalentised crowding index	0.78 (0.56)	0.77 (0.54)	0.81 (0.58)	0.77 (0.59)	0.78 (0.60)

The 2001 Census statistics in the above table show:

- That the Bay of Plenty has a high proportion of Maori, particularly in the Eastern BOP
- Current income levels are lower than the median across the region
- Levels of unemployment are significantly higher
- Levels of crowding in Maori homes are higher than the European ethnic group, but when applying a weighted measure (the equivalentised crowding index⁷⁶) while the level of crowding remains higher than European households the statistics show that *on average* overcrowding is not occurring. This is not to say that in individual households this crowding problem is not occurring

Crowding in households occurs when the number of people living in the home exceeds the capacity of the household to provide adequate shelter and services to its members. Freedom from crowding is one of the key dimensions of housing adequacy. Crowding can give rise to health and other social problems.

⁷⁵ Note: The first figure is for Maori and the second figure in parentheses is either for the TLA area as a whole, or in the case of crowding measures for the European ethnic group

⁷⁶ The basic measure of the number of people per bedroom can distort the picture, as age is an important variable to consider. The Equivalentised Crowding Index applies the concept of the adult individual's need for a separate bedroom. A value in excess of 1.0 indicates overcrowding exists.

The profile of Maori employment in the Bay of Plenty in 2004 was estimated in a study for TPK to be:⁷⁷

- There are 19,014 Māori employed in Bay of Plenty. The main industry in which Māori were employed was *manufacturing* with 2,909 employees. Other significant industries were *agriculture, forestry and fish* (2,093) and *retail trade* (1,868).
- In terms of occupation, *elementary occupations*⁷⁸ is the most significant employer of Māori with 3,928 employees. This is followed by *service and sales workers* (2,880), *plant & machine operators & assemblers* (2,744) and then *market oriented agricultural and fisheries workers* with 1,943 employees.

For Maori, in the study for TPK, it was stated that by 2016:

- Labour demand is expected to increase by 7,834 and would be across all industries. The greatest increases are expected to be in *manufacturing* (1,286), *education* (982), *retail trade* (815) and *health and community services* (750).
- The largest increases in employment are expected to be in *elementary occupations* (1,935), *plant and machine operators & assemblers* (1,322) and *service and sales workers* (1,284).

12.2 Maori Economic Development

The commercial assets owned by Maori are key economic resources for the region. The assets comprise that held by a variety of Maori Trusts, Maori Trust Boards, Maori businesses, fisheries settlements and Treaty settlements (some of which are still in progress).

While it was not part of the scope of this study to carry out an investigation of the quantum and location of components of the Maori economy or its potential for development, it is apparent that there are significant resources that are, or will be, able to be utilised. A report by NZIER, commissioned by Te Puni Kōkiri,⁷⁹ highlights the scale of Maori assets in New Zealand. The following table copied from this report lists the assets by category:

Table 58 Maori Commercial Assets (2001)

	Total Assets (\$ million)
Māori Trusts	1,522
Māori Trustee land assets	117
Māori organisations	1,354
Iwi Treaty settlements	86
Māori Trust Boards	145
Māori businesses	5,708
Total Assets	8,992

⁷⁷ Based on Statistics NZ 2004 estimates and 2016 projections. Māori Regional Labour Market Bay of Plenty. BERL report to TPK. 2005. http://www.tpk.govt.nz/publications/docs/economics/bop_2005_maori_regional_labour_market_analysis.pdf

⁷⁸ Note: Elementary occupations include: Building caretakers, cleaners, packers, freight handlers, labourers

⁷⁹ "Māori Economic Development – Te Ōhanga Whanaketanga Māori". NZ Institute of Economic Research and Te Puni Kōkiri. February 2003. The key findings are summarised in www.tpk.govt.nz/maori/work/fs_asset_base.pdf

The NZIER report estimates the Maori economy at 1.4% of the New Zealand economy. This represents a fraction of the Maori percentage of the population and also of the Maori 10% share of total consumption. The report highlights that the Maori economy is concentrated in agriculture (7.4% of New Zealand's total output) and fishing (37% of quota), and that Maori "export" labour and capital to the general economy. Only about \$300 million of \$4.3 billion earned by Maori is earned in the Maori economy. The rest is earned in the general economy.

Fisheries settlements to Iwi in the BOP region are approximately \$27 million to date, and further settlements are in progress⁸⁰.

In relation to Treaty settlements, there have been Deeds of Settlement with Ngati Tuwharetoa (BOP \$10.5 million) and Ngati Awa and ancillaries (\$43.4 mn), both in the EBOP. Mandate discussions are in progress among the Tauranga Moana Iwi⁸¹. Approximately \$20 million of land is either land-banked or is recommended for purchase for land-banking in the BOP associated with treaty settlements. As these settlements are concluded Iwi will be able to apply these resources to assist in the achievement of economic development and other objectives.

The EBOP Regional Economic Development Strategy⁸² refers to a Maori economic development profiling and data project which is being developed in collaboration between Toi-EDA and Te Puni Kokiri and with Iwi from the region including Mataatua Iwi Forum members.

There are a series of initiatives underway as part of the Smart Economy Implementation Plan in the WBOP to investigate economic activities that provide sustainable business, employment and educational opportunities for Maori, including tourism and relevant training and development opportunities.

The approach to Maori Economic Development adopted in the strategy review process included identification of specific industry and business growth opportunities in an analysis of priority industries and value chains. This included identification of opportunities to grow existing Iwi and whanau trust and incorporation investment in energy and food and beverage sector industries including kiwifruit, dairying and aquaculture. Toi-EDA is collaborating with the Mataatua Iwi Forum and Te Puni Kokiri to broker a major regional land development initiative in 2007 that may involve working across regions and with the food and beverage sector.

The strategy also identifies the development of the Tourism industry in the Eastern Bay of Plenty in which Iwi cultural tourism is positioned as a major point of difference and therefore an opportunity for regional economic development.

Given the high proportion of Maori in the BOP, the relatively low income and high unemployment levels, there is significant potential "upside" to the broader regional and national economy if Maori are able to boost their economic output to a level more commensurate with their share of population. This could particularly apply in the EBOP where current forecasts of economic growth and population growth are flat, and where the proportion of Maori and their unemployment rate are relatively high.

In order for Maori to realise some of their economic development objectives, they will need to house the workers that would support this growth, and in particular provide affordable housing

⁸⁰ Iwi Decisions Register - Te Ohu Kaimoana. www.teohu.maori.nz

⁸¹ Office of Treaty Settlements. Te Tari Whakatau Take e pā ana ki te Tiriti o Waitangi. Four Monthly Report November 2006 – February 2007 www.ots.govt.nz

⁸² Eastern Bay of Plenty Regional Economic Development Strategy 2006. Eastern Bay of Plenty Regional Economic Development Trust, and Toi-Economic Development Agency 27th October 2006

for the lower-waged workers. This emphasises the importance of addressing options that enable Maori to more effectively utilise their land for housing.

12.3 Maori Owned Land

The map on the following page illustrates the location and concentration of Maori owned land in the Bay of Plenty. It highlights the high proportion of land that is in rural areas, and in particular in rural areas remote from urban settlements which is problematic for provision of infrastructure (water, wastewater, electricity) when considering constructing affordable housing on some of these sites. The following tables copied from SmartGrowth documents identify the areas and classification in the WBOP area.

Table 59 WBOP District – Maori Land Summary

Zone	Residential	Rural	Other	Total
Road, Commercial & Other			4.6	
Future Urban	8.4			
Papakainga	149.9			
Residential	85.8			
Rural G		19,546.5		
Rural H		269.7		
Rural Residential	18.9			
Total land	263.0	19,816.2	4.6	20,083.8

SmartGrowth 2004

Table 60 Tauranga City – Maori Land Summary

Zone	Residential	Rural	Other	Total
Conservation			54.27	
Green Belt			5.44	
Industrial Business			79.26	
Rural		1,429.06		
Marae Rural	144.97			
Marae Urban	36.25			
Residential A	189.49			
Rural Residential	12.54			
Total Land	383.25	1,429.06	138.97	1951.28

Smartgrowth 2004

While the majority of Maori land in the WBOP is in rural zoned areas (96%), or specifically zoned for “Maori purposes” (Marae rural, Marae urban, Papakainga), there is also a considerable amount of strategically located Maori land within metropolitan areas zoned for residential use (275 hectares). The key issue for Maori will be how to optimise the value of this valuable urban land. There is also potential to link the use or development of this relatively small area of very high value land with that of development of other land holdings in other areas of the

BOP to support other economic development objectives; perhaps in partnership with other tribal authorities.

We were unable to locate comparable information for the EBOP. The following map shows that most of the Maori land in the EBOP is in rural areas.

Maori Owned Land

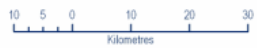
Legend

 Maori Owned Land

Reference

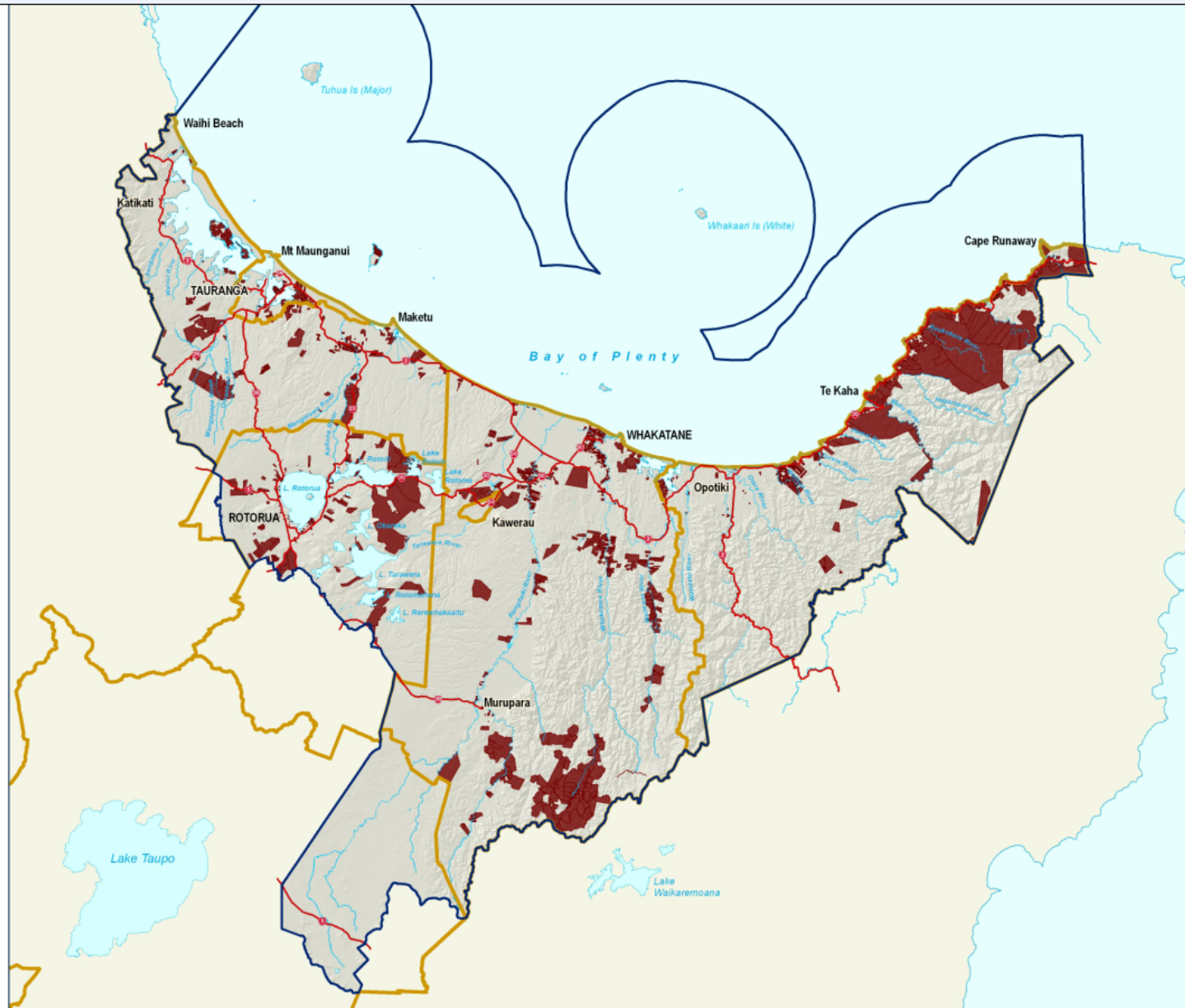
-  Territorial Authorities
-  State Highways
-  River

Disclaimer
Environment Bay of Plenty received the data used from the Maori Land Court. The date of this data is unknown; therefore Environment Bay of Plenty cannot guarantee the accuracy.



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12.4 The Maori Land Court and the Te Ture Whenua Maori Act 1993

The general objectives of the Act and the role of the Court need to be considered when dealing with Maori owned land, and in particular multiple-ownership of Maori land. This legislative framework and process specifies how Maori land can be managed or developed. This creates problems in obtaining finance because of difficulties in registering security for borrowing on this land. In addition, unless the precise location of the land and its boundaries are known by surveying, there are further barriers to developing this land or obtaining finance.

The objectives of the Act are framed to deal with land owned in multiple ownership and to protect the interests of these multiple owners:

- (1) In exercising its jurisdiction and powers under the Act, the primary objective of the Court shall be to promote and assist in-*
- (a) The retention of Maori land and General land owned by Maori in the hands of the owners; and*
 - (b) The effective use, management, and development, by or on behalf of the owners, of Maori land and General land owned by Maori*
- (2) Applying subsection (1) of this section, the Court shall seek to achieve the following further objectives:*
- (c) To ascertain and give effect to the wishes of the owners; of any land to which the proceedings relate;*
 - (d) To provide a means whereby the owners may be kept informed of any proposals relating to any land, and a forum in which the owners might discuss any such proposal;*
 - (d) To determine or facilitate the settlement of disputes and other matters among the owners of any land;*
 - (f) To protect minority interests in any land against an oppressive majority, and to protect majority interests in the land against an unreasonable minority;*
 - (g) To ensure fairness in dealings with the owners of any land in multiple ownership;*

A substantial amount of Maori land remains unsurveyed⁸³ and this is a significant barrier that needs to be addressed to enable this land to be developed for affordable housing and also to support Maori economic development objectives:

"...Poor title and ownership records make it difficult to trace ownership, the size and precise location of land. Unsurveyed blocks and irrational partitions make effective and legal land use difficult. Fragmentation of land has created small and often uneconomic shareholdings and units often leading to abandonment. This multiple ownership and fragmentation of ownership makes it difficult to use land or get agreement from owners on land development options.

The Land Title system still does not fully satisfy the requirements of multiple owned Maori land. Much Maori land is currently locked out of development although it can be adjacent to highly productive land and located in a market driven economic environment.....

At the land parcel level some very basic problems obstruct the use and enjoyment of Maori land. Before any land can be effectively used or developed, its physical characteristics must be accurately known so that planning and land use can proceed based on full knowledge of the spatial location and extent of land and all relevant attributes. Where Maori land is an unsurveyed partition, some or all of the boundaries have not been surveyed and pegged, meaning the size, shape and location of the parcel are not certain. There are 10,500 unsurveyed partitions in existence, which are about 50% of the parcels of Maori land. So for perhaps 50% of Maori land some of the most basic requirements for effective planning are not known.

The Crown and the Maori Land Court has run a series of ad hoc and parallel tenure systems. There is now a need to align the various systems and to resolve the various problems to improve the integrity of the information held in land tenure systems, and also to ensure that this information can be reliably correlated and integrated with other information relevant to land use. A lack of

⁸³ Maori Land Tenure - Issues and Opportunities. A paper prepared for the New Zealand Institute of Surveyors Annual Conference, Auckland, October, 2004 by Dr Bill Robertson

surveying has meant that comprehensive and up-to-date maps of Maori land tenure cannot be prepared, unlike for general title land.....”

It is recommended that the locations and quantum of unsurveyed Maori land in the Bay of Plenty is identified. This will enable an assessment of the resources required to carry out this surveying task, and the appropriate source of funding.

The fundamental problem in raising loans for providing funding to build affordable homes on multiple-owned Maori land is that security can not be effectively secured against the property due to it being held in multiple-ownership. Both registration of an interest or enforcement of security would involve the Maori Land Court, and the sale to recover the loan if successfully achieved would need to be within the whanau. This would restrict the prospective market significantly.

Consequently the only, current, practical options are:

- To secure a leasehold interest on the building constructed on the land with the mortgage registered (and enforced if necessary) in the “mainstream” Land Court
- To obtain mortgage guarantee or underwriting from another party
- To provide rental or shared equity homes through a community housing organisation, including those established by tribal authorities
- To utilise “sweat equity” schemes associated with bulk or joint purchasing initiatives, e.g. Habitat for Humanity programmes
- To utilise combinations of the above

Concerns have been expressed that this could give rise to re-locatable buildings, or those easily removed, to enable buildings to be removed for sale in the case of default. It was suggested that this could mean an undesirable number of lower quality housing stock. The alternative, however, may be no or fewer houses are built. To avoid this being a problem, reliance would need to be placed on Councils to ensure code compliance with the Building Act, and regulation of design features under the District Plan administered through the resource consent process. Councils may need to plan in conjunction with mana whenua authorities a specific approach to this issue to ensure appropriate quality and forms of development occur.

12.5 Housing condition

Poor housing condition gives rise to a range of health issues from lack of heating, insulation, overcrowding; safety issues such as fire safety from heating and lack of smoke and fire alarms; and degradation or loss of housing stock due to poor maintenance or lack of dwelling insurance to enable replacement following fires or natural disasters.

The Housing New Zealand Bay of Plenty Regional Strategy 2005-2008 highlights:

“...Areas of high deprivation exist in the Bay of Plenty region, particularly among Māori families. People who have difficulty paying for accommodation may share with others as a way to reduce overall housing costs. Overcrowding is worst in eastern Bay of Plenty and pockets of urban Rotorua, as well as Matakana and Matapihi in western Bay of Plenty. We are tackling substandard privately-owned rural housing in eastern Bay of Plenty through the Rural Housing Programme....”

A 1998 Bay of Plenty study of three Maori communities in the Opotiki area showed over 50% of permanent houses had no ceiling insulation.⁸⁴ This will contribute to poor health and also high energy costs.

⁸⁴ Saville-Smith K. 1999. The Condition of Opotiki's Rural Housing Stock – A Survey of three communities, Centre for Research Evaluation and Social Assessment.

Tribal authorities and government agencies that were interviewed in the Bay of Plenty, while they did not provide statistical data, highlighted that sub-standard housing is a serious issue.

Refer to section 7.6 for a more detailed discussion of housing condition.

12.6 Cultural Issues and Customary Practices

The approach to provision of affordable housing needs to take account of cultural perspectives and customary practices⁸⁵, including:

- Proximity to whanau (family) is a key factor driving where many Maori wish to live, and also to live adjacent to or near to the location of the ancestral roots of the whanau in its turangawaewae, or more specifically the marae. This also provides a greater level of support to both families and individuals. Many marae are in rural areas, or in coastal areas where land prices have increased significantly.
- Much of Maori land is held in multiple-ownership rather than individual title
- The desire to be able to accommodate visitors, or other members of the whanau on a permanent or long term basis e.g. parents, grandparents, or whangai (where children are brought up by a relation of the parents)
- Design features including:
 - A preference for houses with larger lounges and kitchens to cater for larger families and visitors
 - Separation of washing machines and toilets from food preparation areas (e.g. Buildings with washing machines incorporated in kitchens are inappropriate designs for Maori due to potential contamination by waste products)

12.7 Governance and Management Capacity and Capability

The governance and administration of Maori land varies across the region. Tribal authorities are concerned with a range of social and commercial functions. There are also other representative structures that work on behalf of several individual tribal authorities. In general these bodies are multi-function, although there are some small and emergent community housing organisations.

The picture is generally one of small, fragmented and often under-resourced entities, and some larger well-established organisations with capacity and capability. There is a desire to maintain control and a good degree of autonomy over tribal interests. The depth and capability of governance and management varies considerably. Another key consideration is that most iwi and hapu in the Bay of Plenty region are still working through the Treaty Settlements process; in future a number of iwi and hapu will have received settlement monies which will enable them to invest in the growth and development of their people, including in affordable housing.

Options to address this situation include:

- Provision of training in governance and management skills to establish and operate the housing arms of tribal authorities or separate community housing organisations on a sustainable basis where these skills and experience is lacking
- Formation of partnerships with other tribal authorities and/or larger community housing organisations, or developers in the region. There may be opportunities to negotiate with other tribal authorities, development authorities, and developers to trade access to land (on either a leasehold basis or sale basis) or for development opportunities in one place

⁸⁵ Maori Housing Experiences and Emerging Trends: Final Report. The Family Centre Social Policy Research Unit Research Centre for Maori Health and Development – Massey University. June 2006

in exchange for construction of affordable housing elsewhere in the region. This could include “tradeable rights”.

- Formation of partnerships with publicly-owned CCOs that are involved with property development and ownership including developing and providing land for affordable housing
- Utilisation of shared service arrangements to achieve better economies of scale
- Identification of what type and size of resources are planned to be allocated to housing initiatives from Treaty settlements

The report “Development of Housing on Multiple-Owned Maori Land in the Western Bay of Plenty⁸⁶” also advocated for “...Promoting the development of structure plans for trusts/owners that will identify the long term plans for the land, establish the overall infrastructure requirements at the outset of the project and assess options for financial contributions to best suit the development.”

12.8 Council Planning Issues

The Western Bay of Plenty District Council Maori Forum (2005) identified bureaucracy and time to gain resource consent, zoning restrictions, and high construction costs as barriers to building homes on multiple owned land in the Western Bay of Plenty Region.

It was suggested in interviews that zoning densities need to recognise that higher densities of papakainga or kaumatua housing on multiple owned land are appropriate. Papakainga loans can be sourced from HNZC (see 12.7 below).

In a submission to the Minister of Housing in 2005⁸⁷, it was outlined that the SmartGrowth Strategy has made provision for papakainga housing for up to 16,000 people over the period 2001 – 2021, and also sets out specific Tangata Whenua development areas.

It was highlighted in the submission that while central government lending programmes (e.g. papakainga lending) assist with Maori housing development on Maori land at present these loans are only granted for actual house building costs. Any development contribution fees required are not included in the loan, nor are any other infrastructure fees or levies that are incurred when building a house.

SmartGrowth submitted that it would like to see development contributions and other levies included in the housing loans in order to better facilitate Maori housing development, as otherwise the extra costs must be funded by some other means.

The SmartGrowth Combined Tangata Whenua Forum prepared a document⁸⁸ outlining the constraints and opportunities on multiple owned Maori land. The report states:

- There are several examples where Papakainga developments are constrained by either environmental performance standards, by statutory process or by costs
- Hapu partitions are not recognised as separate title. A Hapu partition does not create a new ‘Certificate of title’ and does not generate a section 224 certificate with councils

⁸⁶ Development of Housing on Multiple-Owned Maori Land in the Western Bay of Plenty. Western Bay of Plenty District Council Maori Forum (2005)

⁸⁷ SmartGrowth Ministerial Briefing Paper, May 2005 Prepared for the Hon. Steve Maharey, Minister of Housing and Minister of Social Development. May 2005.

⁸⁸ Smartgrowth Tangata Whenua Forum – Constraints and Opportunities on Multiple Owned Maori Land in the Western Bay Subregion

therefore financial contributions are not calculated at this time [so] timing of costs cannot be provided upfront for Hapu partitions

- District Plan zoning is restrictive with the number of houses that can be built. The Zoning change process is available but is costly and time consuming. Most Maori land is under Rural G zoning, where conditions are too restrictive. There are differences in processes between Councils but land and people are the same. District Plan is prohibiting ability to use Maori land economically (e.g. 2nd dwelling on rural land – density of housing).
- Structure Plan⁸⁹ solutions may identify uses and plan for entire block, specifically density/layout of housing

We agree with their recommendations which supported:

1. Development of Papakainga development plans, linked to Iwi management plans
2. Linkage of Hapu partitions and financial development costs to Structure Plans allowing infrastructure costs to be understood upfront
3. Amendment of the RPS to support Maori land/Housing Development
4. Investigation of changes to [plan] Codes of practice to accommodate the above

The Council planning issues raised in this section, while oriented to the WBOP, are equally valid and relevant to the EBOP sub-region.

In the Tangata Whenua section of the review of the SmartGrowth Implementation Plan (November 2006) specific opportunities and barriers were identified in relation to certain areas of land in the WBOP which Tangata Whenua have a specific interest in, as follows:

Papakainga - Tangata Whenua has identified 12 areas for papakainga. The areas represent the general location of multiple-owned Maori land in the sub-region and the future potential of Tangata Whenua to meet their own housing needs. (Workshops during the SmartGrowth project highlighted the difficulties people had experienced in utilising Maori land for housing.)

Development on multiple-owned Maori lands will require adequate infrastructure planning for services and amenities, appropriate funding time frames and suitable planning tools.

Areas Not Designated for Residential Development: Several areas have been suggested as potential sites for significant future urban residential development but have *not* been included for the reasons noted. These are:

- **Matapihi:** Outside current settlement pattern, culturally significant area, potential harbour impact issues, not favoured in consultation with Tangata Whenua. It should be noted that Maori land in Matapihi may be developed for the use by its owners (refer Tangata Whenua section). However no urban residential development is provided for.
- **Maketu:** Physical limitations to development coupled with a sensitive environment and cultural significance. Redevelopment expected within current footprint.
- **Pukehina:** Physical limitations and sensitive coastal environment. Redevelopment expected within current footprint.
- **Matakana Island:** culturally significant area, potential harbour impact issues, outside current settlement pattern, and uncertainties regarding access and servicing. Small-scale development takes place relating to Marae, or possibly small-scale resort-type development.
- **Tanners Point, Ongere Point and Kauri Point:** Development only provided for within current footprint. Outside current settlement pattern, not favoured in workshops, potential harbour impact issues.
- **Rangataua Bay:** Culturally significant area, potential harbour impact issues, not favoured in consultation with Tangata Whenua.

⁸⁹ A structure plan is a framework to guide the development or redevelopment of a particular area by defining the future development and land use patterns, areas of open space, the layout and nature of infrastructure (including transportation links), and other key features for managing the effects of development.

- **Te Puna:** Although logical from an infrastructure and services perspective as a consolidation of development between Omokoroa and Tauranga, the area is not required during the planning period. The area has highly versatile land in productive use. There is also cultural significance in some areas, particularly alongside the harbour. The area remains largely rural, with some limited intensification within the footprint of existing small settlements, particularly in preferred coastal locations.
- **Paengaroa:** Not required within the planning period. An area of high productive value for horticulture. Not favoured in consultation by communities in this area. Too remote from services and not likely to have the critical size required to support good services for many years.

12.9 Loan Products

The primary source of finance for Maori wishing to develop affordable housing on its land, and to address housing condition is from HNZC. HNZC provides a range of funding programmes relevant to Maori.

The report “Maori Housing Experiences and Emerging Trends” outlined a range of current housing loan products that are relevant to affordable housing for Maori. The following is an edited summary of the relevant section of this report:

- *“...Low Deposit Rural Lending Programme (LDRL) is often associated with Papakainga housing. The LDRL enables families to purchase housing and use the house as security for the loan, maintaining this separate to the security of the land.*
- *The Rural Housing Programme was introduced to address sub-standard housing in the Northland, East Coast, and Bay of Plenty Regions. The five-year programme started in 2001 and involves communities, Iwi social service housing providers, the New Zealand Fire Service, Te Puni Kokiri, Community Employment Group, Skill New Zealand, local government, health agencies and the Ministry of Social Development. Housing New Zealand works with these groups to improve the quality of housing in these areas, increase the supply of affordable, quality houses, and to assist communities to manage their own housing needs. HNZC has several products that they deliver:*
 - *suspensory loans for essential repairs and infrastructure*
 - *home improvement loans (non-suspensory in nature)*
 - *state rentals and relocatables.*
- *The Healthy Housing Programme (HHP) is a housing initiative available in urban areas. The programme is a collaboration between HNZC and three district health boards in the upper North Island (Northland, Auckland and Counties Manukau). The programme aims to improve outcomes for HNZC tenants in health and welfare by reducing the risk of housing related health problems, and improving the availability and quality of state housing for larger families. This is achieved through a range of interventions including improving insulation, ventilation and heating, through to renovations of property to improve quality of housing or reduce overcrowding.*
- *Kapa Hanga Kainga is aimed at encouraging people to pool resources to build their own homes. Linked to LDRL, this scheme requires participants to attend home ownership education workshops, by the end of which participants have enough knowledge to improve their chances of gaining a loan.*
- *Housing Innovation Fund, Home Improvement Project Zones, and Community Owned Rural Rental Housing Loans. All of these projects are run through community based organisations and are intended to improve the capacity of those organisations to address the housing needs in their area....”*

The report “Development of Housing on Multiple-Owned Maori Land in the Western Bay of Plenty⁹⁰” includes the table below which shows all Papakainga loans issued in the Bay of Plenty area from 2000 to 2004 (note: Western Bay of Plenty data is represented as “Tauranga”). The average loan was \$64,051.

Table 61 Papakainga Loans for the BOP 2000-2004

Location	No. of Loans	Total value of loans
Torere	17	\$1,034,655
Tauranga	7	\$570,439
Tokoroa	4	\$246,702
Rotorua	4	\$204,659
Direct	9	\$569,659
Total	41	\$2,626,114

Housing New Zealand – Internal Data

This table shows that the number of loans and amount of funding provided over a four year period is insignificant.

The next table (Table 62) from the document prepared by the SmartGrowth Tangata Whenua Forum identifies the funding packages available, their source, and criteria.

Table 62 Funding Packages for Housing Developments on Maori Land

(Notes from the Process Review Group – “Funding” Working Stream)

Agency	Programme	Criteria
HNZC	Papakainga loan Individual	15% deposit Licence to Occupy Occupation Order
HNZC	Low Deposit Rural Lending – Loan Individual	Must have graduated from the LDRL course No debt – or hire purchase 3% deposit Licence to occupy Occupation order 30 – 35% Income to outgoings ratio
HNZC	Housing Innovative Fund 3 rd sector NGO	Not for profit organisations Address identified needs Interest free/principle free for 2 years Restructured at 3 rd year
HNZC	Community Based Organisation	Target group
Habitat for Humanity	Joint ventures New builds Refurbishments	Needs based 500 hours labour input
TPK/HNZC	Kapa Hanga Kainga	Mixture of LDRL & Papakainga criteria
TPK	Special Housing Action Zones	Not in Western BOP

⁹⁰ Development of Housing on Multiple-Owned Maori Land in the Western Bay of Plenty. Western Bay of Plenty District Council Maori Forum (2005)

This table reinforces that HNZC is the primary source of funds, but also that TPK and Habitat for Humanity have provided funding.

12.10 Conclusion

There is considerable latent potential associated with Maori economic development in the region founded on growth in existing enterprises, deployment of resources from fisheries and treaty settlements and also application of internal resources. There will be a need for additional affordable housing for lower paid occupations to support such growth.

In the EBOP where economic growth and population growth is currently forecast to be flat, the impact or leverage effect of this growth in the Maori economy from a low-base (where a high proportion of the population is Maori and with relatively low incomes and employment) would be particularly significant.

Unlocking the potential further development on multiple-owned Maori land will be a key factor in supporting this economic development for both use for productive enterprises and the provision of affordable housing for lower income households employed in these growing businesses.

Factors that will assist this include:

- Development of Papakainga development plans, linked to Iwi management plans
- Linkage of Hapu partitions and financial development costs to Structure Plans allowing infrastructure costs to be understood upfront
- Amendment of the RPS to support Maori land/Housing Development
- Investigation of changes to [plan] Codes of practice to accommodate the prior points
- Identification of the locations and quantum of unsurveyed Maori land in the Bay of Plenty is identified which is necessary to secure finance and undertake development. This will enable an assessment of the resources required to carry out this surveying task, and the appropriate source of funding.
- Improvement of education and resources to address maintenance of housing stock. Reducing the current high incidence of poor housing condition, will provide a sustainable increase in the numbers of houses available as well as improving health, and social outcomes.
- Increase of the funding available from other sources, such as:
 - securing a leasehold interest on the building constructed on the land with the mortgage registered (and enforced if necessary) in the “mainstream” Land Court
 - obtaining mortgage guarantee or underwriting from another party
 - provision of rental or shared equity homes by a community housing organisation, including those established by tribal authorities
 - “sweat equity” schemes associated with bulk or joint purchasing initiatives, e.g. Habitat for Humanity programmes

There are issues associated with the current structural and governance arrangements for some Maori organisations in the BOP that need to be addressed in order to provide additional affordable housing on a sustainable basis. Options to provide access to additional sources of finance and advice include:

- Provision of training in governance and management skills to establish and operate the housing arms of tribal authorities or separate community housing organisations on a sustainable basis where these skills and experience is lacking
- Formation of partnerships with other tribal authorities and/or larger community housing organisations, or developers in the region. There may be opportunities to negotiate with other tribal authorities, development authorities, and developers to trade access to land

(on either a leasehold basis or sale basis) or for development opportunities in one place in exchange for construction of affordable housing elsewhere in the region. This could include “tradeable rights”.

- Formation of partnerships with publicly-owned CCOs that are involved with property development and ownership including developing and providing land for affordable housing
- Utilisation of shared service arrangements to achieve better economies of scale

13. Infrastructure Provision and its Link to Housing

This chapter includes consideration of infrastructure provision (for water, wastewater, stormwater, transport, and education). The timing and cost of provision of water, wastewater, stormwater and roading infrastructure affects the ability to develop land in a cost-effective fashion, and the ultimate cost of housing. Transport infrastructure (roads, public transport, walkways, cycle-ways) affects the ability of people to travel between their homes and where they work, “play”, shop or use other services. The adequate provision and location of education infrastructure is a vital component of community infrastructure. Community infrastructure such as libraries, recreation centres, active and passive reserves have a large impact on urban amenity and quality of life.

In general, communities are expecting a higher and higher quality of infrastructure, and for this to be available from “day one”. To provide network infrastructure in a cost-effective fashion it is important to plan the sequence and timing of development in an integrated way. Infrastructure is expensive to install, and this imposes a significant up-front cost on new housing.

13.1 Principles of Infrastructure Provision and Funding

Ensuring that infrastructure is supplied efficiently and equitably may contribute to increased housing production efficiency and therefore to increased housing affordability. This process would occur in two primary ways. Firstly, if development and financial contributions are prepared on the basis of genuine ‘cost reflectivity’, that is, with adequate differentiation of charges in line with differences in the cost of servicing the lands in question, a pricing signal is sent encouraging the early use of land which can be more readily supplied with infrastructure. Provided steps are taken to combat land withholding, the use of more efficiently serviced land should reduce housing production costs, all other things being equal.

Secondly, pre-notified infrastructure charges remove the element of uncertainty (and therefore commercial risk) attaching to how infrastructure items will be funded. Where the providers of debt or equity capital for housing projects are otherwise subject to ad-hoc negotiation arrangements, a premium is required to cover the risk of delays and adverse outcomes. This premium is ultimately passed on to home buyers.

The majority of mechanisms related to efficient infrastructure provision are founded on robust strategic land use planning, in order to accurately forecast development, assess current and future infrastructure requirements, calculate charges and determine ‘roll out’ strategies. Ideally, this process would be formalised by the development of metropolitan development and ‘sequencing’ plans, as in SmartGrowth.

13.2 Council Approach

Councils in both the WBOP and EBOP adopt an integrated approach to provision of infrastructure. These plans are formulated and put out for community consultation through the processes associated with the Regional Policy Statement (RPS) and individual Council Long Term Council Community Plans (LTCCPs), before they are adopted. Chapter 8 of this report on Council policies and planning also reviews relevant aspects of the interlinked relationship between urban form and infrastructure in each of the WBOP and EBOP Council areas.

The WBOP SmartGrowth Strategy⁹¹ (Basis for Planning, p52) takes an integrated approach to infrastructure:

⁹¹ SmartGrowth Strategy and Implementation Plan Review 2006 / 2007. November 2006.

“...The physical setting of the [WBOP] sub-region is such that a “corridor” pattern of development has emerged. Taking a corridor approach is important in terms of integrating infrastructure (particularly transport), land use and funding. This approach also aligns with the purpose and outcomes of the Land Transport Management Act 2003 (LTMA 2003), most notably the need to take an integrated approach and improving long term planning and investment in land transport. The following outcomes of the LTMA 2003 are relevant to this corridor approach:

- Assisting economic development
- Improving access and mobility
- Ensuring environmental sustainability...”

The SmartGrowth strategy also states that:

“...Investment in infrastructure is designed to support the pattern and timing of settlement. Infrastructure will assist in priming areas for development to encourage a more sustainable pattern of settlement (e.g: investment in intensification nodes)....”

13.3 Transport

The principal issue that arose in interviews and workshops in relation to transport infrastructure was that adequate provision of public transport is pivotal to enabling people to travel from affordable housing to work, to education, to health services, etc. In many cases affordable housing is either on the periphery of cities or towns, or is remote from places of work, schooling, etc.

There are currently several commercial and contracted intra-regional services operating in the Bay of Plenty. These services are currently operating on a predominantly contracted basis within the region, and include:

- Opotiki to Whakatane and Tauranga
- Kawerau to Whakatane to Tauranga
- Whakatane to Tauranga
- Matata to Whakatane
- Rotorua to Tauranga
- Katikati to Tauranga

The other aspect raised in interviews was that at the time of subdivision design and the administration of consents it is necessary to plan in (and we suggest require) connectivity and accessibility for public transport services.

Although housing may be available in peripheral areas of towns and cities, or in areas remote from where people work (and are educated, shop, use health and other services) the cost of owning and using a private car erodes the limited disposal income of the household as compared to the alternative cost of using public transport if it is available.

So although public transport does not play a direct role in the provision of affordable housing, its indirect role in providing **access** to and from such affordable housing is very important.

The Land Transport Management Act (2003) requires that an integrated system of land transport will be implemented in the Bay of Plenty. The Bay of Plenty Regional Land Transport Strategy (2006) or “RLTS” is the responsibility of Environment Bay of Plenty. The Regional Passenger Transport Plan⁹² and the RLTS recognises that the role of passenger transport is to:

⁹² The Regional Passenger Transport Plan. Bay of Plenty. Environment Bay of Plenty. March 2006. 1SSN 1175 8538

“...improve access and mobility, provide transport options, including for commuter travel, contribute to sustainability and managing demand. As a result of the level of public submissions to this strategy as well as changes to Environment Bay of Plenty policy, an improved level of service for bus based public transport will occur. The current service, which caters for the transport disadvantaged, will change to a higher level of service focussing on journey to work commuters, especially in Rotorua and Tauranga.

It needs to be recognised that these additional changes, which involve considerable cost as well as the need for ongoing Government subsidy to help reduce the financial impost on regional ratepayers, will not be an overnight transformation. It will take some time to grow the passenger transport mode to the point envisaged in this strategy.”

The Review of the SmartGrowth Implementation Plan (2006) explicitly includes in Section 7.2.13. Affordable Housing under Growth Issues, and has also added point 6 to the original Strategy:

2. Housing affordability is influenced by employment and wage rates, and transport costs as well as land and building costs.
6. Transport accessibility is vital to enable those in affordable housing to access work and play opportunities. This includes regular and reliable passenger transport.

Public transport becomes more sustainable with intensification along transport corridors and routes, which is a feature of the SmartGrowth Strategy.

The configuration of the roading network to meet community needs and the future growth of both WBOP and EBOP is well integrated into planning between Land Transport New Zealand and the local authorities. Therefore we have not outlined further in this report matters associated with the roading network.

The RLTS incorporates planning for other modes of travel particularly relevant to lower income households:

- Installing bus priority measures
- Park and ride facilities
- Cycleways and enhanced pedestrian facilities.

The RLTS and SmartGrowth strategy identifies:

- That a “key challenge is managing the residential intensification effects on future transport planning especially at the neighbourhood level.”
- The main mode of public transport is likely to be bus. Public transport use moves from being principally for the transport disadvantaged to include a significant proportion of commuter trips
- Rail is likely to remain principally for freight in the short term. The Bay of Plenty region has developed a Rail Strategy in order to advance a vision for rail in the Bay of Plenty region. It is planned that the existing corridor is protected and following a feasibility investigation, its width may be increased to accommodate a separate passenger transport rail line. The plans incorporate *“Opportunities are taken as they arise to secure a wider rail corridor to accommodate both freight and passenger services for the future.”*

It is worth noting that the significant cost of funding regional transport infrastructure affects the ability of local authorities to fund other activities, such as in the case of the focus of this study, supporting affordable housing (by whatever means, but which invariably comes down to funding availability). In comparing roads and affordable housing, the latter tends to be viewed as ancillary or discretionary expenditure relative to “hard” infrastructure⁹³.

⁹³ Excerpt from SmartGrowth Review (2006): In 2005 a Joint Officials Group (“JOG”) comprising of transportation officials from the Treasury, Ministry of Transport, Land Transport NZ and all Bay of Plenty local authorities was established to examine funding

13.4 Education

The Ministry of Education is involved in three planning exercises in the BOP. The Papamoa area strategy has commenced, and there are plans to look at Greater Tauranga and West (Omokoroa and Katikati) structure planning later in 2007. Given the flat forecasts for population growth in the EBOP, there are no plans on the horizon for this sub-regional area.

The Ministry has utilised SmartGrowth demographic forecasts and urban planning to determine the student yields for school planning.

The Ministry's objectives include providing local options for local students (consistent with the "live, work, play" strategy).

Concerns have been expressed by a number of people in interviews about public transport provision within the city of Tauranga, and between settlements on the BOP for transport of students to and from schools. Anecdotal examples were provided of up to 700 students traveling between the Mt. Maunganui/Papamoa area to schools in central Tauranga. The reasons for this travel were suggested to be driven more by choice (including single sex schools, religion) than lack of school infrastructure. Both the Ministry and other interviewees support emphasis being placed on public transport planning to get students to and from schools based on where they live. For modeling public transport patronage this would need to incorporate analysis of student yields from areas of affordable housing.

The SmartGrowth Review (2006) and the RLTS/Regional Passenger Transport Plan incorporates an objective in relation to public transport for schools:

24. Progress the Ministry of Education's proposals in relation to school buses in the sub - region. The Ministry of Education is currently reviewing the school bus services it funds within Tauranga. A transition from MoE funded school buses to public transport service is likely. At an officer level the SmartGrowth partners are working with the MoE and Land Transport New Zealand to progress this transition.

Population projections for the Papamoa coastal area forecast an average increase of 1,200 people each year for the next fifteen years. The overall population is projected to increase from 35,700 in 2006 to 50,000 residents in 2021 which is an increase of about 30%. These projections indicate the need for more classrooms at all levels which includes the establishment of new schools. There are expected to be a total of approximately 3700 additional primary and secondary students by 2021.

The Ministry of Education is currently consulting the education community about how they should provide additional infrastructure in the Papamoa area. The Papamoa Area Strategy⁹⁴ sets out to meet the educational needs for the projected population increases in the coastal strip communities of Papamoa.

options for the continued implementation of the region's land transport infrastructure over the next 10 years. In August 2005, the Minister of Transport announced the outcomes of the funding project, which included a \$150 million Crown Grant. The Crown Grant of \$150 million is to address congestion and improve access and safety through investment in:

- Strategic roading
- Passenger transport
- Transport demand management
- Walking and cycling

The JOG report also requires the local authorities in the region to match the Crown Grant with some local funding through the 2006-2016 Long Term Council Community Plans. This includes funding derived from development levies / contributions, rates, investments, and tolls. (note: underlined for emphasis)

⁹⁴ www.papamoaschoolingstrategy.co.nz/

Figure 19 Map from Papamoa Area Strategy Document



This may mean making more effective use of existing schools, provision for special education, and the building of new schools. The planning may also include more opportunities for Māori language (Te Reo Māori) and early childhood education. In the Papamoa coastal strip, the Ministry has sites in Tara Road for a possible secondary school and in Wairakei Drive, Golden Sands for a primary school in anticipation of additional schooling provision needed in the area. A number of other sites have been acquired in the greater Tauranga area.

In the tertiary sector, SmartGrowth is incorporating in its planning:

- For the Windermere and Central Business District campus development as part of the Tauranga Central Intensification management area. This area becomes the focus for tertiary education services in the region incorporating the Bay of Plenty Polytechnic and the University of Waikato. This area is closely linked to the Greerton Village.
- Development of education facilities within the central Area of Tauranga⁹⁵, particularly for business related education.

Provision of affordable rental accommodation, and public transport services to these campuses from areas of affordable housing outside walking or cycling distance, will need to feature in joint planning in partnership with tertiary providers.

13.5 Water, Wastewater, and Stormwater

Feedback from councils shows that they are vigilant about land development and infrastructure keeping pace. Another way of viewing their strategy is that affordable housing is not a starting point but "liveable housing" is, i.e. new housing areas must be adequately serviced and in good proximity to jobs, community facilities etc. rather than a risk of becoming a ghetto or inaccessible sprawl.

⁹⁵ Within the boundaries of Cameron Rd, Elizabeth Street, Durham Street and Spring Street

In our review of Long Term Council Community Plans (LTCCPs) and other planning documents, as for transport, it is apparent that Councils have completed comprehensive and robust planning on current network capacity and infrastructure spending to meet demands on the networks from future residential and commercial growth. Statutory obligations under the Local Government Act require Councils to produce comprehensive water and wastewater assessments. It was not part of the scope of this project to audit or analyse in depth the assumptions and resulting plans.

Significant up-front and pre-notified developer charges for infrastructure (development and financial contributions) are apportioned according to the projected share of beneficial usage which the development is expected to generate. This creates a significant up-front capital cost associated with new housing. Figure 20 and 21 outline the typical charges involved.

Figure 20 Extract from WBOPDC Draft Annual Plan 2007/08 - Financial Contributions

Financial Contributions have been reflected in the fees and charges for information only, and cannot be submitted on. Financial Contributions are set in relation to the Resource Management Act 1991 and may change in response to the capital works identified to be carried out as part of this Long Term Council Community Plan.

	From 1 July 2006	Draft Proposed from 1 July 2007
Reserves	5.01% of Market Value for Additional Lot(s) Created	5.01% of Market Value for Additional Lot(s) Created
Waihi Beach Wastewater	\$5,325	\$5,824 *
Te Puke Wastewater	\$4,186	\$4,101
Katikati Wastewater	\$4,240	\$4,134 *
Omokoroa Wastewater	\$7,438	\$7,587
Western Water	\$3,416	\$3,711 *
Central Water	\$2,929	\$2,805
Eastern Water	\$4,256	\$4,762 *
Roading Urban – Waihi Beach	\$2,363	\$7,057 *
Roading Urban – Katikati	\$2,694	\$10,919 *
Roading Urban – Omokoroa	\$8,184	\$9,281 *
Roading Urban – Te Puke	\$1,941	\$3,051 *
Roading – Waihi Beach/Katikati Ward	\$4,978	\$5,475
Roading – Kaimai Ward	\$6,942	\$7,636
Roading – Te Puke/Maketu Ward	\$7,440	\$8,184
Ecological	\$433	\$448
Stormwater – Waihi Beach	\$2,349	\$2,913
Stormwater – Katikati	\$2,554	\$2,678
Stormwater – Omokoroa	\$3,228	\$3,292
Stormwater – Te Puke	\$8,964	\$9,774 *

(All figures plus GST)

* These Financial Contributions have been previously notified through a District Plan change.

Figure 21 Extract from Tauranga City Draft Annual Plan 2007/08 – Infrastructure Development Contributions

Infrastructure Development Contributions							
CITY WIDE INFRASTRUCTURE DEVELOPMENT CONTRIBUTION (BIF) 2006/07							
	Water	Wastewater	Stormwater	Roading	Community Infrastructure	Reserves*	TOTAL
City Wide Contribution (Residential) per dwelling unit.	\$3,596.52	\$1,681.10		\$463.57	\$3,330.91	\$1,108.53	\$10,180.64
City Wide Contribution (Commercial / Industrial) per 100m ² GFA. (Minimum charge based on 1 m ² and maximum charge based on 6,000m ²)	\$3,602.64	\$1,683.96		\$855.43			\$6,142.03
LOCAL INFRASTRUCTURE DEVELOPMENT CONTRIBUTION (SIF) 2007/08							
Each Unit of Demand in Growth Areas	Water	Wastewater	Stormwater	Roading	Community Infrastructure	Reserves (% of land value)	TOTAL Exc. Reserves
BETHLEHEM	\$509.41	\$6,228.51	\$2,284.82	\$3,262.04	\$905.73	5.1%	\$13,190.51
PYES PA	\$397.22	\$5,264.56	\$944.74	\$1,707.99	\$901.91	5.2%	\$9,216.42
OHAUITI	\$2,472.98	\$5,940.32	\$509.64	\$1,109.84	\$891.98	4.3%	\$10,924.76
WELCOME BAY	\$2,261.11	\$5,852.06	\$1,202.51	\$1,547.54	\$908.72	4.8%	\$11,771.94
PAPAMO A	\$200.64	\$795.39	\$3,700.41	\$4,208.96	\$905.73	5.8%	\$9,811.13
TAURANGA INFILL	\$425.15	\$5,814.73	\$0.00	\$0.00	\$887.13	6.2%	\$7,127.01
MT. MAUNGANUI INFILL	\$362.98	\$788.11	\$0.00	\$0.00	\$885.76	6.3%	\$2,036.85
WEST BETHLEHEM	\$377.59	\$7,637.66	\$4,026.13	\$15,698.45	\$1,062.50	3.1%	\$28,802.33
WEST PYES PA	\$517.23	\$6,790.16	\$2,582.96	\$2,884.93	\$946.69	3.9%	\$13,721.97
WAIRAKEI	\$644.29	\$2,373.88	\$3,011.79	\$6,183.17			\$12,213.13
TAURIKO	\$837.15	\$6,412.58	\$6,418.02	\$6,257.68			\$19,925.43

In relation to provision of affordable housing, there is a risk that there could be a further increases in financial and development contributions to pay for the full costs of stormwater. This is on top of the already significant charges that apply in the area. It is identified in the SmartGrowth Implementation Review (November 2006) that:

“...until detailed stormwater planning is done for the intensification management areas within Tauranga and the discharge standards set by Environment Bay of Plenty for urban stormwater are finally known it is not possible to provide a cost figure for stormwater. On-going work in this area needs to be completed as a matter of urgency, since development contributions need to reflect as soon as possible the estimated future costs of growth.

An assumption has been made that the capital costs for on-going improvements to the water and wastewater systems arising from growth can be funded from development and financial contributions. While final figures have yet to be completed (in particular for stormwater, recreation and cultural facilities, and more intensified housing), work to date shows there will be a considerable gap between funding required and the ability of current sources to deliver these over the 50-year planning period....”

There is also an implication in the above statement that there could be further increases in charges associated with “...recreation and cultural facilities and more intensified housing...” In the concluding sections of this report, there is some discussion on the options for funding different classes of infrastructure using alternatives to development and financial contributions, such as rating mechanisms subject to any impact on prudential borrowing limits. This will not change the amount of money required to fund the infrastructure, simply its source.

Some developers say that an option is to release more land which could (in the right location) dampen average section prices. The Councils response is that infrastructure will not be ready in time to service these areas. That essentially means infrastructure is a constraint for areas outside urban limits or outside the planned sequence of development, because the Councils are the only supplier.

Whilst the general efficiency of the housing market is enhanced by all of the processes involved with developing efficient and equitable infrastructure funding and delivery systems, no element of targeting to affordable housing is explicitly apparent

Where infrastructure is a constraint because the Councils are the only supplier and they are at the end of their capacity, or there are Council funding limitations, private sector provision and funding of infrastructure could allow more land to be released than otherwise would be possible, or alternatively the land release could be brought forward from current projected Council timing.

Options to consider are:

- For external parties to develop the necessary infrastructure:
 - i) establishing JVs between public and private organisations (e.g. developers or specialist infrastructure operators) or BOOT⁹⁶ schemes for wastewater or other infrastructure
 - ii) inviting developers to put Plan Change proposals to the Councils which show how land and (certain types of) infrastructure will be provided and funded by them and thereby bypass the impact on Council's balance sheets/borrowing capacity
- For developers to “go out of sequence” and pay for the resultant marginal cost increase over current plans/cost of installing necessary infrastructure on an “exacerbator pays” basis. This may result in a cost that proves to be commercially unviable in some locations. Some locations, and/or other means of treatment compared to the Council's own plans, may be commercially viable.

This would, in general, require the Councils identifying the places where this approach was practical.

13.6 Conclusion

The timing and cost of provision of water, wastewater, stormwater and roading infrastructure affects the ability to develop land in a cost-effective fashion, and the ultimate cost of housing. To provide network infrastructure in a cost-effective fashion it is important to plan the sequence and timing of development in an integrated way. Infrastructure is expensive to install, and this imposes a significant up-front cost on new housing. In some cases the cost is in the \$20,000-\$30,000 range.

Adequate provision of public transport is pivotal to enabling people to travel from affordable housing to work, to education, to health services, etc if this housing is located in peripheral or remote areas. The best approach, where possible, is to provide affordable housing close to where people work and to other services they use. Further planning and funding is required to enhance public transport services between EBOP and WBOP.

It is important that at the time of subdivision design and the administration of consents that connectivity and accessibility for public transport services is incorporated, e.g. road layouts that enable people on lower incomes to easily access logical routes through subdivisions, adequate turning circles for buses, room for bus shelters, etc. These aspects are developed through the Regional Land Transport Strategy and the Regional Passenger Transport Plan.

The Ministry of Education is involved in three planning exercises in the BOP. The Papamoa area strategy has commenced, and there are plans to look at Greater Tauranga and West (Omokoroa and Katikati) structure planning later in 2007. Given the flat forecasts for population growth in the EBOP, there are no plans on the horizon for this sub-regional area. The Ministry has utilised SmartGrowth demographic forecasts and urban planning to determine the student

⁹⁶ A BOOT scheme is a model that involves a single organisation, or consortium designing, building, funding, owning and operating the scheme for a defined period of time and then transferring this ownership across to an agreed party

yields for school planning. Discussions are occurring between the Ministry and Environment Bay of Plenty about school bus service provision.

Where infrastructure is a constraint because the Councils are the only supplier and they are at the end of their capacity, or there are Council funding limitations, private sector provision and funding of infrastructure could allow more land to be released than otherwise would be possible, or alternatively the land release could be brought forward from current projected Council timing. Alternatively developers or specialist infrastructure providers may be able to identify other methods to deal with water, wastewater, or stormwater services rather than requiring the full network service provision and associated cost normally allocated to the number of households.

Options to consider are:

- For external parties to develop the necessary infrastructure:
 - i) establishing JVs between public and private organisations (e.g. developers or specialist infrastructure operators) or BOOT⁹⁷ schemes for wastewater or other infrastructure
 - ii) inviting developers to put Plan Change proposals to the Councils which show how land and (certain types of) infrastructure will be provided and funded by them and thereby bypass the impact on Council's balance sheets/borrowing capacity
- For developers to "go out of sequence" and pay for the resultant marginal cost increase over current plans/cost of installing necessary infrastructure on an "exacerbator pays" basis. This may result in a cost that proves to be commercially unviable in some locations. Some locations, and/or other means of treatment compared to the Council's own plans, may be commercially viable.

This would, in general, require the Councils identifying the places where this approach was practical.

⁹⁷ A BOOT scheme is a model that involves a single organisation, or consortium designing, building, funding, owning and operating the scheme for a defined period of time and then transferring this ownership across to an agreed party

14.0 Key Stakeholder Interviews

A comprehensive series of interviews was conducted in the Bay of Plenty with a diverse range of stakeholder organisations. The purpose was to obtain a good understanding, from a local perspective, of the key issues associated with affordable housing, to identify potential solutions and the barriers to their implementation, and to establish a sense of relative priorities. It was also important to involve local organisations in the process, as one of the key objectives of this project was to “enable a locally owned solutions plan to be developed and implemented”.

The results of the interviews were presented to and discussed by the Reference Group established for this process, and were used as a key input to developing the recommended solutions. Appendix 6 summarises the results of the Reference Group evaluation of the priority issues, and proposed solutions to address these, which were derived from the stakeholder interviews.

The interview questions and the interview approach (linked in with the Reference Group process), helped focus people’s minds on the key issues and involved them from the outset in adopting a “solutions-oriented mindset.”

The sections in this chapter outline how the interviews were conducted, and summarise the results.

14.1 Selection of Interviewees and Interview Process

Key informant and stakeholder interviews were held on a 1-1 basis (or phone interviews in some cases) in both July 2006 and October/November 2006 to provide further in-depth information and perspectives at different stages of the project, and also to elicit views that would be unlikely to be shared in a group situation. Some interviewees were asked to complete and return the interview questions forwarded to them at their own convenience where this was appropriate. In the case of several of the interviewees questions and discussion was limited to a specific range of topics.

The initial step in the research process prior to interviews was to identify the stakeholders in the region and choose an appropriate sample.

The interview groups included a wide range of organisations across the entire region:

- Councils
- Developers and builders
- Employers and employer representatives
- Unions
- Welfare and community support organisations
- Tribal authorities and Maori agencies
- Financial institutions and advisors
- Economic development agencies
- Education
- Housing organisations

A structured interview process was followed, involving design of both core and specific questions tailored to particular stakeholder groups. These questions were pre-circulated to interviewees prior to interview (and are attached as Appendix 7).

A list of the 65 interviewees from 42 different organisations is attached as Appendix 2. Some large group meetings were arranged. In the case of developers and builders seven attended a

group meeting, and one was met in a 1-1 meeting. We also met seven of the WBOP and EBOP Ministry of Social Development service centre managers to coincide with their monthly area meeting in Rotorua.

It was agreed that no comments would be attributed to either a specific organisation or a person without their express permission, and also that the interview transcripts would not be provided to any other party.

The table in section 14.3 below summarises the key issues raised by interviewees, and options to address some of these. In response to the four core questions we have provided some examples of typical responses in “quotation format” below in section 14.2.

14.2 Responses to Core Questions

We asked all interviewees four core questions, and then further questions tailored to the different types of organisations. The core questions, logically, were how significant is the problem of affordable housing, what are the impacts and problems caused by a lack of affordable housing, why isn't the market responding, and what could be done about it?

14.2.1 How significant is the problem of affordable housing?

One finance sector interviewee commented “.....there is little finance provided to [lower income] local people. This is likely to be attributed to the fact that the starting figure for houses sits at around \$250,000 in Tauranga and gets progressively more expensive as you approach the sea and harbour. On a scale of 1 low – 10 high I would say a 9...”

A support organisation responded that “...Its increasingly significant, especially in the Western BOP. Real estate values are high. Tauranga is still known as the \$10 town – wages aren't keeping up”.

An interviewee in Opotiki said “...Its more likely to occur up the coast in rural areas than in Opotiki itself. There are plenty of people living in substandard housing”.

Another support organisation said “...Extremely significant in the Western Bay of Plenty, which has a history of low income but high housing costs.....The Eastern Bay of Plenty (Opotiki) there are no significant problemsrentals have not increased markedly over the past 18 months....can still be obtained for \$140 - \$160 per week...up the coast as low as \$60 - \$100 per week.”

One WBOP Council interviewee said “...it's a growing Issue in the high growth areas due to land and infrastructure costs.”

Another finance sector interviewee commented that the “....problem has significantly increased with house price increases requiring a high income to meet the loan criteria. To get a loan for an average house in Tauranga at about \$325,000 the household income would need to be about \$70,000 and without any other debt....”

One employer said that “...‘Cheaper’ housing is probably still not cheap enough for many low income earners. There is now no such thing as low cost housing to many people on \$10 - \$15 /hr incomes. This region still probably attracts better off retirees who can afford higher cost housing therefore demand is not as strong at the lower end....”

A support agency provided the following examples of typical housing situations that they encounter:

Examples of Housing Situations	Household income/month	Amount spent on rent /month	Amount spent on mortgage/month	Amount spent on electricity and heating/month	Amount spent on rates per year
Single person in own rental property	\$3666.0	\$960.00		\$120.0	\$200.00
Married Couple, no kids & mortgage	\$7434.08		\$2000.00	\$180.00	\$1200.00
Sole parent with 3 kids, on benefit	\$2392.43	1191.66		\$120.00	
Single person on benefit, no kids	\$926.00	\$433.00		\$85.00	
Sole parent, 1 child	\$1392.40	\$600.00		\$140.00	

14.2.2 What are the impacts of, and the problems caused by, a lack of affordable housing?

A support organisation said *“.....Impacts include overcrowding in lower social areas, the need for government assistance to provide state housing or supplementary assistance for accommodation costs to support higher rentals dictated by landlords to cover debt servicing costs....”*

Another support organisation said *“....if whanau don't have safe, dry dwellings this will impact on education levels, on health and wellbeing of occupants. It contributes to transient families We know of people living in cars and backs of commercial building.”*

Other comments from other interviewees included:

“...Previously independent people, the traditional middle class workers which have held society together are now stressed leading to health problems. \$10 Tauranga leads to a drain of young people who can't stay here, leaving elderly....”

“....There are families crowding into houses. Many clients live in caravan parks at \$200 per week because they can't afford rents in Tauranga and Papamoa. This disrupts schooling, health care, employment, etc. It causes stress, domestic violence, and budgetary problems....I know a couple living in a garage who had expected to retire in the BOP but they have insufficient funds. His health has deteriorated.....”

14.2.3 Why do you think the market is not delivering an adequate supply of affordable homes, and what are the barriers?

Comments included:

“.....Land values are high in the area due to location, employment and lifestyle that the Tauranga area provides. Prime land is purchased by developers who operate at the mid to higher end market....”

“...Can't really build new affordable houses in the Western sub-region. Commercial renter companies used to buy a section and do a \$250K house and land deal for rent.

Now it costs \$400K and the rent they can charge is \$20 more per week (a lower % return)..."

"...Why should they [the developers]? Why should developers need to be cognisant of affordable housing when there is demand and they want to make a profit after meeting the high cost to buy and develop the land? They place covenants on subdivisions..."

"...Where to start is the question. One of the barriers is that Maori are asset rich but don't have financial backing to capitalise on this to develop housing on their land, and the other issue is getting [loan] security when it is multiple-owned land..."

"...It's a question of economic supply and demand. There is no strategy. The district plan rules provide no mechanism or structure for affordable housing. We want to understand why developers aren't providing affordable homes – what are their cost drivers – their profit motive – their assumption on margins – what would make it profitable?"

"...People will say that there is affordable housing – the definition of affordability is not well known. There is a difference between affordable housing and social housing – we need to make the distinction...."

"...The cost of building hasn't gone up – it's the cost of the land and the financial and development contributions...."

14.2.4 What changes could be made to increase the supply of and access to affordable homes?

A wide range of suggestions were made by interviewees who covered many of the potential solutions described in more detail in Appendix 4. Their solutions included:

- "...Developers could be required to build a proportion of lower cost housing of say up to 10% of their total estate development, for instance 50 houses in a subdivision of which 5 are under \$300 to purchase. The Council could reduce the fees for low cost housing e.g. consent fees, etc for these."
- "...set up Housing Trusts, use strategic acquisition of land and use of lease titles."
- "...Strategic acquisition by Council for leased land."
- "...Strategic land acquisition. Someone will have to pay for land or use existing property to provide lower cost housing in the region. Believe that all land signalled in Smartgrowth that is going to be developed in the next 25 years is owned by developers."
- "...Require that land zoned for subdivision is developed in 2 years to control speculative prices and ensure that development is on line in reasonable time."
- "...Reduce impact fees (subdivision impact fees and building impact fees) which can now reach \$20-40K per lot/unit."
- "...Make better use of [surplus] central and local government land that could take infill housing."
- "... Pyes Pa and Te Puke are reasonable for lower cost housing as they're close to employment areas. If more land was available in Te Puke and Katikati at the moment some houses would be more affordable."

- *“...Could develop Maori owned land e.g. Te Puna, Matapihi and by Tamupahere Marae (south of main railway/Te Maunga Rd) for general housing as well as for Maori per se. These areas already have infrastructure services around them so they should be easy to develop. Welcome Bay has lots of land able to be developed. Te Puna greenbelt zoning removes that area for 50 years.”*
- *“...Council should designate land in each development. Each section should have a levy on it to cover the costs of 2-3 [affordable] sections/houses per development.”*
- *“...Government initiatives that promote the benefits of employment, education, saving; first home initiatives. Hand ups – not hand outs.”*
- *“...Educating people not to spend money on luxury items and go without and save.”*
- *“...Restrictions so that they can have the basics. Put a moratorium on getting the extras such as fences, paths, extra bathroom, say 5yrs.”*
- *“...Build good quality caravan parks with communal facilities for seasonal workers and dedicated ones for retirees.”*
- *“...Increase prepayments for rents via WINZ. Automatic payments don’t work in many cases because clients take it out ahead of DC.”*
- *“...Use leasehold security for buildings on multiple-owned Maori land as the [lender] interest can be secured whereas a mortgage over the land can’t really be enforced.”*
- *“...Build affordable housing in all areas – maybe have rent to buy schemes in conjunction with banks, government and HNZC.”*
- *“...More state houses for a limited period of rental, rather than rural iwi housing programmes, more in urban areas.”*
- *“...Working together on a structured basis and sharing information between agencies would help families ...instead of having to go from one agency to the next.”*

The responses from interviewees across the comprehensive range of questions are synthesised in the table in the following section (14.3).

14.3 Summary of Key Issues and Options Raised by Interviewees

Issue	Key points from interviews	Options	Comment*
	<i>e.g. if there is a conflicting opinion on the issue</i>	<i>Note: there may not be an option for all issues, or there may be the same option covering more than one issue, or there may be several options for one issue</i>	<i>e.g. implementation difficulty, timeframes, current related initiatives or actions being taken, etc</i>
1. Constraints on land development and supply			
Increased land values in built-up areas driving increases in house prices/rents	<p>Conflicting opinion about causes of high land value (i.e. scarcity of supply vs. strength of demand).</p> <p>Suggestion that if more land was available in Te Puke and Katikati at the moment some more affordable houses could be provided.</p> <p>Suggestion that Maketu could be developed with wastewater and stormwater servicing, but there is community opposition</p>	<p>Zone more greenfields land in WBOP</p> <p>Councils or HNZC provide own land for low-cost housing</p> <p>Require that land zoned for subdivision is developed in a set time period (e.g. 2 years) to control speculative prices and ensure that development is on line in reasonable time.</p>	<p>SmartGrowth implementation review underway</p> <p>Council land holdings are limited at the moment</p>
High financial contributions put pressure on section prices and house prices (these can now reach \$20-40K per lot/unit)	Conflicting views about whether amounts are unreasonable or reflect fair costs of growth.	<p>Target lower cost housing in areas with lower financial contributions</p> <p>Reduce impact fees (subdivision impact fees and building impact fees)</p> <p>Councils consider policy that allows developers to get discount from contributions if provide on-site infrastructure to reduce impacts (e.g. waste-water disposal)</p>	<p>May only be practical in greenfields locations</p>

Issue	Key points from interviews	Options	Comment*
<p>Developable land held in concentrated ownership</p>	<p>Believe that all land signalled in SmartGrowth as going to be developed in the next 25 years is owned by developers</p> <p>Unclear if land banking/hold-out or spec investors are a cause of upward pressure on prices</p>	<p>Regulate to require subdivision of land within say two years of residential zoning</p> <p>Strategic acquisition of land by public bodies for lease to affordable housing provider bodies or for development (with covenants on resale)</p>	<p>Refer practice in Australia (Perth)</p>
<p>Infrastructure services required to allow more land to be zoned/developed</p> <p>Standard of infrastructure expected by the market is high and increasing, and this comes with a cost</p>	<p>Conflicting views about whether timing of new infrastructure could be sped up so as to allow more land to be released.</p> <p>Infrastructure improvements in new development areas are attracting people from older, cheaper areas which will free up some stock (e.g. Parkvale, Bellevue) for affordable housing through existing houses or through intensification</p>	<p>Councils explore potential for public-private partnerships for selected infrastructure (eg. wastewater)</p>	<p>Confirm if Councils are constrained from faster roll-out of infrastructure due to debt profiles pushing toward max. levels., and if more land could otherwise be released</p>
<p>Cost of new houses</p>	<p>New house prices at \$400-500k are out of range of affordable buyers and renters. Affordable houses more likely to be in existing relatively low-income areas.</p> <p>Costs of construction in the region are seen as competitive (e.g. \$50-60 per m² less than in Wellington).</p> <p>Subdivision covenants requiring minimum house sizes to be built, and design guidelines can prohibit low-cost housing.</p>	<p>Review sequence of growth nodes planned for intensification to prioritise ones that could feasibly provide lower-cost houses</p> <p>Build affordable housing in all areas.</p> <p>Have rent to buy schemes in conjunction with banks, government and HZNC.</p> <p>Consider regulation to set limits on proportion of sections that can be subject to such covenants</p> <p>Review design guidelines to ensure lower-cost buildings can be built within the district</p>	<p>Areas such as Welcome Bay, Merittville, etc may provide more affordable homes as people upgrade to new housing developments, or as large sites are redeveloped.</p> <p>Covenants are imposed by commercial developers and Council regulation may be ultra vires.</p> <p>Only applies where design guidelines in use</p>

Issue	Key points from interviews	Options	Comment*
		Developers could be required to build a proportion of lower cost housing (of say up to 10%) of their total estate development to purchase. The Council could reduce the fees (subsidise) for these lower cost houses (under \$300,000).	
Council permissive zoning and consent processes allow conversion of older housing in or adjacent to commercial centres and main routes to commercial uses.	This removes large numbers of houses that previously would have been bought and refurbished by first home owners, e.g. Gate Pa, Hewletts Road.	Consider planning for and designating certain areas for affordable housing use, hence restricting or prohibiting conversion to commercial use.	
Urban sprawl would in some areas take good horticultural soil, which would also affect the economy			
2. Low household incomes			
Incomes have not kept pace with CPI or rental increases			
For low income households (with wages of e.g. \$10-15/hr) home ownership is not feasible without assistance, and rental is also a problem.		Greater government direct funding or subsidies to affordable housing providers	
Clusters of low-income people forming in caravan parks and specific suburbs etc associated with lack of access to facilities and amenities and social problems		Provide in zoning rules and consents for development of properly designed caravan parks with permanent sited caravans and facilities for targeted groups or as a transition	
	Pyes Pa and Te Puke reasonable for lower cost housing as close to employment areas.	Take a regional view of adjacent areas that could provide more affordable homes	

Issue	Key points from interviews	Options	Comment*
<p>High number of rent arrears/tenancy meetings for non-payment of rent.</p> <p>Incidences of accommodation arrears are extremely prevalent within the community</p>	<p>Expectation of W&I to pay rentals through benefit supplements.</p> <p>Lack of budgeting skills</p>	<p>Direct debit housing costs prior to payment of benefit.</p> <p>Budgeting support</p>	<p>Majority only visit W&I office when in arrears. Redirection of benefit goes against independence.</p> <p>People don't always prioritise rent.</p>
<p>People that have been renting all their lives are now approaching retirement age, and on fixed incomes will not be able to afford to rent let alone buy. This is an increasing problem with an ageing population.</p>			
<p>3. Maori land and housing issues</p>			
<p><i>Security on multi-owned land</i></p>			
<p>Multiple ownership causes difficulty as lenders can't or won't take security on land</p>		<p>Lend for leasehold housing on the land and register the mortgage on the leasehold in the Land Court as loan security</p>	
<p>Access to finance for urban development.</p> <p>Trustee capability (time and ability)</p>		<p>Access to finance</p>	<p>HNZC RHP has addressed this in rural areas</p>
<p><i>Planning Policies</i></p>			
<p>Zoning of Maori land limits housing density compared to general residential zones</p>	<p>Confirm ability to develop Maori owned land in built-up areas of Tauranga and WBOP e.g. Te Puna, Matapihi and Tamupahere Marae.</p>	<p>Councils review zoning of Maori land to provide greater flexibility to increase number of dwellings per lot</p>	<p>Opportunity to do this in WBOP/Tauranga within current SmartGrowth Implementation process</p>
<p>Substandard housing</p>	<p>Councils in EBOP provide in-kind assistance such as no charge for services and advice in relation to Maori land</p>		

Issue	Key points from interviews	Options	Comment*
<i>Welfare and Education Programmes</i>			
<p>Govt policies aren't getting "our people" motivated and accountable.</p> <p>Need a significant income differential between welfare and wages to motivate graduates into employment – home maintenance, cottage industries, etc. so they can afford housing</p>	<p>Education programmes are well attended but they seldom achieve much</p>	<p>Need training aligned with outcomes and goals and put systems in place to achieve these</p>	<p>Lots of training provided but little to apply it to.</p>
<i>Supported Housing</i>			
<p>Need to align progression from emergency housing to stable relocation/integration into community</p>	<p>Not independence focussed.</p> <p>Discharged prisoners are a major issue</p> <p>Mental Health clients become unwell again (L4) when they become aware they will lose their home.</p>	<p>Need more emergency housing</p>	<p>Need support to be expanded for L1 & L2 Mental Health clients who are recovered/semi recovered so that their transition into the community includes the knowledge and comfort that they have supported, quality housing.</p>
<i>Overcrowding</i>			
<p>People living together, boarders, defactos, and children get hurt, relationships turn sour.</p>	<p>Sharing rent/cost of living</p> <p>Statistically higher overcrowding in the region than elsewhere in NZ</p>		
<i>Housing Networks</i>			
<p>No structured formal or informal networks</p>	<p>All rather ad hoc.</p>	<p>Need to work together – formally and informally</p>	

Issue	Key points from interviews	Options	Comment*
Alternative Tenure Models			
<p>Access to capital is the overarching need</p>	<p>Capitalisation on value of Maori land - rated on land value but can't use that.</p>	<p>Assume HNZC, Kiwi Bank or other Govt agency as underwriter. % land value – say \$250k and chattels utilised as collateral. Leverage off % value is achieved by funds held in trust arising from commercial activities undertaken on that Maori land holding. Structure signed off by Trustees and Maori Land Court.</p> <p>Habitat for Humanity and NZ Housing Foundation – to enable building up equity in the house over time by homeowners</p>	<p>Shared ownership and rental is an option subject to funding (HNZC wants 1.5x security ratio)</p> <p>Need a piece of general title land or something tangible (HNZC)</p>
<p>Focus is on Papakainga housing.</p>		<p>Shareholders (through Trustees) to partner with capital investors. Trustees raise capital, build houses, rent/lease to buy back to beneficiaries.</p>	
Housing Maintenance			
<p>Traditional skill sets have disappeared so need to teach people how to maintain properties.</p> <p>Communication with landlord a major problem because of damage by negligent occupiers. This compounds maintenance problems.</p> <p>Illegal structures contribute to substandard housing</p>		<p>Provide associated education programmes as a complementary programme to home ownership or papakainga housing, or require it as a prerequisite.</p> <p>Rental properties should have regular, uniform inspections to ensure safe and sanitary condition.</p>	<p>NEC BOP programme (run through HNZC) aims to give those in sub standard housing at least basic amenities such as running water, sewerage. HNZC were looking at extending this programme to help those in areas such as Pukehina and Little Waihi who have found that as they are on Maori land they are unable to obtain a bank loan and can not themselves improve their homes</p>

Issue	Key points from interviews	Options	Comment*
4. Housing assistance			
Income assistance policies have inflationary impact on rents so affordable homes should be targeted to need by appropriate agencies.	Social agencies better able to provide land and/or finance.	HNZC, Councils and Charitable foundations consider more direct provision of houses including partnership models.	Queenstown District Council model involves assisting a trust to establish that is not a CCO under the LGA
5. Seasonal workers			
Seasonal workers not being catered for		Consider Council provision of housing for workers near workplaces and fund through a separate rate levied on relevant employers	
		Establish designed for purpose short-term worker accommodation on fringe rural land or on orchards, etc. Amend zoning and consent rules accordingly if required. Consider whether it could be rented to holiday-makers in off-season to recover some of investment.	
6. Council charges			
Rise in consents processing costs	Compliance costs increased as a result of new legislation e.g. Building Act and devolution of responsibilities from central to local government	Council advocacy on particular issues to government	
		Reduce or waive Council contribution charges, resource consent and building fees for affordable housing providers, or for developers building these homes	Effectively a subsidy to fund this

Issue	Key points from interviews	Options	Comment*
<p>7. Social development and support</p> <p>Range of fragmented initiatives (duplicating one or more aspects) currently being delivered by diverse agencies across the region.</p> <p>Need to holistically address intergenerational issues which are adversely contributing to social development</p> <p>Continuation of current interventions addressing the symptoms – A lot of people take advantage of Govt policy and soak up everything on offer.</p> <p>Dependency on welfare with people being rewarded for being dependant.</p>	<p>Need a significant income differential between welfare and wages.</p>	<p>Greater coordination and overview planning required by social support agencies in the region.</p> <p>Salvation Army 2002 initiative.</p> <p>Clients need more help and advice about budgeting for their housing choices, and the pros and cons.</p>	<p>Most agencies/organisations do liaise regularly but not on a structured basis</p> <p>The programme is a multi agency approach targeting clients' individual social development needs so that intergenerational dependencies can be overcome.</p>
<p>People need to know the actual costs of home ownership and how to look after them - housekeeping and building maintenance.</p>	<p>Agencies are providing this training.</p>	<p>Continue support to agencies providing this advice and training.</p>	

Issue	Key points from interviews	Options	Comment*
<p>Budgeting to make housing more affordable.</p> <p>Policy interventions such as accommodation supplements distort the market resulting in rent increases.</p>	<p>One agency has 700 new clients pa. 70% single/solo parents with accommodation arrears</p> <p>Accommodation supplement regionally disparate, not sustainable for use in private rental situation as it distorts the market (upwards) - accommodation subsidies create an expectation by landlords and push up rentals</p>	<p>Don't increase accommodation supplements as this distorts the market and pushes up rents. Increase prepayments via WINZ and supplement with Budgeting education.</p> <p>Put a moratorium on requirement to get extras, fences, paths etc – say 5 years. Limit scope of covenants</p> <p>Get people working and improving their lot themselves – not intervening to make all things equal.</p> <p>Strategic focus: Need incremental savings plans for those receiving WINZ payments.</p>	<p>Landlords increased rent last round but no increase in Area 4 supplement was provided.</p> <p>New bankruptcy law may help to curb retailers selling to low income buyers.</p> <p>Spending should be on needs not wants – better budgeting skills and support needed</p>
<p>Adequacy of information on entitlements to housing or assistance – while the opportunity is there the access to the information or support is not ok because of the differing imperatives of each agency.</p>		<p>Need better coordination of administration and interpretation of entitlements</p>	<p>Lots of information is available from Govt agencies (HNZC, WINZ, Heartlands)</p>
<p>8. Emergency Housing</p>			
<p>Unable to meet urgent housing needs – more prevalent over Christmas/holiday periods</p>	<p>Agencies need to work together on a structured basis/information sharing</p>	<p>HNZC develop formal agreements with local backpackers to meet short term needs of families</p>	<p>Need container services for short term storage of clients' household goods.</p>

Issue	Key points from interviews	Options	Comment*
<p>9. Rental housing supply</p> <p>Need to soften 'homeless' criteria so that eligibility is widened for potential HNZC tenants.</p> <p>More state houses for a limited period of rental.</p>		<p>Need to tap into private rental sector to expand housing stock and reduce HNZC waiting lists</p> <p>More state houses for a limited period of rental rather than rural iwi housing programmes, more in urban area</p> <p>Reduced access/options for 'bad' tenants. Bad tenants have a hard time getting any accommodation / 'going back home'</p> <p>There needs to be a focus on getting the community to maintain and value homes.</p> <p>HNZC Need to identify needs of market sectors (elderly – smaller homes, families - larger homes) and target planning and design to meet demand</p>	<p>HNZC moving relocateable rentals onto Maori land however tenants tend to lack motivation to create demand level which triggers provision of more housing in a particular district.</p> <p>Tenancy tribunal is no guarantee of dealing with bad tenants – or eviction. Many families 'go back home' to makeshift housing for the lifestyle and to escape fines, arrears, debts, etc</p>
<p>Increasing numbers of holiday homes and second homes in places like Waihi Beach, Mt Maunganui , etc reduce the regional rental pool and push up prices of both rents and the previously cheaper homes in the areas</p>			<p>Landlords intolerant of low income families due to 'issues' such as damage to property etc.</p>

Issue	Key points from interviews	Options	Comment*
<p>The cost of land has meant developing for the rental market is not economic as the yields are too low.</p> <p>Significance of 'affordability' differs between EBOP and WBOP</p>	<p>WBOP extremely significant - high rental costs</p> <p>EBOP no significant problems - \$140-\$160 pw...up the coast \$60-\$100 pw.</p>	<p>Affordable housing and land providers could lease or sell to rental home providers with covenants on the contract on resale and eligibility criteria</p>	
10. Transport			
<p>Need greater connectivity with transport integrated into planning criteria to facilitate occupancy and increase access to work (in neighbouring districts).</p>	<p>Plenty of provision of school buses to rural areas – flexible work hours could increase usage.</p> <p>Cost of rent in more rural areas deemed to offset cost of travelling between towns/work. Doesn't take account of the cost of purchase and additional maintenance/compliance costs of owning an older vehicle.</p> <p>Many clients have old cars, unwarranted/licensed and big fines for driving illegal cars.</p>		
11. Housing specification			
<p>Latest initiatives to raise [quality/specification] standards bar should continue, e.g. insulation will reduce future operating costs and make the homes healthier</p>	<p>Permit and legal costs should be lowered for those seeking to build/extend/modify homes</p>	<p>Implications on new developments is huge</p>	

Issue	Key points from interviews	Options	Comment*
		<p>Could reduce specification of homes to the basic requirements to make them more affordable, and phase in enhancements as they can be afforded</p>	
<p>\$25k to get power on in rural areas whereas \$15k for hot water solar panels - are well proven alternative. Loss of economies of scale could price electricity supply infrastructure right out of some rural areas.</p> <p>Many Papakainga houses lack insulation</p>	<p>Organisation hadn't used them yet – didn't think (solar) technology is quite there yet</p> <p>Need to take account of weekly costs and capital costs</p>	<p>Need to ensure all new homes have satisfactory insulation.</p> <p>EECA, RHP initiatives should be reactivated</p>	
<p>12. Employer assisted housing</p>			
<p>Shouldn't transfer responsibility from state to employer as level of burden on employers would result in job losses.</p> <p>No large employers in District in position to provide worker housing</p>	<p>Some iwi authorities provide housing to employees – depends on nature of business</p> <p>Double jeopardy – lose job /lose home</p>		
<p>13. Partnership provision</p>			
<p>Existing co-operative partnership arrangements demonstrate workable solutions are possible</p>	<p>The Council plays an informal, supportive role in terms of supplying emergency housing through the Salvation Army, building/housing issues are dealt with in a sensitive way with community agencies</p>	<p>Council/HNZC/Housing Trusts</p>	<p>Depends which segment is targeted – e.g. elderly where a retirement complex is planned, etc (public good elements)</p>
		<p>Set up or better resource existing Housing Trusts</p>	

14.4 Conclusion

We interviewed 65 interviewees from 42 different organisations in the Bay of Plenty, comprising the following groups:

- Councils
- Developers and builders
- Employers and employer representatives
- Unions
- Welfare and community support organisations
- Tribal authorities and Maori agencies
- Financial institutions and advisors
- Economic development agencies
- Education
- Housing organisations

The purpose of the interviews was to obtain a good understanding, from a local perspective, of the key issues associated with affordable housing, to identify potential solutions and the barriers to their implementation, and to establish a sense of relative priorities. It was also important to involve local organisations in the process, as one of the key objectives of this project was to “enable a locally owned solutions plan to be developed and implemented”.

A structured interview process was followed, involving design of both core and specific questions tailored to particular stakeholder groups. The results of the interviews were presented to and discussed by the Reference Group established for this process, and were used as a key input to developing the recommended solutions.

The main issues identified in the interviews included:

- Constraints on land development and supply
- Low household incomes
- Maori land and housing issues
 - Security on multi-owned land
 - Planning Policies
 - Welfare and education programmes
 - Housing condition/maintenance, over-crowding
 - Lack of co-ordination for housing
- Seasonal workers
- Council charges
- Social development and support, including need for budgeting skills and better information
- Lack of emergency housing
- Increasing costs associated with housing specifications
- Lack of affordable rental supply
- Need to integrate transport planning and services with areas of affordable housing
- Need to build and leverage off partnerships

15.1 Introduction

This chapter discusses how the 'affordable housing problem' in New Zealand has shifted dramatically in the space of a decade or so. The big change relates to the emergence of an 'intermediate housing sector'. The affordable housing needs of welfare dependent households remain acute. But, there is now also a pressing need to find innovative solutions to the affordable housing requirements of working households on moderate incomes who have found themselves shut out of the home-ownership market by a sustained surge in housing prices.

15.2 A Shifting Policy Challenge

Until recently, housing policy at the regional and, indeed, national level in Australasia has focused on two broad issues; the efficiency of the housing market and the provision of safety nets for those unable to participate in private rental and ownership markets. Implicit in this approach is the view that the great majority of New Zealanders could ultimately access home ownership if that is their preference. Only a small proportion of the population including those trapped in structural poverty, constrained by disability or affected by various forms of discrimination would be denied this choice on a long term basis. This minority would require some form of income transfer or State supplied housing to secure reasonable accommodation.

Within such a policy framework, the primary challenge is to make sure the supply side of the housing market is able to respond quickly and smoothly to shifts in aggregate housing demand and compositional preferences, while the demand side of the market is freed from any unnecessary constraints on the expression of preferences, for example, excessively heavy taxes on housing transactions which discourage households to trade up or down as their needs change. Achievement of market efficiency in this context would need to address a range of policy topics including, for example:

- Urban planning strategy
- Land supply
- Planning standards
- The planning approval (DA) system, including appeal mechanisms and call ins;
- building standards, including requirements for health, safety and environmental impact
- Infrastructure funding and charging systems
- Builder regulation and consumer protection
- Labour market programmes for the building industry
- Real estate brokerage regulation and consumer protection
- The primary and secondary markets in mortgage finance
- The tax system as it impacts on housing market transactions.

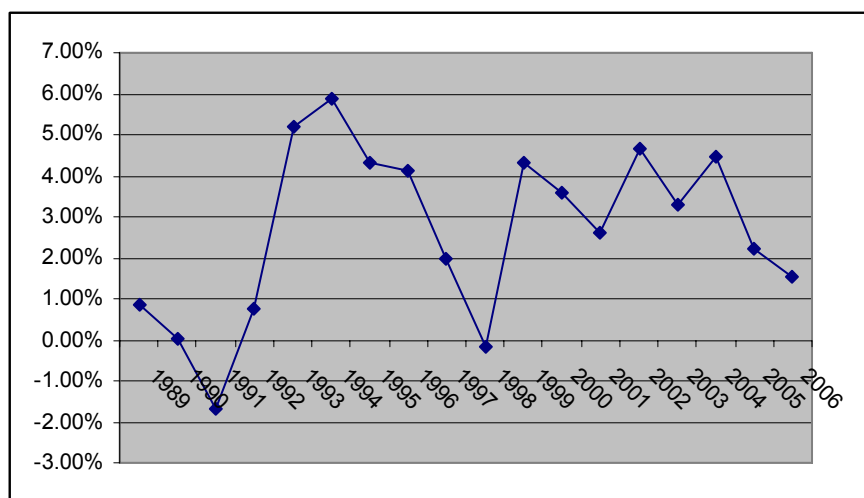
For those unable to participate in these markets, the policy task is to find the most cost effective way of delivering housing assistance. Until the early 90's this was conceptualized mainly in terms of minimizing Government outlays in lifting households out of 'after housing cost poverty' and/or exercising leverage on such outlays, so that the maximum number of households might be assisted for a given budget. In some quarters, such thinking linked back to the market efficiency question insofar as it was believed that topping up incomes so that marginal groups might participate in the market (housing vouchers) was the single most important way of addressing this social problem. New Zealand has been a vigorous exponent of various safety net models,

including relatively pure voucher systems, the provision of State owned and managed 'welfare housing' and variety of hybrid arrangements.

More recently, practice in the delivery of these safety nets has been influenced by a growing awareness that minimization (or optimization) of the financial cost of housing subsidies per se is insufficient for successful policy outcomes. Adequate attention must also be given to questions of social inclusion; that is, the disadvantages of low income can be multiplied and become entrenched when households are effectively confined to neighbourhoods offering poor job opportunities, poor schools and training options and deficient health and support services. Hence safety net policy has developed a supplementary focus on neighbourhood renewal, dispersed acquisition of public housing and the outsourcing of public housing management to community organizations.

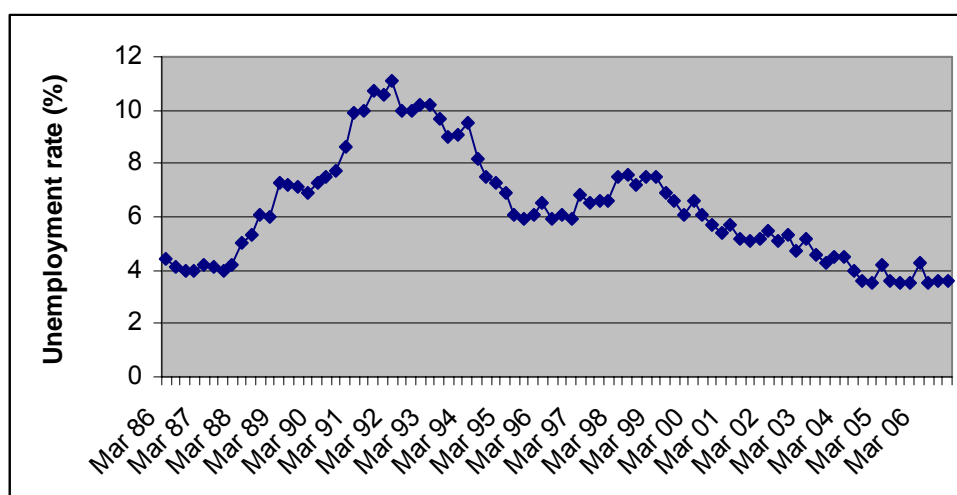
Evidence compiled in this study adds to a trend in the wider literature challenging the continuing relevance of the two way segmentation of housing policy around market efficiency and safety nets. Many factors lie behind this, in large part to do with the macro-economic performance of the nation. A sustained period of economic growth, operating alongside the extensive market liberalization policies applied in New Zealand from the early 80's, has delivered strong, trade based prosperity characterized by tight labour markets and consistently positive consumer sentiment (see Figure 22 and Figure 23). In no small part, this new wealth has been translated into soaring house prices across much of the country and certainly in the Bay of Plenty.

Figure 22 Annual Change in GDP New Zealand 1989 - 2006



Source Statistics New Zealand, SGS calculations

Figure 23 *Quarterly Unemployment Rate New Zealand 1986 - 2006*



Source Statistics New Zealand, SGS calculations

"Rents and house prices in New Zealand have increased over the last twenty years at a faster rate than household incomes. Consequently, there has been an escalation of household housing costs as a percentage of gross household income. The growing disparity between house prices, rents and low to medium household incomes is not confined to New Zealand and has occurred in most OECD countries" (CHRANZ 2006).

"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 neither poor enough for social rented housing nor rich enough to buy or rent affordably in the open market" (CHRANZ 2006⁹⁸).

While booming house prices may be welcomed in some sectors of the community, they pose serious threats to social cohesion. As discussed earlier in this report, 'housing stress' appears to be a substantial and widespread experience in the Bay of Plenty region. In the 2001 census there were more than 7,400 households within the sub 40th percentile income group across the Region paying more than 30% of their income in rent. These households represented more than 40% of all renter households in the Bay of Plenty. As for home purchasers, we have estimated that between 1,400 and 3,700 households in the bottom two quintiles of the income distribution were in stress. Overall, between 8,800 and 11,100 households in the Bay of Plenty lived in housing stress. This is 13% to 17% of all households resident in the Region. In percentage terms, the problem is greatest in Kawerau (16% - 21%) and Opotiki (17% - 22%). In absolute terms the problem is most acute in Tauranga where it is estimated that between 4,911 – 6,031 households would have struggled to afford basic nutrition, health, education and travel costs after paying the rent or the mortgage. Fifty five percent (approx) of all regional households in housing stress were in Tauranga.

As striking as these estimates are, they are likely to understate the problem of housing affordability in the Region. Many lower income households will be officially outside the 'stress' parameters, but will have achieved this by opting for run down housing, or dwellings in remote locations, where transportation costs will be onerous and/or where job and educational opportunities will be scarce.

There are signs that 'ordinary working households' which were once able to progress out of a private rental (or HNZN or Council housing) phase in their accommodation

⁹⁸ Fact Sheet Prepared for the 2006 National Summit on Affordable Housing held in Wellington. CHRANZ.

career before moving onto the home ownership ladder are now virtually locked out of the ownership option. Left to its own devices, even an efficiently operating rental market is unlikely to respond adequately to this demand shift because of supply side inelasticity⁹⁹. In the absence of some major unwelcome event leading to house price deflation, these circumstances are a recipe for ever-tightening vacancy rates in the private rental housing, with the consequence that as working households languish in this sector, the difficulties traditionally faced by the most marginalized low income groups intensify with the increasing competition for rental stock.

Also as discussed in earlier chapters of this report, the shifts in national and regional housing conditions can no longer be viewed through a social policy lens alone. Provision of affordable housing is a serious economic development issue as well, particularly in regions like the Bay of Plenty which rely on labour intensive horticultural and low wage service exports (e.g. tourism). We have estimated that around 100 to 170 additional affordable dwellings will need to be supplied in the Region each year over the next couple of decades if the Bay of Plenty is to secure the low and semi-skilled labour it needs to sustain several of its key industries. Failure to provide this housing will lead to a reverse multiplier effect. Our conservative modeling suggests that regional GDP could be lower by around \$280 million, with 6,640 fewer jobs being produced in 2031, if this affordable housing target is not met.

There is, therefore, an emergent **three way** segmentation in the housing market; those households still in the purchase market or transitioning to it; those in the traditional 'safety net' categories; and those low and moderate income working households who face the prospect of near permanent residence in the private rental market.

All of these groups will benefit from a more efficient housing market. If land supply bottlenecks can be overcome, if unnecessary delays in development approvals can be avoided, if more efficient ways can be found to finance the up-front provision of trunk infrastructure and if building and planning regulations can be made even more cost effective, the housing production 'pipeline' can be foreshortened, and supply generally will respond more rapidly to demand surges fuelled by strong national economic conditions. This will serve to moderate housing price increases across the board.

In addition to this efficiency thrust, innovative policy solutions are required for the two target groups which are outside the market or are struggling to enter it. Currently, policy solutions are least developed for those moderate and low income households who, in a relatively short space of time, have seen home ownership slip out of reach. The structural changes which have affected the New Zealand housing system point to the need for a 'Third Sector' to complement both an efficient purchaser / private rental market and a well crafted and funded 'welfare housing' system. The Third Sector comprises not for profit (or more appropriately 'not for dividend'¹⁰⁰) corporations dedicated to providing a range of housing services to ordinary working households, from basic rental through to various forms of shared equity products.

To some extent, 'Housing Associations' or Registered Social Landlords (RSL's) in the UK epitomize the type of service offering required to address the policy gap evident between traditional safety nets and strategies to maintain a competitive and efficient housing market. Underpinned initially by substantial stock transfers from the public (welfare) housing sector, many Housing Associations in the UK have now grown into substantial, professionally run businesses, employing thousands of staff in property development, tenancy management, asset management and various financial services.

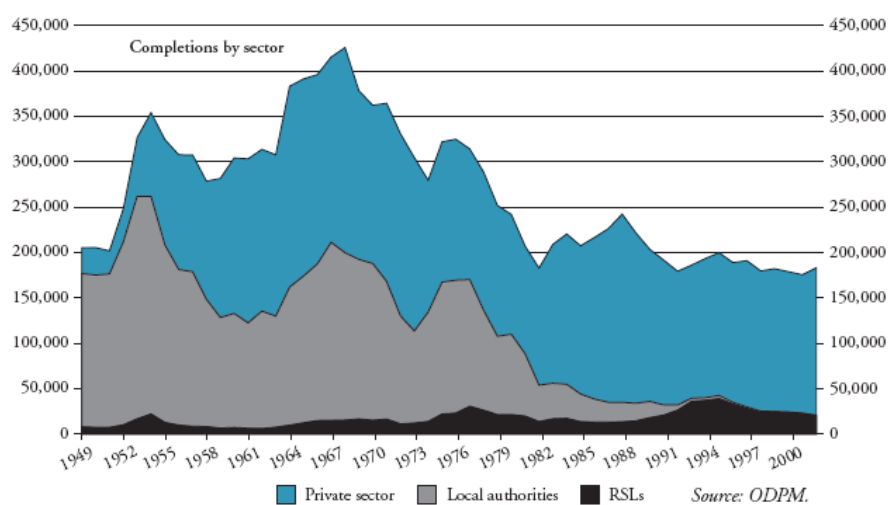
⁹⁹ See Industry Commission (Australia) 1993 Inquiry Report into Public Housing

¹⁰⁰ Cowans, J. (2006) Housing and Regeneration in Northern Ireland: Time for change, Rowntree Foundation Advisor (Urban Policy and Sustainable Communities)

They are independent of Government and operate with a commercial mindset. In the main, they aggressively seek to optimize returns from property development and their rental and financial services portfolios, but the returns are ploughed back into expanded opportunities for affordable housing (hence the term 'not for dividend'). The Housing Association sector has been funded from a mix of continuing grants from central government (to pay for accommodating households eligible for social housing assistance), surpluses on rental operations, profits from development projects and land value capture when obsolete stock is redeveloped and/or when the holders of shared equity finance trade out of their home. The long period of rising property prices which has prevailed across much of the UK has underwritten the rapid growth of the Housing Associations which are now building more than 25,000 units per year across the country.

However, the British Housing Association experience also sounds some warning notes for policy in New Zealand and in the Bay of Plenty. Whilst the UK Government has 'licensed' the Housing Associations to provide accommodation for households characterized above as in need of 'safety net' solutions, and has provided funds accordingly, there has been a substantial withdrawal of resources from the public housing sector in the UK. This sector formerly catered to both the safety net and the marginal owners groups (as, indeed, HNZA and its local government counterparts once did). The outcome has been a substantial shrinkage in supply side volumes across the country, which could have only reinforced strong upward pressure on prices (Figure 24)

Figure 24 *Housing Completions UK, 1949 - 2002*



Source UK Government Barker Report, 2005

15.3 Key Affordable Housing Issues for the Bay of Plenty

The consultations and research carried out for the current study have highlighted a range of issues which can be related to the three themes developed in the foregoing discussion, that is:

- Addressing market failure and inefficiency
- Finding opportunities to improve safety nets
- The need to grow a Third Sector.

In particular, 9 key issues emerged

Regarding *market efficiency*:

1. Delivery of trunk infrastructure
2. Assembling and releasing brownfield / infill land
3. Greenfield land release
4. High cost of infrastructure and up-front charging
5. Housing for seasonal and low skilled workers
6. Innovative home ownership finance products.

Regarding *safety net and Third Sector housing*:

7. Unlocking the potential in Maori owned land
8. Reluctance by institutional investors to support affordable housing projects
9. Need for support infrastructure for the affordable housing sector.

Each of these issues is now discussed in turn.

15.4 Market Efficiency Issues

15.4.1 Delivery of Trunk Infrastructure to Greenfield Land

The ‘SmartGrowth’ strategy envisages that key infrastructure will be in place in a greenfield subdivision in advance of the construction of dwellings. It is typical practice in New Zealand today, for local council and its contractors to provide these services to a greenfield site in advance of works by the private developer. Enabling infrastructure includes but is not limited to reticulated water/wastewater, storm water, roading and the provision of parks and reserves. The advance provision of these services is intended to ‘prime’ intensive uninterrupted and rapid development of a greenfield site once private developers commence work.

The timing of provision of infrastructure to greenfield land is a significant issue in the study area. There are conflicting views about whether timing of new infrastructure could be sped up so as to allow more land to be released. The pace that council can afford to roll out infrastructure is considered too slow by developers, who complain of a backlog of available land. Most developers accept that they must pay reasonable development contributions but believe some of these contributions inevitably go to solving problems with the existing infrastructure network. Some councils stated that they will roll out infrastructure faster in accordance to their ability to fund. Other councils stated that they had the necessary infrastructures in place and that the initiative of the developer was needed to kick start housing development.

For a local authority, providing network infrastructure to a greenfield site involves significant expenditure. The Local Government Amendment Act 1996 gives councils increased ability to borrow to fund capital works such as the development of infrastructure to greenfield sites. Councils are obliged under the Act to meet annual repayment of expenditure on capital works as the benefit from that expenditure accrues. Councils are constrained from the faster roll out of infrastructure because of their debt profiles. Tauranga City Council for example, has forecast that it will exceed its policy limits for borrowing before the end of its 10 year budget plan to 2016.

Councils seek to gradually recover the cost of new infrastructure expenditure as the benefits accrue to the landowner via the rating process. The Local Government Rating Act 2002 gives local councils flexible powers to set, assess and collect rates, and provides councils with the opportunity to target rating levies for landowners in greenfield areas and/or increase general rating to address the cost of infrastructure to greenfield areas. The rating process is not a suitable vehicle for rapid recovery of infrastructure expenditure costs. It is important for councils to rapidly recover costs and therefore transfer investment and risk to developers and property owners who are the greatest benefactors of that infrastructure investment.

Developer contributions are increasingly being used by councils to help meet upfront expenditure costs and debt servicing generated by greenfield infrastructure development. Developers may absorb or pass on part or all of the cost of the contribution to their customers (land buyers) who pay the contribution off (gradually) as a component of their home finance. Tauranga City Council and Western Bay of Plenty District Council charge a specific development contribution for the construction of network infrastructure to a greenfield subdivision – and this developer contribution varies depending on the growth area in which the subdivision is located. Tauranga City Council also charges a general development contribution to recoup the cost of the point connection of infrastructure to any new dwelling on previously vacant land.

The standard of infrastructure expected by the market is high and increasing, and this increases the cost incurred by local councils in providing this infrastructure. For example, in a contemporary New Zealand greenfield subdivision, council and its contractors will typically provide a kerb and channel finish to the road boundary, a nature strip including continuous pavement and semi mature tree plantings and parks and reserves with high quality amenities such as children's playgrounds. These infrastructure inclusions are (usually) completed alongside the initial provision of essential services.

The unit cost of constructing new network infrastructure such as water/wastewater to serve a dwelling vastly outweighs the cost of connecting a dwelling into existing infrastructure that is operating at less than capacity. It is also most efficient to grow an infrastructure network by developing infrastructure in parcels of land that adjoin the existing network. Based on these principles, councils can opt to apply strict development sequencing regimes, which seek to maximise the use of existing infrastructure infill and brownfields development and concentrate new development around nodes on the edge of existing networks. The downside of these strategies is that the pool of developable land is unnecessarily constrained, putting upward pressure on land prices (see further discussion below).

Councils can explore the potential for public-private partnerships in order to roll out selected infrastructure (e.g. roads) more cheaply and expediently and to a timetable that better suits developers. Councils may give the developer scope to modify the layout and design of a network within acceptable engineering parameters. Developers and their contractors may be able to schedule the layout of infrastructure to a more efficient timetable and staging pattern than local authorities can provision. Public Private

Partnerships (PPPs) are a relatively new phenomena internationally and are most commonly formed to deliver and maintain transport infrastructure such as toll roading. In the United States PPPs cover a wide range of infrastructure services. For example, Papakura DC has a franchise agreement with United Water, and the Milwaukee Metropolitan Sewerage District (MMSD) has signed a 10-year contract with United Water Services (UWS) – the largest wastewater PPP in the USA.

Councils can also provision for alternative supply of utilities that require a reduced network infrastructure or no network infrastructure. Examples of this include solar heating/electricity or household onsite/small network treatment and disposal of wastewater should new technologies become available.

15.4.2 Difficulties in Assembling and Releasing Brownfield / Infill Land

SmartGrowth targets significant redevelopment and higher densities, but it has been suggested that there are no clear mechanisms to make this happen. The Smart Living Places strategy identifies 20 urban growth areas in Tauranga to be targeted for intensification. There are some tools available e.g. RPS policy 17A.3.1(b)(v)¹⁰¹ that states 80% of new sections in a green fields development must be completed before development of any new growth areas can take place, and in relation to intensification, the District Plan provides for development bonuses for site aggregation and allowance for a reduction in minimum site areas. District Plans also have design controls to offset 'effects' which developers often see as loading cost (even if its perfectly reasonable as a cost of increasing density and yield). The uptake or market response to these particular policy/regulatory incentives has yet to be seen.

The SmartGrowth Implementation Review identifies that there are capacity constraints to greenfield development within several of the greenfield growth areas identified in SmartGrowth, and asserts that this will require the reallocation of future population growth – inevitably some of this will be reallocated to urban growth areas.

In the New Zealand context, councils can encourage urban intensification through zoning mechanisms. Within the study area we received feedback that council zoning and consent processes are permissive and do not necessarily favour intensification around urban growth areas. Community cited instances of conversion of older housing stock adjacent to commercial centres and main roads into commercial uses.

Councils have little regulatory ability to coordinate development on brownfield sites that are made up of multiple holdings. In New Zealand a council does not have the power to acquire or oversee the compulsory acquisition of a group of fragmented multiple land holdings for private development.

Where available brownfield land is identified and is of suitable size, there may be other factors inhibiting its development. Large vacant sections of formerly industrial land are often ideally situated close to road, rail and town centres, but may be bordered by land engaged in industrial activities or other uses that are not compatible with residential development.

Additionally, former industrial sites require a materials assessment to determine if industrial pollutants are present and pose a hazard. The potential cost of cleaning up a polluted site may dissuade an individual developer from scoping brownfield opportunities for housing subdivision. Part of the solution to this problem may lie in a government sponsored indemnity insurance fund into which developers each make

¹⁰¹ Refer to SmartGrowth Implementation Plan Nov. 2006

contributions with the understanding that monies will go toward the cost of cleaning up any unforeseen contamination hazards on the lands that they are developing.

Vacant crown land also offers good opportunities for brownfield development but there may be community opposition to the sale of public land for private housing development, especially if the former use of that land served a significant community benefit such as a school or health facility.

Infill land will form part of the eventual intensification solution but its release does not represent an efficient development opportunity under current conditions. Infill sites are released onto the market piecemeal and at the discretion of a multitude of individual property owners.

15.4.3 Timely Release of Greenfield Land

Speculative land holding has been identified by the Planning Institute of Australia as ‘a serious factor militating against housing affordability in some greenfield sub-markets’.¹⁰² Major land owners and developers constitute an oligopoly that has the scope to drive prices higher by withholding the sale of land where there is high demand. Speculative land withholding is moderated by the availability of alternative land supplies – if prices run too high potential customers are induced to switch to other offerings in the existing housing market.

New Zealand’s property laws afford the holder of designated greenfield or brownfield land the elective right to sell or subdivide that land at a negotiated time and value. Compulsory acquisition of land is permitted only for the purpose of significant public works. This provides a context whereby landowners can realise a significant capital gain by withholding the sale and development of their land. The absence of a Capital Gains Tax in New Zealand might further encourage this ‘land withholding’.

15.4.4 High Cost of Infrastructure and Up-front Charging

In New Zealand generally, there has been a rapid shift towards up-front, user pays charges for infrastructure. Up-front infrastructure charges apply where the users of an infrastructure item are charged according to their projected share of infrastructure usage and/or at a rate reflecting the anticipated benefit received from the delivery of an infrastructure item. Development contributions (sometimes referred to as producer levies) are a common form of up-front infrastructure charging.

Prior to 2002, such charges were only available to Territorial Authorities as ‘financial contributions’ under s108(9) of the Resource Management Act 1991 (RMA). The Local Government Act 2002 (LGA) now provides for ‘development contributions’ to be levied by Territorial Authorities.

Under the LGA 2002, development contributions may be required in relation to developments -

- ‘if the effect of the developments is to require new or additional assets or assets of increased capacity and, as a consequence, the territorial authority incurs capital expenditure to provide appropriately for—*
- (a) reserves:*
 - (b) network infrastructure:*
 - (c) community infrastructure.’ (s199(1) LGA 2002).*

¹⁰² First Home Ownership Discussion Draft, 2003 - response from the planning institute of Australia www.pc.gov.au/inquiry/housing/subs/subdr271.rtf

Since 2002, most Territorial Authorities in New Zealand have implemented development contributions under their Long Term Council Community Plan (LTCCP). In the Bay of Plenty, the 'high growth' Territorial Authorities, Tauranga City Council, Western Bay of Plenty District Council, and Whakatane District Council, have active development contribution policies.

Kawerau District Council and Opotiki District Council do not have provision for development contributions, although they retain the ability to assess financial contributions under their District Plans. In Kawerau, the Council argues that it does not have the pressure on its infrastructure systems that is being experienced by some Territorial Authorities and therefore does not have a need to extend its existing infrastructure systems to cope with increasing demand.

In areas where development contributions are levied, there is concern that they are having a negative impact on housing affordability. Interviews undertaken with key informants and stakeholders revealed perceptions that financial and development contributions were a major contributor to escalating greenfields house prices. There were conflicting views amongst stakeholders about whether the contributions were unreasonable or reflected fair costs of growth.

Most of the literature in this field concludes that development contributions do have a negative effect on housing affordability. That is, development contributions are generally passed forward from the developer to the purchaser of the property as opposed to backwards to the raw land seller (SGS 2005). However, it can be argued that alternative user pays mechanisms, for example, targeted recurrent rates, would have much the same detrimental impact on affordability, with higher rate payments offsetting any reduction in mortgage payments for home buyers (Industry Commission, 1993).

An additional concern is that developer contributions for infrastructure may encourage 'gold plating' of infrastructure standards. 'Gold plating' refers to levels of infrastructure quality that are higher than necessary. Over engineering infrastructure may reduce future maintenance costs, but this is at the expense of up front housing affordability. Financial institutions are unlikely to take into account lower rates contributions in the future when lending to home buyers, so although higher upfront costs (in this case, infrastructure development contributions) may generate ongoing savings, they still adversely affect affordability.

Developers face uncertainties regarding the scope and scale of their contributions. There are different approaches to user charging throughout the region, with some Territorial Authorities implementing development contributions plans whilst retaining their ability to levy financial contributions under the RMA. Other Territorial Authorities in the region are using financial contributions only. Where a Territorial Authority uses a combination of financial and development contributions, care must be taken to ensure that contributions are not taken twice for the same type of development, or 'double dipping'.

There are also differences in the ability of developers to challenge contributions levied under the two methods. Development contributions can only be challenged in the High Court on points of law and judicial review on process. Financial contributions under the RMA are subject to appeal to the Environment Court on merit as well as to the High Court on points of law and process. In a recent High Court decision North Shore City Council was found to have flaws in its development contributions policy. The High Court judge had found the council made certain errors of law in calculating contributions. The Council is now reviewing its policy (NZH 2007).

Despite criticism from developers, policy makers in New Zealand and abroad have broadly endorsed the efficiency and equity of the shift to user pays in urban infrastructure. Nonetheless there is a demonstrated need to fine tune the system in the BOP to ensure housing affordability is not unreasonably affected by infrastructure contributions.

15.4.5 Housing for Seasonal and Low Skilled Workers

The BOP economy is heavily reliant on a consistent supply of manual and semi-skilled workers, including seasonal workers

Exports growth is likely to be seriously dampened by shortages of affordable housing. At present the question of maintaining adequate stocks of accommodation for seasonal workers is dealt with in an ad hoc fashion across the Region. Some enterprises have invested heavily in on-site accommodation, whilst others have relied on the capacity of the wider housing market to 'absorb' seasonal peak demands. The already stressed nature of the rental market means that this latter strategy is likely to be increasingly less effective.

15.4.6 Lack of Local Sponsors for Innovative Home Ownership Finance Products

Compared to other jurisdictions including Australia, financial institutions in the BOP offer limited choices for marginal home buyers in terms of shared equity and other innovative finance products. Apart from the KiwiSaver scheme, which is Government sponsored, there is a lack of innovation in home finance products offered by the private sector.

The KiwiSaver scheme helps first home owners with a deposit subsidy to help with the cost of a home loan deposit. After saving through KiwiSaver for three years, purchasers may be eligible for a one-off deposit subsidy of up to \$1,000 for every year they have been with KiwiSaver, up to five years (or \$5,000). The first deposit subsidies will be paid out in 2010 to people who started KiwiSaver contributions in 2007.

In Australia, the Australian Prime Ministerial Taskforce on Home Ownership advocates for the introduction of (shared) equity housing finance. A 2003 report contended that 'when a "representative" younger family use a mixture of debt and equity, the upfront costs of home ownership, and the interest and principal payments required thereafter, decline by around 30%. There is also a dramatic reduction in the household's risk of default, and a 70% rise in their liquid assets once they leave the workforce...' (Joyce et al 2003, p.15).

More recently, there has been a flurry of policy and market activity in Australia regarding shared equity products. The Western Australian Government has launched a shared equity scheme targeting 3000 low to moderate income households who have been shut out of the purchase market by house prices which are booming on the back of that State's current resources boom. The scheme is based on the WA Department of Housing and Works purchasing a share in the property and then providing the homebuyer with a low-deposit loan (known as 'Keystart') to purchase the remaining share. Under the programme guidelines, the Department will purchase up to 40% of the house for families with incomes under A\$60,000, up to 30% for couples with incomes under A\$50,000 and up to 30% for singles with incomes under A\$35,000. Homebuyers are expected to purchase the department's share of the property as their finances permit. The maximum property price will be A\$365,000. Borrowers under this scheme

must be owner-occupiers and qualify for the Commonwealth Government's First Home Owner's Grant¹⁰³.

In Victoria, the Government owned land development corporation, VicUrban, is partnering with private builders to make 1 in 10 house and land packages on selected estates available to means-tested buyers on incomes between \$42,000 to \$50,000, at 75% of the market price. Through an ongoing second mortgage, 25% of the market value of the house and land price is retained by VicUrban for investment in future affordable housing initiatives. The owner of the property will have the option to buy the retained interest at market value at any time¹⁰⁴.

In the private sector, Adelaide Bank launched an innovative shared equity mortgage product in all Australian mainland capitals during March 2007. Under the scheme, up to 20% of the purchase value of a new home is funded by an "equity finance mortgage". In lieu of interest payments on this value, the Bank is entitled to 40% of any future capital appreciation, or 20% of any capital losses, on the borrower's property. The home buyer must have a 5% deposit and the remainder of the purchase price - up to 75% - is funded by a conventional home loan. According to Adelaide Bank management, equity finance mortgages can be used by borrowers to buy homes that are up to 25% more expensive than they might have been able to afford using a traditional home loan. The Adelaide Bank product is not limited to first home buyers¹⁰⁵.

Also in Australia, St George Bank and property developer Australand are working together to offer joint ownership of residential property in two Sydney housing developments with separate title deeds for each share. The purchaser and equity partner (typically a relative or friend) will have 50-50 cooperation in the loan.

The introduction of a shared equity product in New Zealand and the BOP would need to be carefully sized and targeted to avoid putting upward pressure on housing prices.

15.5 Third Sector and Safety Net Housing

15.5.1 Reluctance by Institutional Investors to Support Affordable Housing Projects

In New Zealand, local government housing has historically been the alternative to private and public housing. New Zealand has also experienced public housing disposal policies in the 1990s. Combined with the move away from housing provision by many local governments, housing in New Zealand appears to be developing a Third Sector 'gap' which community housing may progressively fill.

It is apparent that the community housing sector ('Third Sector') in both the BOP Region and throughout New Zealand is characterised by many small organisations that either have very small stocks of houses, or who are seeking funding to build or purchase their initial housing stock. There are very few medium and large organisations in the New Zealand community housing sector. It is instead currently characterised by a number of diverse organisations including community organisations and health-based organisations; small-scale housing providers such as eco villages, housing co-operatives etc; church-based organisations and charitable trusts; Maori / Iwi and Pacific Island Groups; 'self-build' providers and other 'construction-driven' groups; transitional and emergency accommodation providers. Some of these organisations have made a

¹⁰³ <http://www.keystart.com.au/key/SharedEqPressRel.pdf>

¹⁰⁴ http://www.dpc.vic.gov.au/domino/Web_Notes/newmedia

¹⁰⁵ Sydney Morning Herald, March 14, 2007

significant contribution to capacity building and are focused on building a sustainable future for the sector. In contrast, housing is not the main focus or long-term interest of other organisations currently involved in the provision of community housing (SGS 2007).

Research in Australia has found that a fragmented community housing sector with many small providers is likely to have insufficient scale to be financially sustainable. These small providers may also not be in the position to make credible applications for funding or provision of security for lending (NCHF 2003; Paris 1997).

The ability to attract private finance to community housing is dependant on regulation and consolidation within the sector. In Australia, a number of States are attempting to attract private finance to the public housing sector through initiatives involving the promotion of large community housing organisations. These organisations are seen to have a number of benefits including the ability to manage risk, the potential to service private debt and the ability to attract ethical investment and build social capital (NCHF 2006: 8). Strong regulation of the sector (e.g. registration and auditing of providers) also provides a more positive environment for attracting funding from risk averse investors.

Despite these perceived benefits and government policy support, studies by the Australian Housing and Urban Research Institute (AHURI) have concluded that attracting private finance to community housing would be very difficult (McNelis et al. 2002). The AHURI project aimed to develop a financial product and investment vehicle through which private retail investors could provide capital for community housing. However, the literature, experience in other countries and advice from the finance industry all indicated that such investment is unlikely without higher levels of government support and subsidy (McNelis et al. 2002: 22).

Provision of central government funding for community housing in some programmes has been identified by many in the BOP region as a 'scatter-gun' approach and to those who have made first application, rather than being in a structured and strategic approach. There is merit in exploring ways to consolidate the sector in the BOP and refining funding targeting.

15.5.2 The Link Between Maori Economic Development and Provision of Affordable Housing on Maori Owned / Controlled Land

The significant issues for the region in relation to Maori and Maori land are:

- The latent potential for growth in the Maori economy, particularly in the EBOP, and the associated need for affordable housing for workers to support growth
- The relatively low income and high unemployment of Maori which causes problems in renting, applying for and servicing loans for home ownership
- Multiple-owned Maori land is problematic for registering loan security as this needs to be carried out through the Maori Land Court and enforcing debt is not realistic or practical. No private sector lenders will lend on multiple-owned Maori land (HNZC is the only organisation that will lend)
- Housing condition, particularly in the EBOP and especially in rural areas. Poor housing condition gives rise to a range of health issues from lack of heating, insulation, overcrowding; safety issues such as fire safety from heating and lack of smoke and fire alarms; and degradation or loss of housing stock due to poor maintenance or lack of dwelling insurance to enable replacement following fires or natural disasters.
- Lack of financial capacity and institutional governance/administrative capability in some Maori organisations due to either scale or the diversity of roles that

makes it difficult to plan for or make a credible application for funding for development

- Lack of financial resources, with a latent opportunity that could arise when monies are received from Treaty Settlements
- Suggestion that zoning densities may be a barrier on some sites - with available or planned infrastructure - in currently zoned Maori rural land and/or there are obstacles arising from owner preferences and physical constraints

15.5.3 Support Infrastructure

The following areas of support infrastructure, while they do not create or assist in providing affordable housing per se, all indirectly provide a supportive environment that enables provision of affordable housing to be sustainable.

For families to be able to afford to live in their affordable homes on a sustainable basis:

- Ongoing house maintenance needs to be addressed so that the stock does not deteriorate to the point it becomes unliveable or creates health problems. This relies on occupants being aware of maintenance required, how to do it, and the ability to meet these costs
- Energy efficient design and fittings should be used to reduce ongoing operating costs. Two aspects apply here: the design and materials used in construction of affordable homes, and the advice and assistance to retrofit such devices into existing homes

Assistance is required to address the pervasive lack of knowledge and skill in budgeting throughout the BOP region to either save for home ownership or to budget to pay for ongoing operating costs (interest, rent, maintenance, utilities, etc). This is a key barrier and issue for households, and results from a lack of education and information available to both borrowers and renters as to the true costs of home ownership or operation.

Transport infrastructure, and in particular public transport is pivotal to enabling people to travel from affordable housing to work, to education, to health services, etc. In many cases affordable housing is either on the periphery of cities or towns, or is remote from places of work, schooling, etc. The cost of owning and using a private car erodes the limited disposal income of the household as compared to the alternative cost of using public transport if it is available. At the “front-end” of subdivision design and the administration of consents it is necessary to plan in connectivity and accessibility for public transport services. It is obviously expensive, and in some cases impractical to retrofit.

16 Proposed Solutions

16.1 Introduction

In this part of the report we discuss possible 'solutions' to the 9 strategic issues identified in the foregoing Chapter. The policy recommendations made in this part of the report take into account four sources of information:

- The desk top and statistical research reported earlier on housing stress and labour market impacts
- One on one consultations with stakeholders in the region
- Feedback from a series of stakeholder and informant workshops, canvassing the nature of the affordability problem and possible solutions
- The study team's appraisal of policy tools which have been applied in Australia, the UK and other jurisdictions, as summarised in Appendix 4.

Because of the regional nature of the study, we have focussed our solutions search on matters which are amenable to local initiative. This approach offers many advantages, including fostering an emphasis on practicality. It also encourages due attention to the opportunities arising from the peculiarities of local geography, history and social networks.

Nevertheless, it would be misleading to suggest that successful housing outcomes in the Bay of Plenty Region could be entirely driven from the 'ground up'. Housing markets tend to be strongly interlinked, especially where neighbouring regions enjoy reasonable long term economic prospects. Moreover, housing is a major asset class in investment markets; movements in these markets are highly susceptible to shifts in wider economic conditions and monetary policy, as we have noted. Several of the policy levers required to 'solve' housing issues in the Bay of Plenty will necessarily be outside the direct influence of the regional community.

Before turning to each of the nine strategic issues in turn, it is useful to scope out the elements of the wider policy framework to effect more efficient and equitable housing outcomes in the Bay of Plenty and across New Zealand generally. In early 2006, SGS was commissioned by the State Government of Victoria in Australia to advise on the elements of a 'Modern Housing Policy' as part of a wider Government process to review the delivery of housing assistance in that State. Bearing in mind significant differences in governance arrangements across the Victorian and New Zealand jurisdictions, we have mined and modified the Victorian analysis to identify relevant principles for the Bay of Plenty. This discussion is set out in the following pages.

16.2 Establishing an Overarching Housing Policy Framework for Regional Action

A truly effective housing policy framework would allow all New Zealanders to make smooth and low cost transitions to different types of housing as their needs and preferences change through the lifecycle. It would guarantee decent housing outcomes for all, regardless of income and location in the country. It would produce vibrant cities and regions which act as magnets for talent and investment. It would counteract those forces which, in a laissez faire environment, would create divided cities and regions with persistent enclaves of disadvantage.

These benefits of an effective housing policy would be delivered mainly through a profitable and innovative urban development industry. The industry would enjoy a

secure pipeline of development opportunities, both on the urban fringe and, increasingly, in infill and brownfield sites. It would be freed up to respond quickly to changing housing preferences and requirements as the population ages and changes in household structure. It would have access to new customers, including providing stock for a Third Sectoring the housing market supplying affordable housing to low and moderate income groups and key workers in high land value locations. Planning and building standards would be kept at cost efficient levels. The 'politics' and uncertainty in planning would be reduced through better governance structures. For its part, the development sector would become a partner in the provision of affordable housing and the creation of sustainable communities.

The role of Government in a 'modern' housing policy involves a major change of emphasis compared to 'traditional' Australasian models which, as alluded to earlier, focus on direct investment in public housing and the tax transfer system. As we have stressed, a priority in modern housing policy is to maintain a highly efficient market so that housing may be produced in line with consumer demands at the least possible cost. At the same time it is recognized that an efficient market will not deliver on all social objectives for housing; some groups will continue to suffer housing stress on a periodic or continuing basis simply because of low incomes. However, compared to 'traditional policy', a much wider array of tools is deployed to address housing stress, including mechanisms which leverage private capital and ingenuity.

An effective housing policy framework also requires that Government initiatives to address market efficiency and housing stress deliver 'multiplier effect'. They are required to contribute materially to allied policy objectives for the environment, economy and social cohesion – objectives which are often bundled up in the term 'sustainable development'.

These three facets of modern housing policy – market efficiency, sustainable development and innovative responses to housing stress – are elaborated below.

16.2.1 Market Efficiency

Housing market efficiency must address all facets of the production and exchange system. Effective housing policy is distinguished by its emphasis on well informed, competitive markets which are free of supply side bottlenecks. Policy is vigilant against market failures, artificial barriers to entry and rent seeking behaviour, both in the way the development sector operates, and the way land required for urban development is released. Thus, interventions may be necessary to discourage land withholding in growth areas or to unblock the supply of redevelopment opportunities in brownfield and infill areas, as outlined in the foregoing chapter.

Importantly, there is a clear separation between efficiency and redistributive objectives when framing regulations or other interventions in these markets. That is, markets are expected to respond to price signals which accurately reflect the cost of the financial, human and environmental capital being deployed. An example of this approach is the shift away from 'community pays' for water, sewerage, drainage, local roading, parkland, local community facilities and other urban infrastructure, to 'user pays' either in the form of recurrent charges or up-front development contributions. For many years this shift was resisted because of the impact on housing affordability. It is now generally accepted that this distributive objective would be better served by directly assisting the households in question with income transfers, rather than distorting price signals in the housing market and providing a stimulus for costly urban sprawl.

With respect to the physical form of urban growth, market efficiency is judged in terms of net community benefit as opposed to optimising settlement patterns around the Government's costs. The balance between outward growth and redevelopment should be driven by market preferences rather than planning prescription, bearing in mind that these preferences need to be expressed with full consideration of the resource costs involved, including environmental ones. Wherever possible these costs should be directly reflected in producer and consumer prices, but where this is not practical, for example, factoring the environmental costs of car dependence into the price of suburban housing, regulatory measures may be justified.

More broadly, effective policy looks for the least cost method of enhancing market efficiency. Often, the call on government resources to produce significant results can be quite minor. For example, the production of better market information, demonstration projects and practice guidelines can facilitate a significant creative effort on the part of the private sector, as is being witnessed in Australia with the development of shared equity finance products in the mortgage finance industry (see earlier discussion).

16.2.2 Sustainable Development – Capturing the Multiplier Benefit from Integrated Housing Policy

As noted, housing programmes in a modern policy framework should contribute to the achievement of wider social, environmental and economic objectives, such as those embedded in the 'SmartGrowth' strategy for the Western Bay of Plenty.

Housing policy should not merely focus on dwellings and income transfers. It needs to facilitate implementation of plans like SmartGrowth to capture the triple bottom line returns on offer.

This is likely to involve special vehicles to smooth the way for redevelopment in key urban and regional locations, for example, development corporations and local government enterprises. It will also require capacity building, especially at the local government level, to ensure that housing markets and needs are well understood and that planning for housing is fully integrated with labour market and skills planning.

Planning legislation must be clear that 'sustainable development' includes consideration of the *social* and *cultural* dimensions of the environment, as well as its *natural* and *built form* dimensions. In this way, maintenance of social mix is properly recognised as a material planning issue, in the same way as maintenance of heritage qualities, infrastructure functionality and neighbourhood character are.

16.2.3 Dealing with Housing Stress

Whereas traditional formulations of housing policy in New Zealand envisaged a very large cost rent based public housing system that would 'tame' exploitative private rental markets and provide all ordinary citizens with a viable alternative to home ownership, modern policy sees public housing playing a much more confined though still vital role. As noted, this is to provide a 'safety net' for those most vulnerable to housing stress.

Traditional models of public housing provision were prone to 'technocratic capture' with some regrettable consequences, including the over concentration of such housing in particular neighbourhoods. To counteract these effects, effective policy engages many providers to deliver this safety net. A small but growing proportion of the housing stock acquired with taxpayer funds in New Zealand is now managed by community based social housing organisations, offering different models of tenant involvement as well as opportunities to leverage resources from community based partners.

Also as noted, a striking feature of ‘modern housing policy’ is its explicit recognition that housing stress is a serious social issue which stretches beyond those at the lowest end of the income distribution. Social cohesion is threatened by the fact that working households on moderate incomes are increasingly locked out of home ownership and affordable housing in locations with reasonable educational and employment opportunities.

In modern policy, special initiatives have been crafted to address the needs of this group, including the development of a Third Sector in the social housing system. As well as offering a full range of tapered subsidy services right through to unsubsidised shared equity products, these not for dividend landlords become part of the network of providers of the ‘safety net’ for the most vulnerable in the market, as outlined above.

To flourish, the Third Sector requires scale and a sound framework for prudential supervision. These are essential for the attraction of private finance.

Another important distinguishing feature of an effective housing policy framework concerns the sources of funding for the subsidies required for safety net and affordable housing programmes. Traditional formulations generally looked to the broad based tax system as the best means of paying for housing assistance. Contemporary thinking is that some of the external benefits of these programmes are locally specific – for example, ensuring an adequate supply of key workers and maintaining the vibrancy and social sustainability of the neighbourhood through a continuing social mix. Tapping local supplementary funding sources is justifiable in this context.

More generally modern policy understands that land owners who secure discretionary development approvals (for example, rezonings) will often enjoy a windfall in land value. This windfall is created not through their efforts but through the community’s investment in infrastructure and urban management. On this basis, local ‘land value capture’ for re-investment in community infrastructure, including safety net and affordable housing, is warranted.

16.2.4 Key Principles and Elements

From the foregoing discussion a set of overarching principles for a ‘modern housing policy’ can be identified. As set out in the following table, meeting these principles will require application of a range of market interventions, programmes and partnerships.

Table 63 Principles and Elements – Overarching Housing Policy Framework

<i>Overarching Principles</i>	<i>Elements (Programmes / Interventions / Partnerships)</i>
<p>Housing market efficiency</p> <ul style="list-style-type: none"> • Create a housing market that is well informed, competitive and free of supply side bottlenecks. • Ensure that equal weight is given to environmental costs in price signals. • Separate the objectives of income redistribution from market efficiency • Ensure market interventions produce a net community benefit 	<ol style="list-style-type: none"> 1 Quality information is routinely collected and published on supply and demand trends at the National, Regional and Local levels. <i>(Requires central government leadership)</i> 2 The impact of regulations and taxation on the efficiency of the housing market is rigorously monitored and evaluated. <i>(Requires central government leadership)</i> 3 There are adequate buffer stocks of greenfield land. 4 User pays is applied for the extension or upgrade of urban infrastructure. 5 Development contribution arrangements discourage ‘gold plating’ of infrastructure. 6 Sequenced land release in growth areas with

	<p>out of sequence developers paying infrastructure acceleration costs.</p> <p>7 Legislation and institutional arrangements are in place to support public capture of most of the land value increases created by rezonings. <i>(Requires central government leadership)</i></p> <p>8 Building codes are performance based rather than prescriptive.</p> <p>9 Pricing, standards and regulatory provisions are in place to make the environmental cost of different dwelling forms and neighbourhood designs (e.g. energy and water use, Green House gas emissions) transparent and recoverable from the end user. <i>(Requires central government leadership)</i></p> <p>10 There is transparent assessment of the net community benefit from new planning, building and housing industry regulations (e.g. through regulatory impact statements or the like). <i>(Requires central government leadership)</i></p> <p>11 There is appropriate separation of policy making and development assessment roles in the planning system. <i>(Requires central government leadership)</i></p> <p>12 There are Government demonstration projects and market information to facilitate innovation in private mortgage finance. <i>(Requires central government leadership)</i></p> <p>13 Public sector development corporations are available to assemble and wholesale sites in key greenfield, brownfield and infill sites. <i>(Requires central government leadership)</i></p> <p>14 There are Government backed insurance programmes to spread contamination remediation risk in brownfield sites. <i>(Requires central government leadership)</i></p> <p>15 Training and recruitment programmes are in place to ensure security of skills supply for the housing industry. <i>(Requires central government leadership)</i></p> <p>16 Government has programmes to reduce housing market transaction costs. <i>(Requires central government leadership)</i></p> <p>17 Home purchase assistance is delivered through income transfers not subsidised infrastructure prices. <i>(Requires central government leadership)</i></p>
<p>Sustainable development – the multiplier effect of housing policy</p> <ul style="list-style-type: none"> • Ensure that planning legislation gives equal weight to the social/cultural dimension of environment as to the natural and built form dimensions. • Ensure governance structures align with the spatial communities of interest – National, regional 	<p>18 Central government assists Regional and District Councils to undertake integrated local planning, with particular reference to the links between housing markets and labour markets. <i>(Requires central government leadership)</i></p> <p>19 Maintenance of a minimum social mix is routinely pursued as a development approval requirement.</p> <p>20 Surplus central government, Regional Council and District Council land is systematically used to catalyse achievement</p>

<p>and local.</p> <ul style="list-style-type: none"> Remove obstacles (like property fragmentation) to the achievement of triple bottom line strategies. Avoid 'silo' housing policy in national, regional and local planning. Integrate housing policy with labour market and skills policy. 	<p>of adopted policies like Tauranga SmartGrowth.</p> <p><i>Also relevant to this principle, but already noted in relation to other principles...</i></p> <p><i>Public sector development corporations are available to assemble and wholesale sites in key greenfield, brownfield and infill sites.</i></p>
<p>Dealing with housing stress</p> <ul style="list-style-type: none"> Ensure decent housing standards for all. Maintain an adequate safety net for those denied opportunities in the private market. Ensure clients of the safety net have choices and are treated with respect. Recognise that housing stress is now a serious issue for moderate income households as well as for welfare dependent groups. Ensure multiple providers of housing assistance services for reasons of consumer choice, efficiency and product innovation. Harness private capital and private sector ingenuity in delivering housing assistance. Broaden the funding base for housing assistance subsidies to recognise localised benefits and 'planning gain'. 	<p>21. There is a substantial Third Sector– not for profit, non government providers of tapered subsidy housing (safety net through unsubsidised shared equity). <i>(Requires central government leadership)</i></p> <p>21. There is an explicit central government guarantee of decent housing standards for all New Zealanders. <i>(Requires central government leadership)</i></p> <p>22. There is a Government guarantee of a minimum stock of 'safety net' housing across all regions. <i>(Requires central government leadership)</i></p> <p>23. There is a contestable housing assistance market allowing the private sector and Third Sector to bid for government funding to provide safety net and affordable housing services. <i>(Requires central government leadership)</i></p> <p>24. Planning gain or 'betterment' in redevelopment areas (land value capture) is used to fund safety net and affordable housing services, as well other social and economic infrastructures. <i>(Requires central government leadership)</i></p>

More than 2/3rds of policy territory cited in the second column of Table 63 falls primarily within the jurisdiction of the central government. Ideally, all of the elements listed in the table should be in play in the Bay of Plenty Region. Inevitably, successful policy at the regional level will rely on, or will be enhanced by, complementary action on the part of Wellington. This factor needs to be borne in mind in the following discussion on 'solutions'.

16.3 Key Market Efficiency Issues in the BOP – Some Solutions

16.3.1 Delivery of Trunk Infrastructure

Maintaining a timely supply of raw land for urban development, that is a supply curve with low price elasticity, should ensure that a significant proportion of any user charge levy will be carried by the raw land seller. Therefore, measures to ensure land supply is not unreasonably 'locked up' are proposed. Allowing developers in growth areas to go 'out of sequence', provided they fully fund the extension of trunk and local infrastructure,

is one such measure. This may only be viable in certain areas, or developers may need to identify innovative infrastructure options to reduce the cost.

Various forms of this strategy have been implemented in Australia, particularly in Queensland which, until recently, had been noted for having one of the most open and competitive land markets in the country. In essence, the development sequencing model involves the identification of a preferred pathway for development in a planning district, based on minimisation of the total cost of infrastructure (i.e. social and 'hard' infrastructure). This least cost pathway is adopted by all agencies for the purposes of services planning.

Developers are not obliged to remain within the staging set down in this least cost pathway. They are free to pursue 'out of sequence' projects provided they are prepared to meet the additional costs of supplying hard infrastructure, and provided they are prepared to bring forward the provision of social infrastructure in their preferred location. It should be noted that in compensating agencies for the 'bring forward' costs of various infrastructures and services, developers would need to address both operating and capital costs.

The benchmark sequence of development is reviewed regularly (say, every year) and on an 'as required' basis, as new information comes to hand on land demands and as of out of sequence development approvals alter the geography of infrastructure capacity in a district.

As well as paying for the acceleration costs (effectively the bridging finance costs) for water supply, sewerage, drainage, education, health, transport and other infrastructure, developers contribute to local infrastructure costs on a 'share of usage' basis as set out in a development contributions plan.

Typically, the financing arrangement is that the out of sequence developer fully funds the accelerated infrastructure, then the council or government agency in question either buys back the facility at the time when its creation in the subject location was scheduled, or it collects contributions from intervening developments and passes these back to the original out of sequence developer (SGS 2003, p. 21).

The recent review of the SmartGrowth strategy in the BOP has included a re-appraisal of sequencing, incorporating a finer grain approach. This work should continue to be developed further in consultation between developers, government agencies and service providers to agree a framework for full cost recovery (capital and recurrent) from prospective out of sequence developments.

- *It is proposed that developers have the opportunity to propose an out of sequence development providing the developers fully fund the extension of trunk, local and social infrastructure. It is further proposed that Councils in the BOP continue to reassess their approach to development sequencing with a view to providing tight and fine grain release schedules (to support more cost efficient roll out of infrastructure) and to act as a suitable benchmark for the calculation of 'bring forward' costs.*

An obvious way of mitigating the high cost of delivering trunk infrastructure in greenfields areas is to make better use of existing infrastructure capacity in the established parts of the Region and within the older parts of towns and cities. To some extent, the SmartGrowth Strategy seeks to do this, though it is not clear that a whole of Region perspective has been taken in this planning. It may be cost effective, for example, to invest in transport solutions to better link existing, 'under-occupied' towns

into the principal jobs markets of the Region. Any such strategy must carefully balance environmental and social (housing) objectives.

Greater clarity and certainty may also be required in policies surrounding residential intensification in areas with near obsolete housing stock, but still enjoying excellent access to infrastructure, amenities and jobs. Planning schemes could be more prescriptive (or definitive) on such issues on a precinct basis, rather than relying on case by case assessments. We understand that such approaches can be highly contentious, and that established communities may view residential intensification as a threat to their valued lifestyles. Ultimately, such residents should be afforded reasonable opportunity to transition to other housing options within the Region without financial loss and undue personal stress. As things currently stand Councils in the Region do not have all the tools they need to facilitate these adjustments – a matter which is taken up in the next sub-section.

16.3.2 Assembling and Releasing Brownfield / Infill Land

Unlike the UK and Australia, New Zealand lacks the legislation and institutional arrangements required to support urban regeneration. District and regional councils enjoy a wide power of competency, including the establishment of enterprises to undertake land development activities in the interests of ratepayers. However, these powers do not extend to such matters as compulsory acquisition of land for purposes other than the provision of public utilities, the establishment of value capture arrangements in urban renewal areas and the transfer of development approval authority under the RMA (SGS, 2006).

Because of these gaps, councils are effectively limited to their own land holdings and open market dealings. Under these circumstances, it is difficult (and often near impossible) to address one of the key barriers to better use of land within the existing urban footprint, namely, fragmentation of land ownership. Experience in the UK and Australia has repeatedly demonstrated that efficient aggregation of development parcels and the incorporation of mechanisms to capture land value increments to help fund 'renewal infrastructure' are critical to successful regeneration.

As discussed by SGS (2006), there are many reasons why New Zealand has not replicated the tools successfully deployed in other jurisdictions. In essence, the more highly devolved system of governance in New Zealand militates against direct public interventions in the local land market, especially when these are directed by higher spheres of government. Development of an appropriate suite of intervention tools that can deliver similar urban renewal outcomes is therefore likely to take some time.

Regional and local councils, and other groups interested in affordable housing and sustainable development of the Region need to engage in this debate. In the meantime maximum use needs to be made of the instruments and powers which are available under current legislation.

- *It is proposed that Councils in the Bay of Plenty Region establish CCO's to:*
 - *undertake demonstration infill projects, or brownfield developments, potentially in joint ventures on Council owned land*
 - *facilitate public private joint ventures to renew / "densify" obsolete HNZA estates*
- *It is further proposed that central government investigates establishment of an Urban Renewal development agency and/or granting renewal powers to local*

government, including powers of compulsory acquisition for land development and land value capture.

16.3.3 Greenfield Land Release

The underlying objectives of 'SmartGrowth' centre on encouraging more compact forms of development (to achieve a variety of environmental and amenity benefits) and more 'orderly' staging of development (to achieve more efficient delivery of infrastructure). As we have discussed, there is an inevitable tension between these objectives and the maintenance of an open and contestable land market. Urban growth boundaries and tight controls on land release tend to reinforce the 'monopoly' power of land holders in the 'logical path' of development. In general, our informants within Councils were not convinced of a land withholding problem. They felt that as underlying land prices increased with the approach of the development front, land holders were usually prepared to release their holdings in reasonably timely fashion. However, this view was not always shared by bona fide developers. The mere fact that development interests are continuing to challenge the 'Urban Limit line' is evidence of rent seeking behaviour on the part of strategically located raw land holders.

The policy challenge is to maximise competition in the raw land market, whilst preserving the fundamental objectives of SmartGrowth. Allowing out of sequence development, but with full recovery of infrastructure acceleration costs is vital in this context. It would enable larger, better resourced developers to take on 'community scale' projects which are in line with SmartGrowth (and equivalent) plans in all respects other than timing. The cost of 'prematurity' in this situation is absorbed privately. Given that appropriate policy tests can be put in place to ensure that these community scale projects are environmentally and socially sustainable in their own right, the mere threat of such proposals will place significant competitive pressure on those developers or land bankers holding properties in what would ordinarily be seen to be more advantageous locations.

Whilst a formal sequencing / cost recovery policy is the first line of defence against land withholding, a number of other measures can be undertaken to encourage timely release of land in preferred development locations. These relate to land tax arrangements and, again, a development corporation facility to compulsorily acquire and aggregate land as necessary.

- *It is proposed that Councils in the Bay of Plenty Region review rating arrangements to create a disincentive to land withholding. This could operate in conjunction with sequencing plans, in that rating premiums might apply where land is, say, more than five years 'overdue' for development according to a staging schedule set out in planning policy. Such a mechanism may require amendments to local government legislation.*
- *It is further proposed that consistent with earlier recommendations for the establishment of urban renewal legislation, that central government investigates granting greenfield land aggregation powers to local authorities, including the tools of compulsory acquisition and land value capture.*

16.3.4 High Cost of Infrastructure and Up-front Charging

There is a need to ensure consistency and compliance with cost-benefit apportionment principles within the infrastructure contributions system. The Productivity Commission of

Australia sets out proposed guidelines for efficient and equitable funding of Infrastructure (SGS 2004):

- *'Basic economic infrastructure'* is defined as local roads, local water supply and sewerage pipes, local drains, kerb and channel and other 'on site, hard' infrastructure. It is appropriate for this to be funded with up-front infrastructure charges levied through the development approval process.
- *'Major (shared) economic infrastructure'* is defined as networked infrastructure that is external to, but may be required for, a particular development, like main roads, rail extensions, trunk lines and augmentation of headworks. Where the incremental costs of the infrastructure can be well established, and where these costs are likely to vary across developments due to location and terrain, up-front infrastructure charges may be appropriate. Where the infrastructure items in question serve a system wide function (e.g. hydraulic headworks), rates or taxes or the fixed element in two-part pricing should be used.
- *'Social infrastructure'* is defined as community infrastructure like libraries, parks and child care facilities. Taxes and rates should be used because the benefits are diffuse. Where there is some private benefit and scope for exclusion, direct user charges (e.g. admission fees) may be appropriate, provided they do not dampen usage to a socially sub-optimal level.

There is debate over whether local governments should retain the option of funding social infrastructure through up-front charges, provided certain safeguards are met. These safeguards include that the items in question are likely to be of direct benefit to the properties being levied¹⁰⁶. The items in question should also be deemed by the local community to be essential infrastructure for a properly functioning neighbourhood or district.

As stated in the previous section, Territorial Authorities have the power to levy development contributions for a wide range of infrastructure items, including reserves, network infrastructure, and community infrastructure.

Efficiency in infrastructure pricing arrangements is likely to be best served if development contributions in the BOP are limited to items which are essential to health and safety and/or which need to be provided at the time of development to save later 'retro-fitting costs'. This would include items in the 'Basic Economic Infrastructure' and chargeable 'Major Economic Infrastructure' categories. Other items of infrastructure may still be subject to user pays regimes, but operated through alternative collection arrangements, for example, targeted rates. In some respects, targeted rates are more efficient than developer levies because they require the service providers (typically Councils) to engage more closely with the service users (the local communities) on the types and quality of services required.

The wider community continues to carry the funding responsibility for many government delivered facilities, including arterial roads, hospitals, and schools. There are good reasons for this continued funding via the general taxpayer. These items can be regarded as essential 'social infrastructure' which delivers considerable benefits to the wider community as well as to users. They can be regarded as a community 'entitlement'. Community infrastructure (or 'social infrastructure') funding should be subject to strict scrutiny to establish direct benefit and need before it is included in a development contributions plan.

¹⁰⁶ 'Direct benefit' means that the facilities ought not to be of a highly specialised nature that will limit their long run use to only a small section of the neighbourhood.

- *It is proposed that development contributions be limited to items which are essential to health and safety. This should be adopted by all Territorial Authorities in the BOP region to ensure consistency.*

'Gold plating' of infrastructure standards is a further issue. In Victoria, Australia, the development contributions system was reviewed in 2003. Under the Review's recommendations, Councils must justify the inclusion of each project on a 'strategic basis', that is, the items must not be a simple wish list for the area in question. Moreover, the design specification for each item must be justified. These measures effectively limit the potential for gold-plating, both in the scope of the infrastructure package and in its standard of provision (SGS 2005).

- *It is further proposed that development contribution plans be subject to a strategic justification and independent audit process to avert over-engineering of infrastructure (for network capacity or service standards).*

16.3.5 Housing for Seasonal and Low Skilled Workers

A co-ordinated approach to the provision of accommodation for seasonal workers is required. There is greater flexibility in designing and locating such housing compared to permanent accommodation. Nevertheless, significant resources will be required. These need to be assembled and deployed equitably.

One approach is to apply a 'development contribution' style mechanism, which imputes a housing demand per hectare under cultivation. This demand may vary depending on the broad categories of horticulture being pursued. The cost of supplying an adequate stock of seasonal accommodation can be calculated on a region/industry wide basis, and this amount can be distributed across all 'demand units' by hectare. This amount could be collected by duly authorised industry associations who would own any housing constructed with the funds in question. However, these associations could contract out management to expert bodies, including, perhaps, Third Sector housing associations. For those enterprises which have already made the requisite provision for seasonal worker housing, no per hectare levy would apply

- *It is proposed that all major agribusiness, tourism and other development proposals and existing operations that rely on low wage workers incorporate suitable on-site accommodation and/or provide cash in lieu payments to registered off-site accommodation providers.*

16.3.6 Innovative Home Ownership Finance Products

As noted in the issues chapter, financial institutions in the Bay of Plenty offer limited choices for marginal home buyers in terms of shared equity and other innovative finance products. New commercially available finance products generally result from deregulation and competition within the banking and finance sector. Whilst some products may be of benefit to low income households or households living in housing stress, most are not explicitly targeted at these groups.

Shared equity loan schemes are a finance product that vest part of the asset value in a dwelling with the occupier and part with another investor. This arrangement reduces the amount of capital to be borrowed by the occupier in order to establish a part ownership interest in a dwelling. Critics of shared equity loan schemes suggest that by simply improving access to housing finance, increased housing consumption will catalyse further escalation in housing prices. Concerns also surround the equitable sharing of

risk and returns between the dwelling occupier and silent investor (usually a bank or financial institution).

The momentum for shared equity schemes in New Zealand is growing, with the Housing Minister Chris Carter urging New Zealand banks to consider shared equity schemes in a March 2007 Press Release. HNZC is also developing the details of a shared equity initiative.

- *It is proposed that HNZC - or another organisation as appropriate - work with a major banking partner to pilot a shared equity scheme in the Bay of Plenty, along the lines of the scheme recently launched by the Western Australian Government.*

16.4 Safety Net and Third Sector Housing Issues in the Bay of Plenty – Some Solutions

16.4.1 Reluctance by Institutional Investors to Support Affordable Housing Projects

There is an increasing need to accelerate the growth of a Third Sector of community housing within the rental tenure sphere. As discussed, the Third Sector relates to 'not for dividend' Housing Associations which are dedicated to the provision of affordable and appropriate housing outcomes for their tenants. The Brisbane Housing Company and City West Housing in Sydney are early Australian examples of a class of landlord operation which is rapidly assuming dominance in the lower income sector in the UK, and which has been a major force in continental Europe, especially Northern Europe, for much of the past six decades.

Housing Associations receive capital grants or stock transfers from their host Governments but they are legally separate from these governments. They are governed by independent boards and may enter into commercial dealings in their own right. However, as the recipients of asset transfers from taxpayers, the Associations must comply with a highly specific charter focussed on affordable housing delivery in a fair and efficient manner, and they tend to be tightly regulated to ensure that their tenancy and asset management practices conform with their charter and with the underlying policy objectives of the host government.

Queensland has seen the emergence of Housing Associations targeting general low to moderate income renters. The Brisbane Housing Company Ltd (BHC), by way of example, is an independent, not-for-profit organisation which provides affordable housing in Brisbane. Using initial funding from the Department of Housing and Brisbane City Council, BHC has a portfolio including boarding houses, studio units and apartments. The housing is offered at below-market rents to households on low incomes. BHC is structured to maximise charitable contributions and residents' access to Commonwealth Rent Assistance, and to minimise GST. The company uses income from rents to manage and maintain its properties, and any surplus to service bank and other debt finance for stock expansion.

Consolidating existing community housing provision into one or two well supported Housing Associations in the BOP region would focus assets, achieve scale economies, and enable the Association(s) to become sustainable and growing operations. It would also provide greater certainty for institutional investors. Some HNZC stock could be transferred to these Housing Associations once they were established, providing a capital base for borrowing. There is also potential for smaller community housing providers to make use of group co-operation or umbrella organisations. The perceived

benefits of these structures include shared overheads, access to specialist skills, increased profile, greater bargaining power with suppliers and funders (NCHF 2006: 6).

- *It is proposed that central government accelerate the growth of one or two community housing groups into fully fledged Housing Associations. The objective would be for the Associations to have housing stock of at least 200-500 units at the absolute minimum in the near term, and preferably up to 3,000 plus units in the medium term, to achieve scale economies and have the balance sheet capacity to leverage to achieve further greater growth.*

This would occur through stock transfers from HNZA. It is proposed that these stock transfers are supplemented by transfer of pensioner housing stock to these organisations from both WBOP and EBOP Councils.

The research set out in the previous 'issues' chapter highlighted the need for strong regulation of the community housing sector to provide certainty and accountability and make the sector a more attractive prospect for private finance. Australian examples provide guidance on regulatory frameworks.

In Victoria, the Housing Agencies Act 2004 was enacted to provide a regulatory framework for non-profit rental housing agencies serving the needs of low-income tenants. Under the Act, registered Housing Associations and community housing providers are regulated to ensure that they provide quality, affordable housing for tenants, that they meet the Government's social housing objectives, and that any financial risks are suitably managed and monitored.

Housing Associations are registered under this Act, for example Community Housing Ltd. Community Housing Ltd provides a range of services, including transitional and crisis accommodation, and affordable long term housing. The company is also a registered domestic and commercial building practitioner specialising in construction of social housing.

In NSW, the Office of Community Housing is responsible for regulation of the sector. The Office of Community Housing operates a performance based registration system for community housing providers, with audits awarding providers a grade. In the majority of cases, to be eligible for community housing in NSW, applicants must be eligible for public housing. Housing cooperatives have separate eligibility criteria and operate outside the Office of Community Housing system, as do affordable housing providers (for example, City West at Pyrmont-Ultimo).

- *It is proposed that central government should establish a national prudential supervision framework for Third Sector housing,*

Inclusionary Zoning is a planning provision requiring incorporation of a certain use or facility (in this case a number or proportion of affordable homes) in approved developments. In some cases, a monetary contribution can be supplied in lieu of the facility or use. In this case, the responsible authority would use the obtained monies to provide the required use or facility on another parcel/s of land.

Under this approach, all development within a designated area would be required to include a component of affordable housing to retain recognised environmental and social values. Developments not able to physically provide affordable housing would be able to pay cash in lieu.

The application of a blanket Inclusionary Zoning approach across whole suburbs or urban sub-regions is favoured. This approach:

- Best reflects the need to achieve social mix across all communities and is most consistent with the environmental sustainability rationale for applying the planning system to affordable housing;
- Establishes the broadest possible base for raising affordable housing contributions, thereby limiting any adverse effects on housing production costs and mitigating any threat of 'capital flight';
- Offers the greatest opportunity for the Inclusionary Zoning cost burden to be passed back to the sellers of development sites as opposed to being absorbed by developers in reduced margins, or passed forward to home buyers;
- Is the fairest in terms of treatment of developers; all would be caught by the requirement, regardless of scale of their project and land use type;
- Maximises the chances of generating significant stock or cash flows which can be teamed with base load funding from central government to leverage substantial private sector investment in affordable housing; and
- Is more likely to generate reliable cash and stock flows to support steady development of the Housing Association sector.

Inclusionary Zoning mechanisms currently operate in Ultimo / Pyrmont and Green Square in Sydney, NSW. The City West Inclusionary Zoning mechanism applies to the Ultimo / Pyrmont Precinct of Sydney. Under a tripartite funding arrangement it aims to provide 600 units of affordable housing over the next 20 – 30 years (6%-7% of total stock). 200 of the affordable housing units are to be provided through Inclusionary Zoning – either as works or cash-in-lieu developer contributions.

Notwithstanding the sound arguments for mandating social mix, the development sector will be cautious if not outright antagonistic to an Inclusionary Zoning measure being applied across the BOP, if it sees this initiative as a straight 'cost shift' from the general taxpayer (who is primarily responsible for alleviating housing stress across the community) to particular groups in the community, notably buyers of units / floorspace in new developments. To mitigate this anticipated resistance, it will be important for Councils to offer a package of 'sweeteners' to accompany the Inclusionary Zoning measure, including, for example, accelerated release of any surplus government land for development, streamlining development approval processes to provide greater certainty and timeliness and revising development standards to allow for more (cost effective) innovation on the part of proponents.

Introducing Inclusionary Zoning in Tauranga City and WBOPDC would be appropriate given these areas are subject to high development demand and are therefore likely to 'bear' the Inclusionary Zoning requirements and generate more stock than low demand areas. The Inclusionary Zoning measures plus the wider reforms of the development approval system to promote affordable housing could be consolidated into an integrated planning policy.

- *It is proposed that Councils introduce Inclusionary Zoning across all development areas in Tauranga City and the WBOP District to generate stock / supplementary funding for the Third Sector housing organisations.*¹⁰⁷

As set out under 'Assembling and releasing brownfield / infill land' above, a CCO could be established to undertake demonstration infill projects potentially in joint ventures on Council owned land. The CCO established could acquire or receive strategic land

¹⁰⁷ For example, that 20% of homes in subdivisions over 5 lots must be affordable homes (need to define affordable – e.g. value...- of less than \$250,000 – and agreed definitions of price, size, quality, specification).

parcels. Preferably, such CCO's would be set up with urban renewal powers, including compulsory land acquisition and land value capture tools. These organisations could undertake developments in partnership with developers and Third Sector providers, and offer right of first refusal to Third Sector housing providers on brownfield land releases.

- *It is proposed that any CCO and Urban Renewal Agency that is established should where appropriate offer Third Sector housing providers preferential access to surplus Council (and other publicly owned) land and pursue development partnerships with these providers.*

In light of the reforms set out above, there is also a need to refine funding targeting from existing HNZC assistance programmes, for example the Housing Innovation Fund. These programmes should be channelled into existing community housing organisations rather than continuing to support a fragmented sector of small, and potentially unsustainable Third Sector providers. Housing assistance programmes should provide funding according to a contestable process and a defined regional strategy. Applicants would need to meet defined criteria, including proof of governance and administrative capability

This could be achieved within an appropriate regulatory framework similar to the Victorian system whereby registered Housing Associations and community housing providers are regulated to ensure that they provide quality, affordable housing for tenants, that they meet the Government's social housing objectives, and that any financial risks are suitably managed and monitored.

- *It is proposed that Councils and other organisations in the BOP should advocate to central government and HNZC to ensure their community housing assistance programmes are:*
 - *targeted and developed within a long-term strategic framework and include policy objectives that provide for sustainability; and*
 - *funded longer term so as to provide better certainty and security and ensure sustainable organisations are targeted.*

This will go hand-in-hand with the establishment of a regulatory framework for Third Sector housing;

16.4.2 The Link Between Maori Economic Development and Provision of Affordable Housing on Maori Owned / Controlled Land

Options to address the reluctance of lenders to lend for buildings on multiple-ownership Maori land, because of the difficulty of securing and enforcing the security interest, are:

- *For lenders to secure a leasehold interest on the building constructed on the land with the mortgage registered (and enforced if necessary) in the "mainstream" Land Court*
- *To obtain mortgage guarantee or underwriting from another party*
 - *Leverage off or use wider or pooled assets of tribal authorities to provide enforceable loan security/guarantee*
 - *Central or local government underwriting or guarantees*
 - *Central government guarantees in lieu of funds from Treaty Settlements*
- *To provide rental or shared equity homes by a community housing organisation, including those established by tribal authorities – i.e. the development and borrowing (and potentially management) is conducted on behalf of Maori on multiple-owned Maori land by a community housing organisation ("CHO"). If the*

CHO balance sheet is exposed to risk underwriting or guarantees by the relevant tribal authority or other parties may be required

- *To utilise “Sweat equity” schemes associated with bulk or joint purchasing initiatives, e.g. Habitat for Humanity programmes*
- *To utilise combinations of the above*

To address concerns about the quality of housing stock on such sites, it is recommended that Councils may need to plan in conjunction with mana whenua authorities a specific approach to this issue to ensure appropriate quality and forms of development occur. In addition reliance could be placed on Councils to ensure code compliance with the Building Act, and regulation of design features under the District Plan administered through the resource consent process.

Options to address the lack of financial capacity and institutional governance/administrative capability in some Maori organisations include:

- *Provision of training in governance and management skills to establish and operate the housing arms of tribal authorities or separate community housing organisations on a sustainable basis where these skills and experience is lacking*
- *Formation of partnerships by some Maori organisations with other tribal authorities and/or larger community housing organisations, or developers in the region. There may be opportunities to negotiate with other tribal authorities, development authorities, and developers to trade access to land (on either a leasehold basis or sale basis) or for development opportunities in one place in exchange for construction of affordable housing elsewhere in the region. This could include “tradeable rights”.*
- *Formation of partnerships with publicly-owned CCOs that are involved with property development and ownership including developing and providing land for affordable housing*
- *Utilisation of shared service arrangements to achieve better economies of scale*
- *Utilisation of other larger Third Sector providers to develop or manage affordable housing under contract*
- *Identification of what type and size of resources are planned to be allocated to housing initiatives from Treaty settlements*

Recommendations to address issues associated with Council planning policies and Council financial and development contribution charges are:

- *To review zoning densities on areas planned for papakainga or kaumatua housing on multiple owned Maori land, subject to development/structure plans being prepared by tribal authorities that are linked to an overall iwi or hapu management plan.*
- *To allow development contribution fees and other infrastructure fees or levies that are incurred when building a house to be included as a suspensory component in applications for loan finance to Government*

In relation to addressing housing condition and sustainable affordable housing, these are issues that affect low income households throughout the Bay of Plenty.

Recommendations in this area are outlined in the next section (16.4.3) and in section 17.5.

16.4.3 Support Infrastructure

For families to be able to afford to live in their affordable homes on a sustainable basis it is recommended that:

- *Increased government funding is made available for courses and information booklets on house maintenance requirements and maintenance skills*
- *That Councils, EECA, architects and developers work in partnership to develop commercially viable affordable home designs that incorporate energy efficient devices and materials that reduce ongoing operating costs*

To address the lack of knowledge and skill in budgeting throughout the BOP region on either saving for home ownership or budgeting to pay for ongoing operating costs it is recommended that:

- *An information booklet is made available to borrowers by financial institutions when loans are being applied for on the true costs of home ownership or operation*
- *Greater government funding is provided to budget advisory services in the BOP, and to educational institutions to offer night classes and other courses, on budgeting skills associated with saving for home ownership and running a home*
- *Greater government funding is provided to assist budget advisory services to work with banks, other lenders, and utility companies to develop information packs available to aspiring home owners or renters*

In relation to public transport infrastructure, “more of the same” is recommended:

- *Investigation, planning and implementation of more public transport services both within urban areas, and intra-regional services, to improve access for people between affordable homes and where they “work and play”*
- *A requirement in the planning process to demonstrate that the subdivision design provides for connectivity to and accessibility for public transport services.*

17.1 Overview of Affordability and Policy Analysis

From the analyses and the consultations undertaken for this study, it is possible to construct a housing policy 'map' for the Bay of Plenty Region. The first part of this 'map' is shown in Figure 25. At the core of this diagram is the income distribution for the Region, broken down in terms of the national income quintiles as at the 2001 Census. For each quintile group, the maximum affordable weekly rental and maximum affordable home purchase price is shown. With respect to the latter, these prices are calculated based on a mortgage interest rate of 9.5%, a \$50,000 deposit, a 25 year loan term to zero balance and commitment of 30% of household income to repayments. Thus, a household at the top end of the second income quintile could afford to purchase a house worth \$152,000 on the open market. The maximum affordable rental shown in the diagram is based on 30% of total household income.

Figure 25 shows that the bottom two quintiles are effectively locked out of the home purchase market. Only 3% of all house sales in 2006 were below \$150,000 in the Western Bay of Plenty. Indeed, all households in the 3rd quintile group and a substantial proportion of those in the 4th quintile would struggle to find housing at an affordable purchase price.

With respect to rental housing, up to 60% of households would be hard pressed to find affordable accommodation according to these broad-brush indicators.

Figure 25 *Income Distribution, Housing Rents and Housing Prices, Bay of Plenty*

Max. Affordable Rental (per week)	Income Distribution BoP	Affordable House Purchase Price
\$577	\$70,000 to \$100,000 and above (17% of all households in BoP)	\$357,000 +
\$404	\$50,000-\$70,000 (29% of all households in BoP)	\$264,000
\$288	\$30,000-\$50,000 (22% of all households in BoP)	\$203,000
\$173	\$15,000-\$30,000 (16% of all households in BoP)	\$152,000
\$87	Up to \$15,000 (17% of all households in BoP)	\$96,000

Annotations:

- 50th percentile house price WBOP \$310,000
- 30th percentile house price WBOP \$260,000
- Median Weekly Rent 3 bedroom house WBOP \$260
- 3rd percentile house price WBOP \$150,000

Some caution needs to be exercised in interpreting Figure 25. It presents a static picture of affordability conditions. Some households can and do engage in upward mobility and their housing fortunes (and choices) will change accordingly. The diagram also does not allow for differences in household composition and housing needs. It also does not reflect the full impact of all policies in the wider social policy framework which alleviate general living costs (including housing) such as Working for Families, and the newly announced KiwiSaver. Nevertheless, it underscores key gaps which may be opening up in the coverage of housing policies and programmes at the regional and, indeed, national levels. This dimension is shown in the second element of the 'map' (Figure 26)

The figure identifies three broad target groups for housing policy, though we stress that this is a schematic representation which should not be relied upon for precise definition of the income bands in question. Salient features of each target group are described in the following paragraphs.

Figure 26 Housing Policy Gap



As discussed in the body of this report, Group 1 has been the traditional focus of 'safety net' policies in New Zealand and in the BOP. Unlike its early post-war mandate, where it supplied housing to ordinary working New Zealanders, HNZA now focuses on Group 1. Group 1 is also the main target for Community Housing Programmes, and it is likely to be the principal recipient of income related rents.

Notwithstanding this attention, households in Group 1, particularly those waiting for HNZA accommodation, are likely to be severely squeezed in the current regional rental market. Indications are that new investment in private sector rental stock is lagging demand. In part this is because households that could once transition readily into home ownership face a longer stay in rented accommodation. The analysis in this report shows that substantial numbers of households in the bottom two quintiles are facing housing stress, that is, they are in danger of 'after housing cost poverty'.

Group 3 has also been a traditional target of policy at the national and regional levels. Here, taxation policies have been engineered to assist home ownership (for example, non taxation of imputed rent). From time to time, direct subsidies have also been on offer to first home buyers, and some for instance may be receiving an Accommodation Supplement payment. Broader public policy designed to maintain an efficient and competitive housing market has a strong macro-economic management dimension, as the level of investment in housing, the wealth effect attaching to it, and the sensitivity of some consumer spending to interest rate adjustments all have major implications for the pace of economic growth at the national level. But, also relevant in this policy context is a typically bipartisan desire to 'protect' first home buyers.

Groups 1 and 3 once effectively covered the entire New Zealand population. What we have highlighted in this report is the emergence of another key group, deserving of focussed policy attention but for which little has specifically been done to date. This

Group (#2) comprises households which are actively engaged in the mainstream economy but, unlike previous generations, may not be able to access home ownership in the absence of some special benefit (inheritance, assistance from family, etc). Some households (rental and owner occupied) will be in receipt of an Accommodation Supplement. Some households in Group 2 enjoy incomes which currently support reasonable choice within the rental market. However, there is likely to be a degree of frustration that the ultimate choice, to convert a recurrent accommodation payment into an asset is receding out of reach. Towards the lower income end of Group 2, households in important but low paid jobs (e.g. shop staff, municipal officers and civil servants in administrative roles, hospitality workers, transportation sector operatives, health care support staff, etc) are finding it increasingly difficult to get good rental accommodation at an affordable price, and the dream of owning a home is all the more impossible.

Group 2 households are increasingly being referred to as an 'intermediate housing market'. Households in this market typically have income that is too high to qualify for social housing but is too low to meet market prices for house rental and / or purchase.

In the UK, a recent (2005) Rowntree¹⁰⁸ study in England, Scotland and Wales pointed to 1.25 million younger working households who could not afford full home ownership in the open market. In New Zealand, recent (2007) research¹⁰⁹ on the Auckland region identifies a growing intermediate housing market (20,400 households in 1996 growing to 54,900 in 2006). These market characteristics are increasingly apparent in the BOP region and are reflected in our Group 2.

Other factors are at play when considering whether a policy response is required specifically for this group. Unlike their counterparts from previous generations, households in this group will be called upon to be much more mobile in a labour market sense. Also, unlike previous generations, this group is likely to have significantly higher expectations in terms of the quality of accommodation and its location vis a vis services and lifestyle facilities.

One option is to do nothing in particular for this group, on the basis that it has a relatively secure, market driven income. On this basis, the generation of new housing opportunities for this group can be left to the dynamics of the market, including for example, the spontaneous provision of shared equity products and expanded investment in private rental housing. However, there are several reasons why a focussed policy response would be well advised for this group especially in the BOP where the availability of affordable housing is inextricably linked to the growth of the local economy, labour requirements and a burgeoning population. They include:

- There is little evidence that the supply side of the rental sector in regions like the BOP has the capacity to adjust to growing demand. Typically, the sector is dominated by small scale investors and supply has been price inelastic.
- Failure to accelerate the adequate provision of housing options for this group in the more economically vibrant parts of the region can impair the efficiency of the local labour market, aggravating already troublesome skill shortages.
- To the extent that the households in question adjust to the lack of housing options by locating to peripheral locations (instead of migrating out of the region or the country) the resultant settlement pattern will be less sustainable, as it will

¹⁰⁸ Affordability and the Intermediate Housing Market: Local Measures for all Local Authority Areas in Great Britain. Steve Wilcox, Joseph Rowntree Foundation, 2005.

¹⁰⁹ The Future of Home Ownership and the Private Rental Market in Auckland, DTZ, CHRANZ March 2007

be characterised by greater car dependence and usage as well as increased demands on infrastructure.

17.2 Proposed Solutions to Affordable Housing Challenges in the Bay of Plenty

Against the background of this 'policy map', we have framed a set of 'solutions' in Chapter 16 with the underlying objective that housing policies should be contributing to diverse and healthy communities across the region, averting the potential for social exclusion and optimising the scope for an efficient labour supply into the region's export and local service industries. As discussed, there are three themes to these solutions:

- Maintaining a healthy and competitive land and housing market
- Maintaining a commitment to adequate and appropriate 'safety net' housing
- Accelerating the development of a 'Third Sector' in the region's housing market.

In respect of market efficiency we have proposed that:

- *Developers have the opportunity to propose an out of sequence development providing the developers fully fund the extension of trunk, local and social infrastructure. Councils in the BOP continue to reassess their approach to development sequencing with a view to providing tight and fine grain release schedules (to support more cost efficient roll out of infrastructure) and to act as a suitable benchmark for the calculation of 'bring forward' costs*
- *Councils in the Bay of Plenty Region establish CCO's to:*
 - *undertake demonstration infill projects, or developments, potentially in joint ventures on Council owned land*
 - *facilitate public private joint ventures to renew / "densify" obsolete HNZA estates*
- *Central government investigates establishment of an Urban Renewal development agency and/or granting renewal powers to local government, including powers of compulsory acquisition for land development and land value capture*
- *Councils in the Bay of Plenty Region review rating arrangements to create a disincentive to land withholding. This could operate in conjunction with sequencing plans, in that rating premiums might apply where land is, say, more than five years 'overdue' for development according to a staging schedule set out in planning policy. Such a mechanism may require amendments to local government legislation*
- *Consistent with earlier recommendations for the establishment of urban renewal legislation, central government investigates granting greenfield land aggregation powers to local authorities, including the tools of compulsory acquisition and land value capture*
- *Development contributions be limited to items which are essential to health and safety. This should be adopted by all Territorial Authorities in the BOP region to ensure consistency*

- *Development contribution plans be subject to a strategic justification and independent audit process to avert over-engineering of infrastructure (for network capacity or service standards)*
- *All major agribusiness, tourism and other development proposals and existing operations that rely on low wage workers incorporate suitable on-site accommodation and/or provide cash in lieu payments to registered off-site accommodation providers*
- *HNZC - or another organisation as appropriate - work with a major banking partner to pilot a shared equity scheme in the Bay of Plenty, along the lines of the scheme recently launched by the Western Australian Government.*

With respect to safety net and Third Sector housing we have proposed that:

- *Central government accelerate the growth of one or two community housing groups into fully fledged Housing Associations. The objective would be for the Associations to have housing stock of at least 200-500 units at the absolute minimum in the near term, and preferably up to 3,000 plus units in the medium term, to achieve scale economies and have the balance sheet capacity to leverage to achieve further greater growth.*
This would occur through stock transfers from HNZC. It is proposed that these stock transfers are supplemented by transfer of pensioner housing stock to these organisations from both WBOP and EBOP Councils
- *Central government should establish a national prudential supervision framework for Third Sector housing*
- *Councils introduce Inclusionary Zoning across all development areas in Tauranga City and the WBOP District to generate stock / supplementary funding for the Third Sector housing organisations*
- *Any CCO and Urban Renewal Agency that is established should where appropriate offer Third Sector housing providers preferential access to surplus Council (and other publicly owned) land and pursue development partnerships with these providers*
- *Councils and other organisations in the BOP should advocate to central government and HNZC to ensure their community housing assistance programmes are:*
 - *targeted and developed within a long-term strategic framework and include policy objectives that provide for sustainability; and*
 - *funded longer term so as to provide better certainty and security and ensure sustainable organisations are targeted.*

This will go hand-in-hand with the establishment of a regulatory framework for Third Sector housing

- *Zoning densities on areas planned for papakainga or kaumatua housing on multiple owned Maori land be reviewed, subject to development/structure plans being*

prepared by tribal authorities that are linked to an overall iwi or hapu management plan

- *Development contribution fees and other infrastructure fees or levies that are incurred when building a house on Maori land are able to be included as a suspensory component in applications for loan finance to Government*
- *An information booklet is made available to borrowers by financial institutions when loans are being applied for on the true costs of home ownership or operation*
- *Greater government funding is provided to budget advisory services in the BOP, and to educational institutions to offer night classes and other courses, on budgeting skills associated with saving for home ownership and running a home*
- *Greater government funding is provided to assist budget advisory services to work with banks, other lenders, and utility companies to develop information packs available to aspiring home owners or renters*
- *Investigation, planning and implementation of more public transport services both within urban areas, and intra-regional services, to improve access for people between affordable homes and where they “work and play”*
- *A requirement is inserted into the planning process to demonstrate that the subdivision design provides for connectivity to and accessibility for public transport services.*

17.3 Institutional Reform

As we have stressed, while the focus for this study has been the BOP region, our analysis clearly points to the need for enabling and complementary action at the central government level. Indeed, significant progress on affordable housing issues in this region (or any other for that matter) is unlikely in the absence of significant reform of a range of national institutions and programmes. Detailed discussion of these warranted reforms is beyond the scope of this project. However, we recommend that further investigation is carried out on the following five key elements:

1. Establishment of some form of national ‘Housing Guarantee’, committing Government to adequate investment in ‘safety net housing’ whether this is achieved via HNZC, Third Sector providers or private sector providers in receipt of contracted subsidies
2. Creation of an appropriate institution, similar to the ‘Housing Corporation’ in the UK, charged with the responsibility of allocating capital subsidies to providers of various forms of social housing (i.e. HNZC, Third Sector and contracted private sector providers), and maintaining independent prudential supervision of all enterprises involved in this activity¹¹⁰
3. Establishment of a special programme, as noted, to accelerate the growth of Third Sector ‘not for dividend’ providers of safety net housing and a range of

¹¹⁰ Note: Commensurate with the recommendations to establish a significant Third Sector in the BOP in this study (and in New Zealand in a parallel research project on the Community Housing Sector in New Zealand – Capital Strategy and SGS Economics and Planning . 2007), the establishment of this new body is proposed. Currently some of the functions of such a body are carried out by the Housing Innovations Group within HNZC as part of the administration of the Housing Innovations Fund (HIF).

other housing services (including shared equity and subsidised rental). This could occur through stock transfers from HNZC in a pilot region like the BOP

4. Fostering a competitive environment within which HNZC, the Third Sector and candidate private sector providers are encouraged to generate best value strategies for the creation and maintenance of social housing opportunities
5. The adoption of appropriate 'urban renewal' legislation, incorporating the capacity for land value capture and land aggregation to facilitate more efficient release and development of both greenfield and brownfield land.

In addition to the principal recommendations there is a series of secondary recommendations outlined in sections 17.4-17.6 that have been made in various chapters of this report.

17.4 Data Collection and Statistics

We have recommended that:

- Statistics New Zealand collects information on direct shelter cost for owner occupied dwellings in the future Censuses (Census only collects this information for households in rented dwellings)
- Economic development agencies in the region and the Department of Labour carry out some more detailed survey work to get a better and finer grained employment dataset and forecasts which could then be input to the model developed for this study. More specific forecasts of labour by TLA by low income category, etc, could also be incorporated based on a more robust input dataset from additional survey work identified in the next bullet point
- Organisations in the BOP consider updating the analysis of housing stress using models developed for this study using results of the 2006 Census once the full census results and 2006 HES data are released (expected October/November 2007). Organisations in the region may also wish to consider commissioning an especially devised survey to collect information at a detailed level on household income and housing occupancy cost. This data is not collected in the Census and HES is the only data source that provides this information, hence this data is not as comprehensive and specific to the region as would be desirable when using the results for planning purposes

17.5 Housing Condition, Health, Education on Home Ownership

We have recommended that:

- A sample survey is conducted to obtain valid and reliable data on the condition of the housing stock in the region, both for the interior and exterior of the property. This will enable an accurate assessment to be made on the number and location of sub-standard dwellings to inform the focus of training programmes on housing maintenance and the targeting of specific funding to address this issue. One option is to provide additional funding to BRANZ such that it could extend its independent sample survey on house condition to other regions in New Zealand, including the Bay of Plenty

- Education on home ownership has a component dedicated to education about home maintenance and this aspect should be extended throughout the BOP (as incorporated in training courses such as by Trade Training in Opotiki, and the HNZN current home ownership education to prospective home owners¹¹¹ could be extended to also include education on home maintenance)
- A continued focus is required on house insulation to both reduce on-going operating costs of homes and to improve health outcomes
- A similar study is conducted in the BOP to that of the pilot developed in partnership between HNZN and Counties-Manukau and Auckland District Health Boards where they have developed a joint housing/health assessment programme, which assesses tenant's risk of meningococcal and other diseases, based on the number of occupants per bedroom and measured risk factors

17.6 Surveying Maori Owned Land

We have recommended that the locations and quantum of unsurveyed Maori land in the Bay of Plenty is identified to enable an assessment of the resources required to carry out this surveying task, and the appropriate source of funding.

¹¹¹ Note: Educational courses are available through the Welcome Home Loan scheme. BRANZ provides various publications and references on its website: www.branz.co.nz

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Appendix 1 Reference Group

Organisation		Representative
Age Concern	Tauranga	Lorraine Wilson
Bay of Plenty DHB	Tauranga	Brian Pointon
Budget Advisory Service (Rangitaiki)	Whakatane	Doug Knight
Chamber of Commerce	Tauranga	Paul Bowker
Department of Labour	Tauranga	Asher Nikora
Employers & Manufacturers Association - Northern	Tauranga	Jamie Lunam
Environment BOP	Whakatane	Matt Cowley
Habitat for Humanity	Tauranga	Don Brebner
Hospitality Association of NZ (BOP)	Rotorua	Graeme McKay
Housing NZ Corporation	Tauranga	Tony Marsden
Kawerau District Council	Kawerau	Chris Jensen
Kawerau Enterprise Agency/EBOP Chamber of Commerce	Kawerau/Whakatane	Helen Stewart
Ministry of Education	Rotorua	Dallas Collet
Ministry of Social Development	Rotorua	Susan Jolley
Mortgage Works	Tauranga	Phil Stocks
New Zealand Trade & Enterprise	Tauranga	Angella Wallace
NZ Kiwifruit Growers Inc	Mount Maunganui	Jodi Johnston
Northern Family Works	Tauranga	Andrea Berghan
Opotiki District Council	Opotiki	Robert Schlotjes
Priority One	Tauranga	Annie Hill
Property Institute of New Zealand	Tauranga	Alex Haden
Salvation Army Community and Family Services	Tauranga	Diane Robinson
Tauranga Budget Advisory Service	Tauranga	Lois Hembrow
Tauranga City Council	Tauranga	Christine Jones
TCC - Tauranga Moana Tangata Whenua Collective	Tauranga	Neil Te Kani, Toa Faulkner, Te Pio Kawe
Tauranga Community Housing Trust	Tauranga	Chris Johnstone
Tauranga Property Investors Association	Tauranga	Mike Lane, Chris O'Leary
Tauranga Registered Master Builders Association	Tauranga	George Francis
Te Puni Kokiri	Whakatane	Liane Gardiner
Te Mahoe Village Trust	Kawerau	Manuhiria Ngatai
Tenancy Services	Tauranga	Donna Barnett
Toi-Economic Development Association	Whakatane	Ripeka Evans
Trade Education Limited	Opotiki	Eddie Collins
Tuwharetoa-ki-Kawerau	Kawerau	Bev Adlam
Western BOP District Council	Tauranga	Cr. Jo Gravit
Western BOP District Council - WBOP Maori Forum	Tauranga	Matemoana McDonald
Whakatane District Council	Whakatane	Tony Bullard
Whakatane District Council Iwi Liaison Committee	Whakatane	Hinewai Katene
Whakaatu Whanaunga Trust	Opotiki	Mandy Walker
Whakatohea Trust Board	Opotiki	Robert Edwards, Trina Taia
Ngai Te Rangi and Housing Advocate	Tauranga	Riri Ellis

Appendix 2 Interviewees

Councils

Chris Jensen	Kawerau District Council
Mike Fleming	Kawerau District Council
Robert Schlotjes	Opotiki District Council
Ian Castles	Opotiki District Council
Stephen Town	Tauranga City Council
Christine Jones	Tauranga City Council
Andy Ralph	Tauranga City Council
Annika Lane	WBOP District Council
Gill Payne	WBOP District Council
Andries Cloete	WBOP District Council
Matemoana McDonald	WBOP District Council
HWM Graeme Weld	WBOP District Council
Cr. Jo Gravit	WBOP District Council
Glenn Snelgrove	WBOP District Council
Diane Turner	Whakatane District Council
David Bewley	Whakatane District Council

Tribal Authorities and Maori Agencies

Riri Ellis	Ngai Te Rangi, and housing advocate
Neil Te Kani	Tauranga Moana Tangata Whenua Collective
Liane Gardiner	Te Puni Kokiri
Reuben Keno	Te Puni Kokiri
Malcolm Short	Pukeroa Oruawhata Holdings Ltd ¹¹²
Robert Edwards	Whakatohea Trust
Mandy Walker	Whaakatu Whanaunga Trust

Financial Institutions and Advisors

Murray Nelmes	Kiwibank
Terry Meredith	Mortgage Link Bay of Plenty
Phil Stocks	Mortgage Works
Mike Bell	Southern Building Society

Welfare and Community Support Agencies

Hazel Hape	Tauranga Women's Refuge
Lorraine Wilson	Age Concern
Ian Anderson	Grey Power
Kaa Cameron	Maori Women's Welfare League
Andrea Findsen	Tauranga Budget Advisory Service
Lois Hembrow	Tauranga Budget Advisory Service
Diane Robinson	Salvation Army
Andrea Berghan	Family Works Northern
Doug Knight	Budget Advisory Services (EBOP)
Lesley Tatham	Ministry of Social Development Service Centre Manager Tauranga
Carl Cooper	Ministry of Social Development Service Centre Manager Te Puke
Kim Going	Ministry of Social Development Service Centre Manager Mount Maunganui
Desley Martin	Ministry of Social Development Service Centre Manager Greerton
Roberta Ripaki	Ministry of Social Development Service Centre Manager Whakatane

¹¹² also a developer

Bobby Nyman Ministry of Social Development Service Centre Manager Kawerau
Marie Rolls Ministry of Social Development Service Centre Manager Opotiki

Developers and Builders

Jim Lochhead Carrus Corporation Ltd
Peter Cooney Classic Builders Ltd
Ian Dustin Heybridge Developments Ltd
Bob Thorne Thornton Ridge Ltd
Lani Christensen Master Builders Association
Steven Tucker Met Commercials Ltd
Maggie Curtis Met Commercials Ltd

Employers and Employer Representative Organisations

Nigel Warrington Fonterra Ltd
Pete Willett Port of Tauranga Ltd
Abi Latham Norske Skog Tasman Ltd
Murray McDonald Trimax Mowing Systems Ltd
Jodi Johnston NZ Kiwifruit Growers Inc.
Andrew Hill Allied Work Force Ltd

Unions

Jacquie Hurst Service and Food Workers Union of Aotearoa
Paulo Falaniko Combined Beneficiaries Union Inc.

Economic Development Organisations

Annie Hill Priority One

Housing Organisations

Tony Marsden Housing New Zealand Corporation
Brigid (Bee) Macalister Housing New Zealand Corporation
Kay Charles Housing New Zealand Corporation
John Holyoake Housing New Zealand Corporation

Education

Dallas Collett & Rod Ronshee Ministry of Education
Eddie Collins Trade Education Ltd

Appendix 3 Reference Group Feedback on Recommended Solutions

The Reference Group's evaluation of these recommendations/proposed solutions, at the final meeting on 1 June 2007, is outlined in the table below. The degree of support at the meeting is shown in the second column, followed by a summary of the key points raised in discussion, organisations that need to be involved in progressing the recommendation, a note if legislative changes are likely to be required, and finally next steps.

Proposed recommendations	Degree of support by Reference Group <i>(weighted score 1-5: 1= high support 5= don't support)</i>	Summary of key points raised in discussion	Organisations that need to be involved	Legislative changes required	Next steps for implementation
Developers have the opportunity to propose an out of sequence development providing the developers fully fund the extension of trunk, local and social infrastructure. Councils in the BOP continue to reassess their approach to development sequencing with a view to providing tight and fine grain release schedules (to support more cost efficient roll out of infrastructure) and to act as a suitable benchmark for the calculation of 'bring forward' costs	3.1	Changes to the sequence of development can be constrained by the Regional Policy Statement. Recent SmartGrowth review contains finer grained/more detailed sequencing Need to recover all of the consequential costs beyond capital costs. Legal barriers to recovery other than capital costs – contracts may be an option Wide range of views – from total support to impractical	Developers Councils Environment BOP Development working party	No	Need to look in more detail at examples in Australia where this has been done
Councils in the BOP establish CCO's to: <ul style="list-style-type: none"> • undertake demonstration infill projects, or brownfield developments, potentially in joint ventures on Council owned land • facilitate public private joint ventures to renew / "densify" obsolete HNZN estates 	1.7 1.8	Development corporations could be an option with other organisation partners, as an alternative to CCOs Partnerships with community trusts also an option Considerable potential for HNZN to work in partnerships to develop and	Councils HNZN Community housing organisations Other community trusts & organisations	No	Further investigation of models Councils consider models & proposal Other agencies

Proposed recommendations	Degree of support by Reference Group <i>(weighted score 1-5: 1= high support 5= don't support)</i>	Summary of key points raised in discussion	Organisations that need to be involved	Legislative changes required	Next steps for implementation
		intensify housing			consider models & proposal
Central government investigates establishment of an Urban Renewal development agency and/or granting renewal powers to local government, including powers of compulsory acquisition for land development and land value capture	3.8	Intensification options need to be looked at nationally and regionally to identify tools required Compulsory acquisition is politically difficult – purpose is to achieve site amalgamation Central govt. would need to engage with the region on this before taking the recommendation forward How would this affect multiple-owned Maori land in urban areas – Te Ture Whenua Act	Department of Internal Affairs Ministry for the Environment Ministry of Economic Development LGNZ Councils	Yes	Further Central government investigation
Councils in the BOP review rating arrangements to create a disincentive to land withholding. This could operate in conjunction with sequencing plans, in that rating premiums might apply where land is, say, more than five years 'overdue' for development according to a staging schedule set out in planning policy. This mechanism may require amendments to local government legislation	3.2	Could have an unanticipated negative effect (increase rates) on multiple-owned Maori land Potential use of rates remission policies Could stop out-of-region investors buying strategic parcels of land to hold for capital gain	Councils Developers TPK Developer working party	Possibly – in relation to provisions of Rating Powers Act	Need an analysis as to the extent of and location of current land withholding, and potential areas that could affect implementation of growth plans
Consistent with earlier recommendations for the establishment of urban renewal legislation, central government investigates granting greenfield land aggregation powers to local authorities, including the tools of compulsory acquisition and land value capture	4.1	Regional Policy Statement provides a planning framework More research required as to whether there is sufficient “market failure” to warrant this	Department of Internal Affairs Ministry for the Environment Ministry of Economic Development LGNZ	Yes	Further analysis required

Proposed recommendations	Degree of support by Reference Group <i>(weighted score 1-5: 1= high support 5= don't support)</i>	Summary of key points raised in discussion	Organisations that need to be involved	Legislative changes required	Next steps for implementation
Development contributions be limited to items which are essential to health and safety. This should be adopted by all Territorial Authorities in the BOP to ensure consistency	2.4	<p>Health and safety refers to “hard” infrastructure such as roads, water, wastewater, stormwater. Other infrastructure would be funded via rates</p> <p>Further analysis would be required on the rating impact and the balance sheet/borrowing impact on Councils; and on the impact on all new houses vs. affordable houses</p> <p>Could provide targeted “relief” to 3rd sector housing associations and for development on multiple-owned Maori land</p>	Councils Councils Development working party	No	Further analysis required on impacts
Development contribution plans be subject to a strategic justification and independent audit process to avert over-engineering of infrastructure (for network capacity or service standards)	2.9	<p>Transparency of information should be the key objective</p> <p>There is some existing review and audit</p> <p>Independent review/audit could persuade developers</p> <p>Reserve contributions are an important and major % of development contributions</p> <p>A local government working party is looking at this</p>	Councils Developer working party Department of Internal Affairs LG working party	If statutory changes to existing provisions are required	
All major agribusiness, tourism and other development proposals and existing operations that rely on low wage workers incorporate suitable	4.0	More definition required Central government issue – watchdog role for DOL and MED	Industry and employer organisations	Possibly	

Proposed recommendations	Degree of support by Reference Group <i>(weighted score 1-5: 1= high support 5= don't support)</i>	Summary of key points raised in discussion	Organisations that need to be involved	Legislative changes required	Next steps for implementation
on-site accommodation and/or provide cash in lieu payments to registered off-site accommodation providers		There is work in progress Consideration of wider social impacts of seasonal workers required – MSD Concern about more regulation RSE policy applies to overseas sourced labour – may need more regulatory tools to apply to NZ resident seasonal labour	DOL MED MSD Councils		
HNZC - or another organisation as appropriate - work with a major banking partner to pilot a shared equity scheme in the BOP, along the lines of the scheme recently launched by the Western Australian Government	2.2	In progress	HNZC Banks	No	
Central government to accelerate the growth of one or two community housing groups into fully fledged Housing Associations. The objective would be for the Associations to have housing stock of at least 200-500 units ¹¹³ to achieve scale economies and have the balance sheet capacity to leverage to achieve further greater growth, This would occur through stock transfers from HNZC. It is proposed that these stock transfers are supplemented by transfer of pensioner housing stock to these organisations from both WBOP and EBOP Councils.	1.8	Only way to get the community housing sector off the ground Capacity building required prior to stock transfers occurring Analysis required of value and type of stock transferred to provide strong balance sheets to leverage for more growth Need economies of scale, at least 200 houses Requires prudential supervision	Government HNZC Councils	Yes	Central govt, HNZC, and Councils consider stock transfers Community housing organisations identify what they would need to do to receive stock

¹¹³ In the final recommendations of the report we added: "...at the absolute minimum in the near term, and preferably up to 3,000 plus units in the medium term."

Proposed recommendations	Degree of support by Reference Group <i>(weighted score 1-5: 1= high support 5= don't support)</i>	Summary of key points raised in discussion	Organisations that need to be involved	Legislative changes required	Next steps for implementation
		framework			
Central government should establish a national prudential supervision framework for Third Sector housing	1.6		Central government Dept. of Building & Housing HNZC	Yes	
Councils introduce Inclusionary Zoning across all development areas in Tauranga City and the WBOP District to generate stock / supplementary funding for the Third Sector housing organisations	1.5	A national issue which will require central government to consider policy and legislative change. Arguable whether possible under current RMA processes In-depth analysis would be required of the potential options, and the effect on housing stock, costs and prices Could be implemented by agreement – JV, contract	Councils Department of Internal Affairs Department of Building and Housing	Probably	
That any CCO and Urban Renewal Agency that is established should offer where appropriate Third Sector housing providers preferential access to surplus Council (and other publicly owned) land and pursue development partnerships with these providers	1.5	A stocktake is required of council and government agency surplus land	Councils Government departments and agencies	No	Stocktake of surplus land
Councils and other organisations in the BOP should advocate to central government and HNZC to ensure their community housing assistance programmes are: • targeted and developed within a long-term strategic framework and include policy	1.2	Funding programmes should be long term and sustainable in nature, rather than short-term/annual to provide better certainty and security of funding Funding should be targeted at organisations that are sustainable Aligns with government policy, such as	Central government HNZC Community housing organisations	No	

Proposed recommendations	Degree of support by Reference Group <i>(weighted score 1-5: 1= high support 5= don't support)</i>	Summary of key points raised in discussion	Organisations that need to be involved	Legislative changes required	Next steps for implementation
<p>objectives that provide for sustainability; and</p> <ul style="list-style-type: none"> that funding is longer term in nature to provide better certainty and security and targeted at sustainable organisations. <p>This will go hand-in-hand with the establishment of a regulatory framework for Third Sector housing</p>		the economic transformation agenda – affordable housing is required to support economic development in the regions			
Zoning densities on areas planned for papakainga or kaumatua housing on multiple owned Maori land be reviewed, subject to development/structure plans being prepared by tribal authorities that are linked to an overall iwi or hapu management plan	1.5	Some plans in progress Central government support is needed for capacity building to develop and implement plans	Maori authorities TPK MSD Social agencies DOL MOH	No	
Development contribution fees and other infrastructure fees or levies that are incurred when building a house on Maori land are able to be included as a suspensory component in applications for loan finance to Government	1.3	Reduces the up-front cost	HNZC TPK Maori authorities Councils	No	
An information booklet is made available to borrowers by financial institutions when loans are being applied for on the true costs of home ownership or operation	1.2	Should leverage off existing information that is already available, e.g. HNZC Welcome Home Loans information and courses, and LDRL course Information should be generic and neutral and independent of a particular financial organisation	Mortgage broking, financial advisory industry bodies Bankers association Budget advisory services HNZC BRANZ Dept. of Building	No – but could be mandatory which would require legislation	

Proposed recommendations	Degree of support by Reference Group <i>(weighted score 1-5: 1= high support 5= don't support)</i>	Summary of key points raised in discussion	Organisations that need to be involved	Legislative changes required	Next steps for implementation
			and Housing MSD/WINZ Master Builders		
Greater government funding is provided to budget advisory services in the BOP, and to educational institutions to offer night classes and other courses, on budgeting skills associated with saving for home ownership and running a home	2.2		Central government Ministry of Education Dept. of Building and Housing MSD/WINZ	No	
Greater government funding is provided to assist budget advisory services to work with banks, other lenders, and utility companies to develop information packs available to aspiring home owners or renters	2.6	Need to educate people/households before they get a house – school curriculum	Ministry of Education MSD/WINZ Budget advisory services Lenders and finance brokers Utility companies	No	
Greater investigation, planning and implementation of public transport services both within urban areas, and intra-regional services, occurs to improve access for people between affordable homes and where they “work and play”	1.8	Need to make sure that this doesn't result in the poor being pushed out to town/city limits Emphasis should be on providing affordable homes near where people work WBOP investigation & planning phase is now into implementation Greater integration is required for EBOP-WBOP services with labour needs/flows , and for services in EBOP	Environment BOP DOL City & district Councils	No	Further analysis of services between EBOP and WBOP and in/out of region from adjacent labour pool areas – develop an intra & inter regional approach
A requirement is inserted into the planning process	1.5	Regional Policy Statement requires	Environment BOP	No	

Proposed recommendations	Degree of support by Reference Group <i>(weighted score 1-5: 1= high support 5= don't support)</i>	Summary of key points raised in discussion	Organisations that need to be involved	Legislative changes required	Next steps for implementation
to demonstrate that the subdivision design provides for connectivity to and accessibility for public transport services		this – Env. BOP is extending this in its review of the RPS This needs to be considered at the structure planning stage (i.e. from Day 1 – before planning approval is sought)	City & district Councils		

Appendix 4 Solution sets available

There is a wide range of solution “sets” available to draw from in the BOP region.^{114 115 116 117 118}

When considering affordable housing and associated issues and solutions, we need to make an important distinction between the main housing tenures, these being owner occupation, social renting and private renting.

With population predicted to increase and residential land limited by local government zoning (prompting plans for greater intensification in some areas) it is likely there will be even greater pressure to provide affordable housing. Innovative strategies and solutions are required to enable access to affordable housing.

There is no single policy instrument which provides a solution. Addressing housing affordability requires the use of a portfolio of instruments. Some will be appropriate to the Bay of Plenty, some will not be.

The following discussion draws extensively from the review of housing affordability ‘levers’ conducted by SGS in 2003 for the State and Territory Members, Housing Ministers Advisory Committee, and a range of other references. For the purposes of that project housing policy ‘levers’ were assembled under 6 categories as follows.

- (1) **Housing market efficiency.** These are policies and programmes designed to improve the operation of the housing market generally so that it produces and allocates dwellings at lowest cost and prices for a given quality rating. These measures generally relate to the promotion of competition, removal of barriers to entry and the improvement of information flows in the market to promote more rapid adjustment to changing demand / supply conditions. Other measures include undertaking demonstration projects in new tenures, housing forms and financing products; and overcoming market failures involving, for example, land assembly difficulties in urban consolidation locations.
- (2) **Affordable housing market efficiency.** These policies and programmes are designed to improve efficiency in the management / delivery of affordable housing, that is housing opportunities specifically targeted to households in the bottom two quintiles of the income distribution. Whereas the initiatives above can all apply to the housing market in general, these specifically ease the operation of affordable housing suppliers/financiers, etc. In general these can be regarded as institutional arrangements more than policy levers as such. They are likely to be useful, even essential, channels for some of the other policies to be effective.
- (3) **Supply side subsidies.** These levers provide explicit or implicit supply side subsidies for the expansion of the stock of affordable housing. Many of these mechanisms require the agency to forego revenue in order to assist particular players in the housing market.

¹¹⁴ Developing Options for a National Approach to Affordable Housing. KPMG and SGS Economics & Planning, and Review of Affordable Housing Mechanisms and their Relevance to the Northern Territories. SGS Economics and Planning.

¹¹⁵ Policy Approaches to the Provision of Affordable Housing. Hill Young Cooper

¹¹⁶ Toolkit for Affordable Housing Development. The Wasington Area Housing Partnership.

¹¹⁷ The Local Government Housing Resource Kit. Queensland Australia Department of Housing.

¹¹⁸ Affordable Housing in Nelson, Tasman & Marlborough: Taking Action. Final report of the programme Affordable Housing in Markets Under Stress: A Solutions Study and Affordable Housing in Nelson, Tasman & Marlborough: Draft summary of solutions. Motu Project Team.

- (4) **Demand side subsidies.** These are policies and programmes that provide explicit or implicit income assistance for lower income renters and buyers.
- (5) **Fund raising regulatory or taxation measures.** These include administrative and taxation measures designed to raise cash or in-kind resources to fund the subsidies deployed in the mechanisms described in categories three and four.
- (6) **Ethical investment and charities.** These are measures and initiatives designed to tap ethical investment and benevolent sources as a means of funding affordable housing subsidies.

The “super-set” of solutions or measures relevant to New Zealand and the Bay of Plenty have been extracted from this work, and other sources, and are summarised and described in the following tables.

Table A4.1 Housing Market Efficiency measures

Solution	Description
<p>Housing Finance</p> <p>Superannuation applied to deposits</p>	<p>This is a proposal to enable fund holders to draw upon their superannuation assets to pay a deposit on a home. The fund holder would not be required to repay the principal amount borrowed. Under some proposals, repayments would be made on an ‘interest only’ basis, at a rate nominated by the fund holder. Other proposals also allow the fund holder to borrow in excess of the superannuation account balance and service this ‘debt’ in part or in full through regular superannuation contributions.</p> <p>Proposals which do not incorporate means testing have been criticised. It is contended that households with sufficient income to have established significant superannuation capital are less likely to be suffering from non-voluntary housing stress. Without means testing, the proposal may have the perverse effect of increasing housing consumption amongst higher income groups, causing house prices to rise whilst being of limited relative value to lower income groups.</p> <p>Without sufficient controls, allowing superannuation funds to be drawn upon for housing needs may also result in low-income households being significantly worse off upon retirement. Whilst such a mechanism may reduce Government housing support costs in the short term, it is possible that an increase in aged pension payments may be sustained in the long run.</p> <p>The new KiwiSaver scheme allows use of savings for deposits, and provides a Government subsidy.¹¹⁹</p>
<p>New finance products</p>	<p>New commercially available finance products generally result from deregulation and competition within the banking and finance sector. Whilst some products may be of benefit to low income households or households living in housing stress, most are not explicitly targeted at these groups.</p> <p>Products available that are more relevant for low income borrowers include:</p> <ul style="list-style-type: none"> • Low start loans where repayments are low initially but increase as income and asset values rise over the period of the mortgage. Low initial repayments have the effect of extending the period and the overall cost of the loan. • Shared Equity loan schemes are a recently revived finance product that vest part of the asset value in a dwelling with the occupier and part with another investor. This arrangement reduces the amount of capital to be borrowed by the occupier in order to establish a part ownership interest in a dwelling.

¹¹⁹ After three years in KiwiSaver, savers will be eligible for a one-off deposit subsidy of up to \$1000 for every year they've been with KiwiSaver, up to five years (or \$5,000). If the saver has a partner, and both save through KiwiSaver, they can combine the deposit subsidies. So after five years' saving a couple could get up to \$10,000, provided they have a total household income below the income cap. The cap is still to be set. After three years the saver(s) will also be able to make a one-off withdrawal from their savings, to help buy their first home. The first deposit subsidies will be paid out in 2010 to people who started KiwiSaver contributions in 2007.

Solution	Description
	<p>Critics of shared equity loan schemes suggest that by simply improving access to housing finance, increased housing consumption will catalyse further escalations in housing prices.</p> <p>Concerns also surround the equitable sharing of risk and returns between the dwelling occupier and silent investor (usually a bank or financial institution, but could also include a relative or sponsor).</p> <ul style="list-style-type: none"> • Reverse or equity release mortgages allow existing homeowners to access the equity vested in their home. This can assist households with significant housing assets but low incomes to meet living expenses, without having to relocate or leave their established residence. <p>Equity release products are not of any benefit to non-home owners or those without significant equity in their home.</p> <p>Equity release products may also have the perverse effect of encouraging the under-occupancy of dwellings in cases where older homeowners choose to draw upon their equity rather than relocating to a more suitable, lower cost dwelling.</p> <ul style="list-style-type: none"> • Deposit bonds remove the need for the purchaser of a property to pay a deposit at the time contracts are exchanged. Instead, the purchaser pays the bond's issuer (typically an insurance company) a fee in return for a guarantee that an amount equivalent to the deposit will be paid at settlement. For short-term bonds, this fee can be measured in hundreds of dollars rather than the tens of thousands required for a conventional deposit. Even bonds with terms of up to three years, used to purchase property "off-the-plan", are relatively cheap, allowing investors to gain a highly leveraged exposure to the property market during the property's construction phase. Developers report that deposit bonds have been used by up to 70% of purchasers in some projects in Australia. It is estimated that they are used in up to 20% of Sydney residential transactions, the market where their use is most widespread. • Low documentation loans are designed for borrowers that are unable to gain approval for traditional lending products due to insufficient documentation – usually due to their employment situation (self-employed, seasonal or contract workers). These loans typically carry an interest rate 60–80 basis points above the standard variable mortgage rate and have a maximum LVR of 75–80%.
Government backed mortgage insurance	<p>Mortgage insurance is currently offered by private sector insurers, with premiums established according to an assessment of risk. Arguably, a government-backed mortgage insurance scheme would enable a greater number of households to gain housing finance. This argument is centred around the contention that, relative to a Government backed scheme, private sector insurers may be excluding marginal borrowers through their risk management techniques, tighter credit controls on lenders and aggressive competitive action (Berry 2001, p.12).</p> <p>The Welcome Home Loan programme is based on a mortgage insurance scheme piloted through Kiwibank. Under it people can borrow most or all of the cost of a house. The scheme, run by HNZC, is available through Kiwibank, TSB, SBS, the Nelson Building Society, DBS Canterbury and some Credit Unions. It is understood there are plans to expand the scheme, with new add-ons including an Equity Share Scheme and an increase in the number of low-interest loans and grants available through the Housing Innovation Fund.</p> <p>It may be argued that, while of assistance, the impact would not be sufficient enough to drastically improve home ownership affordability, particularly for those most in need.</p>

Solution	Description
Development of community banks	Encouraging and facilitating the development of Community Banks and Credit Unions may represent a method for the finance sector to be more responsive to local needs. Community Banks and Credit Unions may also act as a vehicle for securing local capital for investment in local affordable housing initiatives. The attraction of this investment would be primarily derived from the institutions local market knowledge and commitment to viable local housing outcomes.
Underwriting	To provide lender security, organisations would provide an underwriting guarantee for an affordable housing development or for a purchaser/group of purchasers based on an assessment of default risk. An underwriting fee may or may not be charged depending on the relationship between the parties, and the level of risk.
Employer loans or underwriting guarantees	Employers could provide suspensory loans, including loans for deposit for qualifying employees or provide absolute or reducing over time underwriting guarantees up to a certain amount. Loans could either be interest bearing, reduced interest, or interest free. The loan principal could either be repaid or forgiven after a specified period of time with the firm. Central government could provide incentives to employers to provide such assistance by waiver or reduction of FBT or provision of tax credits.
Central government reimbursement of local government expenditure on infrastructure to enable more discretionary funding of affordable housing	<p>Where TLAs have borrowed or used rates to pay for infrastructure (such as State Highway upgrades and interchanges) to be installed or upgraded ahead of the planned timeframe of bodies such as LTNZ in order to implement regional strategies (e.g. SmartGrowth) this will reduce the amount of discretionary funding that the TLAs could otherwise have applied to other priorities including affordable housing development.</p> <p>Where the central Government agency's works programme and funding plans had provided for this expenditure in future years, this sum could agreed to be paid to the Councils in those year and therefore be incorporated in the TLA's financial projections as a funding receipt.</p>
Infrastructure Loans	<p>Council development and financial contributions are often a significant up-front cost that can create a barrier for either affordable housing providers seeking to construct a home on a section, or households seeking to build a home. Councils levy charges based on borrowing and charging interest and principal repayments that reflect the per lot costs of infrastructure provision over the infrastructure life-cycle across the anticipated number of sections and their timing of development.</p> <p>Loans that spread this up-front cost for affordable home clients or providers over a number of years, or provide for interest roll-up for repayment at a future date, or other variations may assist. The total cost, due to interest, would be higher than making an up-front payment. Government agencies could potentially provide these loans at more cost-effective rates than commercial providers.</p>
Planning and Infrastructure	
Local Government Planning Policy	<p>A lack of consistency in planning policy and development frameworks can result in delayed, inflexible and inefficient development processes, in turn adding to the 'unit' cost of developing individual dwellings. In addition, objectives regarding the provision of affordable housing may not be explicit, or they may be contradictory to objectives associated with other recognised environmental attributes. In many cases, the need to provide affordable housing in key locations needs be considered against the need to preserve and recognise other, environmental, economic, social and cultural values. An outcome that maximises community benefit needs to be achieved.</p> <p>Creating a consistent, best practice, just and efficient suite of city and district planning policies and provisions would appear to be a priori desirable. However, the elements which comprise a 'best practice' model must first be defined and agreed upon. The need for planning policies to be responsive to local environments and contexts means that 'best practice' policies will vary across individual settings.</p>

Solution	Description
	<p>This “lever” incorporates a potentially wide ranging suite of planning policy reform measures. In general, the reforms would reward, encourage or at least permit lower cost forms of construction in areas where housing affordability is a priority outcome. Measures may include policies to permit higher densities in appropriate locations or the facilitation of alternative housing types such as mobile homes, demountable homes, rooming/boarder houses, studios, shop top housing, and mixed use developments.</p> <p>In addition, the lever incorporates reforms concerning improvements to the administration of planning policy, whether measured in time taken, predictability of outcomes or consistency of application. Maintaining this ‘administrative efficiency’ is an ongoing challenge that is necessary in its own right.</p>
Remove urban zoning limits	Removing zoning urban containment constraints to increase land supply. This however could potentially create unrestrained urban sprawl, although development would be constrained by public infrastructure availability and cost.
Restrict conversion of residential stock to commercial uses	In order to maintain a supply of older and generally lower cost houses near town centres and local shopping centres (and also on main transport links where such conversion is prevalent), Councils could restrict or place greater controls on use of previous residential homes for commercial uses.
Regional strategic land planning	Greater use of vacant land and housing stock in nearby towns and rural areas in other TLA districts for affordable housing across the region; supplemented potentially with enhanced public transport systems
Efficient infrastructure provision & equitable user pays (development and financial contributions)	<p>Up-front and pre-notified developer charges for infrastructure (development and financial contributions) are apportioned according to the projected share of beneficial usage which the development is expected to generate.</p> <p>Ensuring that infrastructure is supplied efficiently and equitably may contribute to increased housing production efficiency and therefore to increased housing affordability. This process would occur in two primary ways. Firstly, if development and financial contributions are prepared on the basis of genuine ‘cost reflectivity’, that is, with adequate differentiation of charges in line with differences in the cost of servicing the lands in question, a pricing signal is sent encouraging the early use of land which can be more readily supplied with infrastructure. Provided steps are taken to combat land withholding, the use of more efficiently serviced land should reduce housing production costs, all other things being equal.</p> <p>Secondly, pre-notified infrastructure charges remove the element of uncertainty (and therefore commercial risk) attaching to how infrastructure items will be funded. Where the providers of debt or equity capital for housing projects are otherwise subject to ad-hoc negotiation arrangements, a premium is required to cover the risk of delays and adverse outcomes. This premium is ultimately passed on to home buyers.</p> <p>The majority of mechanisms related to efficient infrastructure provision are founded on robust strategic land use planning, in order to accurately forecast development, assess current and future infrastructure requirements, calculate charges and determine ‘roll out’ strategies. Ideally, this process would be formalised by the development of metropolitan development and ‘sequencing’ plans, as in SmartGrowth.</p> <p>Whilst the general efficiency of the housing market is enhanced by all of the processes involved with developing efficient and equitable infrastructure funding and delivery systems, no element of targeting to affordable housing is explicitly apparent.</p>
Private sector provision of infrastructure	Where infrastructure is a constraint because the Councils are the only supplier and they are at the end of their capacity, or there are Council funding limitations, private sector provision and funding of infrastructure could allow more land to be released than otherwise would be possible, or alternatively the land release could be brought forward from current projected Council timing. Options include:

Solution	Description
	<p>i) establishing JVs or BOOTs for wastewater or other infrastructure</p> <p>ii) inviting developers to put Plan Change proposals to the Councils which show how land and (certain types of) infrastructure will be provided and funded by them and bypass the Council fiscal impact</p>
Council facilitation or regulation to require sustainable affordable housing	<p>The ongoing costs of occupation must also be addressed so that affordable housing is sustainable for households that either rent or own their homes. Energy saving devices, insulation or energy-efficient design can reduce energy use. Use of appropriate materials and design can reduce future maintenance costs.</p> <p>Councils can either facilitate, and/or regulate to achieve this through bylaws, District Plan rules and codes of conduct. Changes to the Building Act, and building permits could be necessary to require implementation of such features in new homes, or significant renovations of existing homes.</p> <p>Promotion of retrofitting insulation could be a joint programme involving several agencies.</p> <p>Councils could have a role in promoting urban design concepts to developers and builders that incorporate affordable housing and development styles. This approach could also involve Councils and developers and architects working together to suggest development styles suitable for various areas.</p>
Use of design and materials to provide for cost-effective conversion	Facilitation (through information and design concepts) or regulation can reduce the costs of property conversion (and increases the supply of available stock) for future occupancy by elderly and/or disabled low income people.
Targeted zoning	<p>Councils could apply a specific zoning (or development controls) to allow development of short term worker accommodation and campgrounds in certain rural areas to house seasonal workers employed on the same property or in the vicinity.</p> <p>This could be extended to allow for use in other times of the year for holiday accommodation to provide some additional return on the investment.</p> <p>Another variation is to allow residential scale development to confined areas of rural land in locations not attractive for holiday homes (eg. inland near main roads) but which would be suitable for seasonal or permanent worker accommodation.</p>
Minor dwellings	<p>Allow “pensioner” housing units or smaller houses of a maximum size to be built on 2/3 of the current minimum lot size in certain residential or rural zones.</p> <p>Another option is to allow minor dwellings on an existing site of minimum size, though without subdivision. They would remain permanently once the original occupant has vacated, but if held on the same title they are more likely to be rented out and not become a cause of de facto intensification of a rural area.</p>

Solution	Description
<p>Land Supply</p> <p>Government businesses - competition in land supply</p>	<p>Government (both central and local) owned organisations with significant land holdings would be principally engaged with stabilising land prices by responding to land supply and demand imbalances as they occur in the market. This role may range in scope from strategic land release, to complete land development and finished lot retailing. Ongoing monitoring of supply and demand would inform the organisation and 'trigger' market entry. Such organisations would normally be commercially viable and return dividends to their owner.</p> <p>Although Government owned land owning and development organizations do not require any subsidy to remain viable, most capture 'betterment' value when land on the urban fringe is released for development (the value of the land – which was originally purchased as a Greenfield site - increases once it is released for urban development). In this way, these may be seen as a vehicle for ensuring that, wherever possible, betterment is captured for public good, rather than private.</p> <p>Alternatively specific land holdings owned by these bodies could be allocated for affordable housing development either by ADHVs as below, or by a PPP, or by the organization itself (subject to the provisions of the Public Works Act and gifting covenants for land acquired through these avenues).</p> <p>Whilst these bodies may improve general market efficiency and contribute to stabilising housing prices, as commercially oriented organisations operating without subsidy they have limited application regarding the direct provision of affordable housing.</p>
<p>Government organisations to engage in land banking (strategic land holding and acquisition)</p>	<p>Generally, land banking initiatives would be designed to empower the market efficiency role of Government agencies. In this way, land banking refers to the strategic purchasing of land to ensure that an affordable supply of land is available into the future. This land may or may not be used specifically for the provision of affordable housing. The need to maintain fair competition in the market would need to be weighed against the need to release land at a discounted or subsidised rate if affordable housing outcomes beyond those created via enhanced market efficiency were required.</p> <p>Whilst the opportunity cost of land banking schemes requires consideration (it may be more effective to utilize the required funds in another way, rather than 'hold them up' in a long-term land banking scheme), there may be potential for Government agencies to strategically purchase land in areas where development is either directed or forecast to occur. Betterment value is effectively captured upon later release of this land, generating a significant public windfall. The betterment value captured upon land release may be directed towards the provision of affordable housing.</p> <p>As land banking is primarily designed to empower Government owned land development functions or entities, the initiative has merit as a general housing market efficiency tool, but limited application for specifically generating affordable housing in the shorter term.</p> <p>Land swaps could also be employed to create greater opportunities or incentives to construct affordable homes (as part of a negotiated agreement with developers).</p>
<p>Assemble land in urban consolidation areas</p>	<p>In many cases, land in urban consolidation areas is owned by a number of stakeholders. Government (central and/or local) owned land owning and development agencies could play a role in assembling sites that would otherwise be passed over by 'standard' market players because of the difficulties in dealing with multiple property owners.</p> <p>Land assembly in urban consolidation areas can be seen as a similar initiative to land banking and land release initiatives. Whilst the latter two</p>

Solution	Description
	<p>initiatives are primarily associated with land and development on the urban fringe, land assembly initiatives are particularly focussed on established urban areas.</p> <p>Whilst land assembly in urban consolidation areas is warranted and has merit as a general tool for expanding the supply of affordable housing in key urban areas, the scope of the initiative is limited to negotiations based on 'ad-hoc' opportunities.</p>
Punitive rates to promote release of land for development	<p>Punitive rates and charges would be designed to discourage the withholding of land that is 'in sequence' and ready for development. Generally, such land would have been identified through a development plan and the anticipated sequence and timing of its development made clear. Punitive measures could include the imposition of urban rates on broad hectare sites that have passed beyond a certain time threshold with respect to their designation for release and development under the respective development plan.</p> <p>A development sequencing plan may also be backed by an explicit system of infrastructure acceleration charges in the case of out of sequence development. In this way, proponents would be required to meet the marginal cost of servicing land at an earlier stage than was planned for (it is more expensive to provide infrastructure services on land that is remote or 'out of sequence').</p> <p>Development sequencing models that are backed up by punitive and acceleration charges generate greater efficiency in the housing market, equitable and efficient infrastructure services provision and therefore reduced costs. However, they are not mechanisms that are specifically targeted towards the provision of affordable housing, especially for those most in need</p>
Unlocking value or providing security for development of or on multiple-owned Maori land	<p>A range of models could apply in this area including:</p> <ul style="list-style-type: none"> • Provision of general enforceable securities as guarantees or underwrites such that lenders will lend for developments • Provision of leasehold security that is able to be registered in the Land Court for buildings on Maori land (to enforce security on default a leasehold mortgage interest is able to be sold or transferred to other parties, or the building repossessed and sold) • Land swaps or sale of surplus land (subject to all owners consent and ratification by the Maori Land Court) to realize value to enable development of priority Maori land in other areas • PPPs • AHDVs • Provision of advice on sustainable building and development, and maintenance to improve the quality of new and exiting housing stock
Other Housing Market Efficiency	
Demonstration projects promoting innovation	<p>Programmes would be put in place to directly utilize or facilitate the use of demonstration projects to promote and exemplify the advantages of innovations in land development, housing design and construction practices.</p> <p>Innovations might include more efficient lot packaging, more efficient infrastructure provisioning, changes to construction practices and the use of materials, more efficient construction management, environmentally sustainable design (ESD), focus on designs and materials that reduce</p>

Solution	Description
	<p>future maintenance costs, and the tapping of economies of scale in house and land packages.</p> <p>The programmes may incorporate an emphasis on suitable housing types and construction techniques for a specific target group, such as low income first home buyers, or they may inform the development of more cost effective social housing.</p> <p>There may also be opportunities to broker arrangements with suitable manufacturers and housing related businesses, resulting in further cost savings.</p> <p>Innovative housing programmes are a positive feature of the contemporary responses to housing affordability and environmental issues, which should be encouraged per se.</p>
Subsidise design features that reduce ongoing operating costs	Subsidies and grants to incorporate insulation, water and energy saving devices in designs, or for retro-fit into existing homes, to reduce future home operating costs.
Appropriately structured and skilled workforce in housing sectors	<p>The viability and effectiveness of the housing sector is directly affected by the availability of an appropriately skilled workforce. In regional areas particularly, relatively small labour pools and the lure of higher income potential in urban locations act to exacerbate skill shortages.</p> <p>Of particular concern is the ageing profile of workers in the construction industry - a trend that is underpinned by a diminishing numbers of new entrants into the trade industries.</p> <p>Skill shortages can result in lengthy construction times, artificially inflated costs and general market inefficiency.</p> <p>In facilitating the availability of an appropriately skilled workforce, factors such as workforce entry points, training and education systems, barriers to entry, and licensing and regulation frameworks would be reviewed and amended to ensure that the labour market operates as efficiently as possible.</p>
Provision of improved market information	<p>More detailed and improved market information concerning pricing trends and housing sector changes can raise investor confidence and stimulate activity. The wider availability of robust information for major housing sub-markets would also remove a major barrier to institutional and professional investor participation in those markets.</p> <p>Whilst improved market information may result in more robust market analysis, it is not possible to say that investment in affordable housing will be increased as a result. If housing is revealed to be an attractive investment for professional and institutional investors, additional funds will be directed to the sector, however the supply of affordable housing may even diminish, rather than escalate.</p>
Provision of improved information to low income people on housing choices	<p>Improved knowledge of entitlement to welfare payments (e.g. accommodation supplement, disability allowances, etc) would potentially increase household income for some families providing a greater ability to meet household rent, mortgage and rate costs. This may also assist some families apply for social or emergency housing assistance.</p> <p>Improved knowledge of potential design features and products that improve energy efficiency, reduce maintenance, etc could lead to improvements being incorporated by developers and builders when house contracts are being negotiated. Knowledge would also assist households become more aware of budgeting implications of their choices.</p>

Solution	Description
Provide low cost dwellings on communal sites	<p>Transportable housing and caravans could be utilised on designated serviced land with communal facilities for meeting seasonal demand, short term or interim accommodation needs of low income households on either rural or urban sites.</p> <p>For low income retired households the quality permanent caravan parks with communal facilities, as used extensively in the USA and UK, could provide either a low cost rent or ownership option, and potentially the ability for the elderly to sell their current homes and release capital without entering into reverse equity financial products. Alternatively they could be a stepping stone towards purchase of a home for first home owners.</p>

Table A4.2 Affordable Housing Market Efficiency

Solution	Description
<p>Support cost effective, not for profit delivery vehicles¹²⁰</p>	
<p>Support cost effective, not for profit delivery models</p>	<p>“Affordable housing delivery vehicles” (AHDV’s) aim to leverage more housing from government capital by tapping new sources of subsidies, as well as utilising mixed financing approaches - especially with regards to bringing in various forms of private finance.</p> <p>New AHDV’s are being created to manage the roles spanning the raising of finance, portfolio development and management, and socially responsible tenancy management. To be successful in all roles, the AHDV’s need to manage the involvement of several sources of funds (both public and private sector sources), take a long term portfolio management approach to their assets, and recognise the link between the financial viability of the housing and the way it is priced, targeted and managed. These organisations also need to ensure that tenancy management operations and client services are consistent with community expectations about a supportive housing environment.</p> <p>AHDV’s are in effect an administrative means to manage affordable housing programmes and subsidy sources, they are not a direct source of housing production or finance.</p> <p>These entities could be special purpose public bodies, or joint venture bodies between public and private sector organisations. They could be new or existing bodies.</p> <p>Organisations such as Councils, central Government agencies, businesses or business representative organisations could provide support in a variety of ways including provision of establishment funding or seed funding, advice on governance and management at set-up or on an ongoing basis, or provide in-kind specialist support.</p>

¹²⁰ Information presented to describe this lever has been adapted from: SGS Economics and Planning P/L (2003), *Preserving Affordable Housing in South Australia: Regulatory and Market Mechanisms*, for Planning South Australia.

Table A4.3 Supply Side Subsidies

Solution	Description
Tax Based Subsidies	
Low income housing tax credits	<p>The income earned on housing provided for low-income households would be subject to a reduced taxation rate. The recipient of the tax credits would need to guarantee that the housing being provided would remain affordable to the target group for a defined period of time.</p> <p>This lever is specifically aligned with the need for an increased supply of new affordable housing, as it makes investment in new dwellings that are leased at an affordable rate more attractive. Low income housing tax credits would be a subsidy provided by the Government.</p> <p>Whilst LIHTC's are not currently applied in New Zealand or Australia, they have been a feature of the affordable housing policy framework in the U.S.A since 1986. Berry <i>et al</i> state that "the programme delivers tax credits to selected developers who must contract to maintain low to moderate income occupancy of the dwellings for a period of thirty years" (2001, p.106).</p> <p>The U.S.A experience reveals a number of issues with LIHT's, including the following:</p> <ul style="list-style-type: none"> • The scheme wanes in escalating housing markets because strong capital gains attached to 'regular' properties outweigh the benefits of the subsidy. Preventing an exodus in strong housing markets can be achieved by appropriately managing the rules of eligibility and exit (if permitted). • Social mix has not been achieved as most LIHTC developments are uniformly low income in nature • LIHTC's do not generate the same level of housing affordability as other subsidy programmes (public housing provision for example). The dwellings produced under such programmes do not always reach those most in need.
Concessions to affordable housing rental investment	<p>This lever is primarily associated with restructuring the existing negative gearing framework to make investment specifically in affordable housing more attractive relative to investment in other property assets. It may be possible to do this in such a way that net tax revenues are unchanged.</p> <p>Arguably, increasing the scope for depreciation claims on affordable housing as well as increasing the ability to offset tax losses on affordable housing (against other income streams) would generate further investment at the lower end of the housing market. These changes may be commensurate with a restructuring of the framework as it applies to the 'higher' end of the market.</p> <p>It is argued that negative gearing is most attractive when applied to properties that benefit from capital gain (assuming that it does not make financial sense to purchase a 'loss making' property if it is not accruing capital value). Consequently, an investor intending to maximise the benefit from negative gearing will select properties according to capital gains potential, which may preclude housing at the lower end of the market.</p> <p>It may also be argued that low value housing achieves its greatest capital gain when located in an area subject to rapid gentrification. In this scenario, it is in the interest of the investor to aid the process by converting low value housing to higher value in order to capitalise on that gain.</p> <p>A biased form of negative gearing would require evidence that tenants are in the target group and that affordable rentals were being charged. It</p>

Solution	Description
	<p>would also only be applicable where negative gearing applies.</p> <p>Overall this lever presents administrative complexity and is constrained by a variety of factors. The Reserve Bank of Australia in considering this option suggested that “any modifications to the current taxation system should apply, wherever practical, to all investments so as to ensure the neutrality of the taxation system across investment classes”. (2003, p.55)</p>
GST exemptions for social and affordable housing	<p>Affordable housing landlords (including public housing authorities) would not be required to pay the GST on items associated with the operation, maintenance or administration of their housing investment. The specific processes and items being exempted from GST would need to be carefully considered. This would effectively be a subsidy by the Government.</p> <p>The impact would be relatively greater on older housing stock if maintenance expenses were included. The proportional impact would be less in inner city housing where land prices dominate.</p>
Accelerated depreciation for affordable rental housing	<p>This lever would reduce the costs of establishing new affordable housing by way of tax relief for a defined period of time. This would be a subsidy by the Government.</p> <p>Ensuring that benefits apply only to affordable housing in the longer term may be problematic. Houses constructed and initially leased at affordable rates could be sold after the majority of the depreciation benefit had been captured. Unless a covenant were attached to the land requiring that the dwelling be used for affordable rental for a fixed length of time or in perpetuity, there would be no controls over the buyer’s use of the property. The imposition of such a covenant is likely to reduce the properties value, substantially offsetting if not eliminating the benefit of accelerated depreciation.</p> <p>Restricting this lever to not-for-profit housing organisations would overcome the abovementioned problem to some extent. However, these organisations may subsequently look to maximise their flow of benefits by continuously building and selling housing, rather than retaining it for useful periods of time.</p>
Local Government rate rebates and fee waivers	<p>General rates and fees would be reduced or removed (or deferred) where the subject property is classified as contributing to affordable housing. Rebates and waivers would most likely be attached to privately owned rental housing or newly developed affordable housing. The timing and duration of rebates would need to be considered. This would be a subsidy by local government.</p> <p>Any taxation and subsidy measures applied at the local government level would be subject to the effects of differentiation between adjacent Local Government Area’s. If a municipality becomes more attractive to low-income households and less attractive to higher income households –relative to adjacent areas – an overall ‘distillation’ of the TLA’s population toward lower average incomes would occur, creating a number of undesirable outcomes. A national approach to the subsidy scheme would be required to ensure that at least a minimal degree of uniformity and social mix between TLA’s was encouraged. Such an initiative may be politically challenging.</p> <p>Any targeted reduction in rates or fees would require some form of compliance monitoring.</p> <p>In broad terms, affordable housing is already subject to lower rates because of its lower value. Fees are less related to housing type or value however, relative to rates, they are a smaller component of housing costs.</p>
Other Subsidies and Transfers	

Solution	Description
Government issued bonds for affordable housing	<p>Central and/or local Government would raise money to invest in affordable housing by issuing fixed interest rate bonds to the market. (i.e. investors would buy bonds from the Government as an investment vehicle with a fixed rate of return). The funds raised would be allocated to recognised affordable housing providers for direct investment in affordable housing.</p> <p>The difference between the actual rate of return on the affordable housing properties and the guaranteed commercial rate paid to investors would be met by a subsidy provided by Government.</p> <p>Affordable housing bonds represent an alternative method of raising funds for capital expenditure, in preference to general taxation mechanisms.</p>
Fast tracking development assessment and approvals	<p>Lengthy approval processes increase development costs and housing prices. Reform of the approval process may produce cost savings for developers, which – in efficiently operating and competitive housing markets – would be passed on to home purchasers and renters. Under this approach, planning authorities would ‘prioritise’ affordable housing development applications in order to minimise delays.</p>
Rent Controls	<p>Rent controls apply a limit to the amount of rent that can be charged for a particular dwelling. In general, the permissible rent is benchmarked to a defined affordability objective and indexed to inflation or another cost index.</p> <p>Rent controls effectively reduce the returns available to landlords without compensation (the permissible rental value is lower than market value). Whilst rent controls are of short run benefit to tenants, they can result in under-investment in housing (both construction and maintenance) and, consequently, greater long term housing stress. Rent controls also impose a substantial burden on the authority responsible for their administration and enforcement.</p> <p>Rent controls are not the same as regulated rent increases which benefit from government subsidy and/or fiscal concessions.</p> <p>There are no rental controls on housing in the private rental market in New Zealand or Australia.</p>
Government guarantees for borrowings by recognised affordable housing providers	<p>Guarantees would form part of a package of support for recognised affordable housing providers, such as Community Housing Authorities and Affordable Housing Delivery Vehicles. Government guarantees would effectively reduce the risk profile attached to affordable housing providers, allowing them to more easily obtain a greater quantum of finance at a wholesale interest rate. This approach would require Government to effectively absorb the cost and risk attached to the guarantees for investment in affordable housing.</p>
Affordable housing subsidy programme	<p>Provision of an additional funding stream to affordable housing providers, or provision of subsidised loans.</p> <p>Operating subsidies provided to recognised affordable housing providers would be passed on to low income tenants.</p> <p>The subsidy would be received as recurrent payments, and would either be calculated as a percentage of costs, established on a per capita basis or set at a fixed amount. This would be a subsidy, generally a central or local government agency.</p>
Capital grants	<p>Capital grants can be received as direct funding or via land gifting or land price discounts. They are received by recognised affordable housing providers.</p> <p>Capital grants are the primary alternative to the recurrent affordable housing subsidy programme outlined above. The Government would</p>

Solution	Description
	provide the grant, which is effectively passed on to the affordable housing tenant in the form of rental subsidy, subsidised home purchase loans, or another mechanism designed to lessen the cost of housing.
Developer assistance – finance or finance subsidy	<p>Developer assistance may take a number of forms, however the primary aim of any assistance would be to lessen the risk and/or cost burden attached to the provision of affordable housing. Most forms of developer assistance would involve some form of subsidy transfer from either central and/or local Government to the developer.</p> <p>The provision of bridging finance for affordable housing developers would be a form of assistance that lessens the cash flow burden associated with overlapping debt and / or land holding costs. Proponents wishing to develop affordable housing would receive bridging finance for a defined period of time.</p> <p>To be effective, Government would need to either provide the bridging finance at below market interest rates, offer better terms and / or accept a greater risk than private financiers. In each of these cases a subsidy is apparent.</p> <p>This “lever” is extremely wide ranging in scope. The amount of subsidy involved will directly influence the levers impact on affordable housing outcomes. An initiative such as Government provided bridging finance would be most effective if provided as part of a wider package of initiatives.</p>
Developer assistance – reduction or waiver of fees and charges	<p>Developer assistance may take a number of forms, however the primary aim of any assistance would be to lessen the risk and/or cost burden attached to the provision of affordable housing. Most forms of developer assistance would involve some form of subsidy transfer from either central and/or local Government to the developer.</p> <p>Another form of assistance would be reduction or waiver of financial and development contributions, and/or resource consent or building permit fees for developments that incorporate a defined proportion of affordable housing provision. This again is a form of subsidy, in that the reduction of revenue received by the Council would need to be made up from other sources, generally rates.</p>
Public Private Partnerships	<p>Public Private Partnerships (PPP's) are projects jointly funded by Government and private enterprise, each providing financial leverage and reducing a variety of risks for the other. (see ADHVs in table above).</p> <p>It is also suggested that the legal, financial and taxation complexities surrounding PPI's have constrained their development. The schemes must also be large enough to absorb high start up costs.</p>
Employer assistance	<p>Employers, particularly for key workers, could provide assistance in a number of ways including:</p> <ul style="list-style-type: none"> • company owned rental accommodation for permanent and/or temporary or seasonal workers • bus transport to bring workers in from other areas • land on a leasehold basis for worker's to build homes • mortgage guarantees or subsidies to assist in employees getting lender finance

Table A4.4 Demand Side Subsidies

Solution	Description
Taxation concessions or incentives for low-moderate income homebuyers	
Housing lifeline loans	Housing lifeline loans are designed to deal with short-term – and often acute – housing stress. They provide a low cost loan to households facing the short-term loss of housing due to unforeseen circumstances such as unemployment, illness or accident. By providing a form of income insurance for low-income households, housing lifelines help these households to avoid slipping into long-term poverty. Housing lifeline loans address a general market failure to provide finance products for households suffering unforeseen and undue hardship (Gans <i>et al</i> 2003)
Deposit assistance	<p>Generally, deposit assistance is a one-off grant designed to supplement the recipients savings towards a home deposit (refer to KiwiSaver in the table above). Individuals on the fringe of home ownership are most advantaged by deposit assistance. Being a fixed amount, deposit assistance provides a greater proportional contribution to lower cost housing than to more expensive dwellings.</p> <p>Alternative methods of structuring deposit assistance include:</p> <ul style="list-style-type: none"> • Structuring the assistance as a savings incentive; • Providing contributions in proportion to savings; and • Providing tax-free interest or an interest rate bonus on savings in a recognised deposit account <p>All schemes require a cap on the amount of assistance provided and/or means testing to ensure eligibility.</p>
Below Market Interest Rate Loans	Home loans would be provided to target groups at an interest rate below that available in the market place. The subsidy involved in such a product would be provided by Government.
Reduced threshold mortgage eligibility	<p>Relaxing the mortgage eligibility criteria for targeted groups would allow low-income households on the margins of home ownership to access finance more readily. Whilst a direct subsidy element is not apparent, the Government absorbs any increase in defaults that may arise. This implicit subsidy would be provided by Government.</p> <p>Reducing the threshold for mortgage eligibility may result in some households obtaining finance that they cannot afford, significantly enhancing rather than reducing housing stress. The number of households that can be helped into home ownership without this danger of ‘over commitment’ may be modest.</p>
Mortgage interest deductibility	<p>The interest paid on a home mortgage would be tax deductible for targeted groups.</p> <p>In the absence of targeting, this lever is somewhat regressive in that it is of far higher value to high income, high marginal tax rate households than to those on low incomes.</p>
Converting rent assistance to subsidy	This programme would allow Accommodation Supplement assistance recipients to convert future accommodation assistance payments to a recurrent subsidy that would assist with home loan repayments for a given number of years. Rather than receive the subsidy as recurrent

Solution	Description																														
for purchase	<p>payments, it may also be possible to take a lump sum as a deposit on a home. This lever would assist recipients on the margins of home ownership.</p> <p>As current Accommodation Supplement payments do not have a 'limited' term (a recipient may receive this assistance indefinitely), converting the payments to a recurrent subsidy over a fixed period may actually represent a cost saving to Government in the longer term. In the shorter term, the effect is cost neutral.</p> <p>In some Australian states, public housing tenants who wish to purchase the home they live in are able to convert rental subsidies to loan assistance payments. However, the number of qualifying households in these schemes is generally small. In the UK rent-to-buy schemes are widespread, particularly through Housing Associations, and where often tenants receive rent subsidies.</p>																														
Taxation concessions / incentives for low-moderate income renters																															
Direct rental subsidy	<p>Generally, direct rental subsidies are received in the form of a payment towards the cost of rental housing. Most commonly, the amount of subsidy is determined by the low-income recipients rental costs and their income. Structuring the subsidy in this way enables the recipient to make housing choices that reflect individual values concerning housing type, location and affordability.</p> <p>The Accommodation Supplement payment is a direct rental subsidy for low-income persons. The recipient does not need to be receiving welfare benefit. payments. It does not apply when rental is from Housing new Zealand Corporation, or where a mortgage subsidy is being provided by HNZC.</p> <div data-bbox="882 911 1693 1358" style="border: 1px solid black; padding: 10px; margin: 10px auto; width: fit-content;"> <p style="text-align: center;">You could get an Accommodation Supplement if your weekly income before tax is under...</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">If you are ...</th> <th style="text-align: center;">Area 1</th> <th style="text-align: center;">Area 2</th> <th style="text-align: center;">Area 3</th> <th style="text-align: center;">Area 4</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">Single with no children</td> <td style="text-align: center;">\$909</td> <td style="text-align: center;">\$729</td> <td style="text-align: center;">\$589</td> <td style="text-align: center;">\$509</td> </tr> <tr> <td style="text-align: center;">A couple with no children</td> <td style="text-align: center;">\$1135</td> <td style="text-align: center;">\$995</td> <td style="text-align: center;">\$795</td> <td style="text-align: center;">\$715</td> </tr> <tr> <td style="text-align: center;">Sole parent with 1 child</td> <td style="text-align: center;">\$1076</td> <td style="text-align: center;">\$936</td> <td style="text-align: center;">\$736</td> <td style="text-align: center;">\$656</td> </tr> <tr> <td style="text-align: center;">Sole parent with 2 children</td> <td style="text-align: center;">\$1336</td> <td style="text-align: center;">\$1096</td> <td style="text-align: center;">\$916</td> <td style="text-align: center;">\$736</td> </tr> <tr> <td style="text-align: center;">A couple with 1 or more children</td> <td style="text-align: center;">\$1395</td> <td style="text-align: center;">\$1155</td> <td style="text-align: center;">\$975</td> <td style="text-align: center;">\$795</td> </tr> </tbody> </table> </div>	If you are ...	Area 1	Area 2	Area 3	Area 4	Single with no children	\$909	\$729	\$589	\$509	A couple with no children	\$1135	\$995	\$795	\$715	Sole parent with 1 child	\$1076	\$936	\$736	\$656	Sole parent with 2 children	\$1336	\$1096	\$916	\$736	A couple with 1 or more children	\$1395	\$1155	\$975	\$795
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Bond Assistance	Target groups in the private rental market would receive a grant to assist with paying the bond required to secure a rental property.																														

Solution	Description
	Bond assistance has been a long-standing component of housing assistance to low-income families in both public and charity supported housing programmes. Whilst the programmes are effective and desirable, they may not be of sufficient scale or scope to significantly increase housing affordability over the longer term.
Tenancy Laws	<p>Tenancy laws can provide relief from unfair practices and give low-income (and other) tenants more power in negotiating housing arrangements. Tenancy laws may be used to enforce minimum dwelling standards and maintenance processes, provide for anti-discrimination in the selection of tenants, set minimum conditions regarding payments and recovery, and provide for dispute resolution, etc.</p> <p>Like rent controls, if tenancy laws are unduly restrictive on landlords, they may have the perverse effect of reducing investment in rental housing, leading to long term under supply.</p> <p>An alternative to 'prohibitive' regulation is to provide incentives for the achievement of desired outcomes.</p> <p>Whilst appropriate tenancy laws are a necessary and highly desirable element of the housing market, they are unlikely to effectively address affordability issues in a significant way.</p>

Table A4.5 Fund Raising Regulatory or Tax Measures

Solution	Description
Mandated Use or Management of Funds	
Mandated superannuation funds investment in affordable housing	<p>Superannuation funds would be required to invest in affordable housing products as part of their portfolio. As the returns on affordable housing investments would most likely be below those of other investments, superannuation investors would be subsidising affordable housing.</p> <p>This would require Government to subsidise the gap between the required and actual rate of return to investors. Other barriers such as high risks, high management costs, illiquidity, poor market information and the lack of a track record would also need to be addressed. (Berry 2001, pp. 27-28)</p> <p>There is potential for superannuation funds to generate very significant increases in the supply of affordable (and other) housing. However, it is unlikely that the abovementioned barriers can be removed without some form of subsidisation, which would most likely flow through the taxation structure attached to the investment.</p> <p>Without some form of subsidised return, superannuation funds will seek to invest only in the 'upper end' of the affordable housing market (i.e. that part of the market that will return the closest rate to that available in the broader market).</p>
Regulation of financial institutions	New financial institution regulations may involve measures designed to regulate fees, charges, competition and monopolistic behaviour. Alterations to prescribed asset ratios or other determinants of borrowing capacity may also be considered. In the U.S.A for example, the Community Reinvestment Act (CRA) requires all federally regulated banking and financial institutions to "meet the full range of community credit needs" (Berry, 2001, p. 104).

Solution	Description
	<p>Whilst the affordable loan products offered under the CRA are not substantially different from those discussed previously (reduced eligibility thresholds, reduced transaction costs, higher loan to value rates, etc), CRA driven funding has underpinned a large number of affordable housing projects, including housing provided by real estate investment trusts (Berry, 2001, p.105).</p> <p>It may be difficult to gain support for regulations of the U.S.A CRA type, which require acceptance of marginally reduced returns.</p>
Housing first policies	<p>"Housing First" policies require government agencies to consider the suitability of surplus land and buildings for the development of housing, including a component of affordable housing, as a priority when contemplating sale or redevelopment. Use for facilities and services, needed to improve the sustainability and amenity of nearby residential neighbourhoods, is also given priority.</p> <p>In such policies, the notion of the "highest and best use" for a property incorporates the contribution the property might make to the achievement of the government's strategic priorities and social objectives, as well as calculations of the level of financial return.</p> <p>This kind of policy could be applied to any sphere of government, and could also be the subject of a protocol or understanding between central and local government.</p> <p>Housing first policies need to address:</p> <ul style="list-style-type: none"> • A need for an overarching affordable housing or sustainability policy commitment by relevant government agencies. A calculation of the cost benefits and an assessment of priorities would inform such a commitment. • The availability of land in areas of high need could facilitate significant affordable housing outcomes. High profile surplus sites in inner (cities) may provide opportunities in this regard. • A limitation of this approach is that site availability is "opportunistic" and uncertain. This approach, by itself, cannot provide a certain or continuous "yield" in housing or community sustainability.
Development Related Contributions	
Developer contributions to affordable housing – via a DCP	<p>Under a Development Contributions Plan (DCP), developers would contribute towards the cost of providing affordable housing. The charge would be pre-notified and levied up-front. The principles of DCP's would require that applicants are charged for affordable housing on the basis that it is infrastructure that is beneficial to (i.e. likely to be used by) their development (charges are calculated according to the share of beneficial usage). This lever requires affordable housing to be considered as infrastructure in the same sense as roads, drainage and parkland, etc. This is a very difficult contention to defend.</p> <p>Councils would need to consult stakeholders prior to implementing a proposal to levy charges for affordable housing under development contributions plans. These do not apply at present.</p>
Developer contributions to affordable housing -	The local authority would apply a condition on a development approval requiring that the developer either include affordable housing as part of their development or provide a cash-in-lieu payment. This condition would be applied on the basis that the development is directly and

Solution	Description
as impact mitigation payments	<p>demonstrably contributing to the loss of affordable housing. Generally a threshold size of development would trigger such a mechanism.</p> <p>The application of impact mitigation conditions (IMC's) would depend upon the scope of the planning legislation in the particular jurisdiction and the extent to which retention of affordable housing was supported by the legislation as a planning outcome. If upheld, IMC's could apply only in an identified area of high need and where social diversity is an identified social or environmental value.</p> <p>Impact mitigation contributions can contribute to maintaining or preserving existing levels of affordable housing. Where further affordable housing is required, other means would need to be employed.</p> <p>Such measures can have the perverse effect of penalising owners who have been 'socially responsible' by providing affordable housing in the past, but for various reasons need to redevelop that housing.</p> <p>Impact mitigation conditions would be open to appeal on a case by case basis.</p>
Developer contributions to affordable housing - as negotiated arrangements	<p>The local authority would negotiate with the developer in an effort to reach an agreement that provided for a cash or in-kind contribution to affordable housing. Proponents would not be compulsorily required to enter into such negotiations. Consequently, the potential impact of this lever is difficult to assess.</p> <p>It may be argued that a system of case-by-case negotiations would be open to abuse if the processes were not transparent.</p> <p>Because this approach provides no consistency of outcomes or certainty for stakeholders, any affordable housing provided may be considered as a bonus.</p>
Bonus/ incentive schemes for affordable housing	<p>Developers would be rewarded with additional development capacity (or are provided with a dispensation from meeting planning requirements) if they were prepared to make a contribution to affordable housing. Commonly known as development concessions, measures might include concessions to density ("upzoning"), materials, car parking, design standards, or open space requirements.</p> <p>These could also take the form of "Transferable Development Rights" either within the jurisdiction of the TLA area, or potentially to other TLA areas if agreements have been established.</p> <p>Simplified or targeted district plan controls could also be applied in areas where it is desired that more affordable housing is provided. This reduces developer costs, which provides an ability to require a specified provision of affordable housing in a development over a certain size threshold. This could also apply to the ability to subdivide an existing property to provide a small unit on the section targeted for affordable home rental or ownership (subject to compliance checks and covenants on resale).</p> <p>Bonus systems have the potential to compromise recognised environmental attributes and values. If the 'pre bonus' level of allowed development is consistent with local environmental limits, the provision of a bonus implies a loss of amenity (overlooking or overshadowing, or overloaded local infrastructure networks for example). Any loss of environmental quality would be reflected in reduced land values. In this way, the general community would be subsidising the provision of affordable housing.</p>
Betterment taxes	A betterment tax is a specific levy designed to recover all or part of the windfall in land value when an area is up-zoned or from benefits from

Solution	Description
	<p>the spending of public money on improved infrastructure. The levy is applied upon sale of the property subject to the windfall. Betterment levies seek to recover, for public purposes, “the value that regulation and major public investment confer on private land assets” (Fensham & Gleeson, 2001).</p> <p>Although traditionally used in fringe localities where rural land is being up-zoned to residential land, betterment levies could also be applied in inner-urban areas where traditional industrial and other lower value uses are being replaced by residential and commercial uses. Fensham & Gleeson (2001) note that inner urban areas benefiting from government intervention, such as neighbourhood renewal areas, are ideal candidates for betterment capture.</p> <p>Betterment levies have been proposed in Seattle, USA, where they are considered to be “the most equitable resolution to capital budget constraints” on providing required infrastructure (Gihring, 2001).</p> <p>Application of a betterment levy would need to be cognisant of some of the practical, political and administrative difficulties that have been associated with betterment levies in the past (Smith 2000). In particular, it is important that:</p> <ul style="list-style-type: none"> • Calculations of increases (or decreases) in prices overall are undertaken in a transparent and fair manner; • The capture of betterment is properly monitored. If not properly monitored, the betterment levy may be passed on to the end-consumer, rather than being borne from the unearned increment accruing to the land seller; • The proceeds are clearly accounted for and dedicated to their intended purposes; and • For equity purposes, a ‘worsenment’ (or compensation) fund should accompany the introduction of a betterment levy to account for those situations where Local Government actions negatively affect the land owner’s development opportunity.
Inclusionary Zoning	<p>Inclusionary Zoning is a planning provision requiring incorporation of a certain use or facility (in this case a number or proportion of affordable homes) in approved developments. In some cases, a monetary contribution can be supplied in lieu of the facility or use. In this case, the responsible authority would use the obtained monies to provide the required use or facility on another parcel/s of land.</p> <p>Under this approach, all development within a designated area would be required to include a component of affordable housing in order to retain recognised environmental and social values. Developments not able to physically provide affordable housing would be able to pay cash in lieu. There is likely to be a size threshold.</p>
Linkage fees or linkage zoning – for major non-residential developments	<p>This links commercial developments with housing need. Impact ordinances (linkage fees) require commercial developers to contribute to the cost of providing (or a requirement to provide a specified number or value of) affordable housing on the basis that employment growth in an identified area (such as the inner city) places upward pressure on housing markets. An obligation to provide other facilities providing a community benefit is also a mechanism in this category. This approach has been adopted with considerable success in cities with strong commercial property markets and rising affordability problems.</p>

Solution	Description
	<p>The following issues need to be addressed::</p> <ul style="list-style-type: none"> • Linkage programmes require detailed data collection and analysis, such as an impact assessment study. • Whilst there is potential for opposition from the development sector, the introduction of a linkage programme in conjunction with inclusionary zoning provisions for residential developers may constitute a more equitable approach to mandatory charging. • A limitation is that the impact levies are "developer-driven", and yield depends on a developer making a development proposal.
Other Contributions or Levies	
Broad based Local Government levy for affordable housing	<p>This is an additional levy (tax), or else a levy structured and implemented in such a way as to produce no 'net loss' to the payee (i.e. the local community). Typically, the latter option would involve reducing other local government levies by an amount that corresponds with the new levy, thus reducing revenue for other services.</p> <p>If linked to property value, a rates surcharge would have the most impact in areas where the affordability crisis is most acute and where property owners have enjoyed something of a 'windfall' gain from gentrification and betterment. The surcharge could be seen as a way to maintain social mix in otherwise rapidly gentrifying neighbourhoods. This nexus would be reinforced if the affordable housing investment and funding levy were applied in the same locality.</p>
Dedicated tax on or streaming of HNZC or publicly-owned land development corporation dividends to affordable housing	<p>Dedicated tax ("hypothecation") on all or part of their dividend for the purpose of providing subsidy streams to support affordable housing projects and programmes delivered by other agencies.</p> <p>Allowing these organisations to focus on commercial objectives in their day to day work ensures that clarity of purpose in open market operations is maintained at the same time as affordable housing outcomes are generated.</p> <p>As the underlying purpose of these bodies is improved housing affordability, hypothecation of their dividends is a logical progression.</p>

Table A4.6 Ethical Investment And Benevolence

Solution	Description
Ethical investment stream	<p>Ethical investment is an approach to investing that considers the investment's impact on society and the environment. (Otherwise known as 'Socially Responsible Investment'). Generally, ethical investment streams come from highly diversified portfolios and from investors with philanthropic motivation. Affordable housing is not traditionally an ethical investment target, however it may be more actively promoted as a commodity aligned with the principles of ethical investment.</p> <p>Ethical investors accept a reduced rate of return on their investment in order to contribute towards a social or environmental objective.</p> <p>Government and community housing organisations have always sought ethical investment streams, with the latter being particularly dependent on securing this form of investment</p> <p>The capital market is steadily growing in the ethical investment sector. With effective promotion of affordable housing as an appropriate vehicle, investors in this segment could be expected to become more active.</p>
Joint venture projects with churches / charities / community organisations / iwi organisations	<p>Joint venture projects with non-profit organisations are generally designed to attract not-for-profit land, capital or management contributions to the provision of affordable housing.</p> <p>In its simplest form, a joint venture could involve the partner organisation making land available at less than market value. This may be achieved via the donation of allotments, or via cash contributions to land purchase. Other projects involve leveraging the equity / capital provided by Government against contributions made by a range of third parties.</p>
Community Housing and Land Trusts	<p>Community Land Trusts (CLTs) are non-profit organisations operating under a charter to acquire land for the benefit of the community, and provide residents with access to land and housing. Long-term leases, which are renewable and inheritable, allow low-income households to build a permanent home without incurring the financial burden of outright ownership of the land, which remains with the community.</p>
Leasehold tenure	<p>Homeowners (or landlords renting their homes to low income households) would pay only a leasehold charge to the land owning entity thereby avoiding the large up-front cost of paying for the land component. Generally this would be to the land-owning public body or a benevolent organisation, as they either would not seek to recover a cost-of-capital on their investment in the land or alternatively this would be at a lower rate than a commercial entity (see previous row).</p>
Joint venture projects between affordable housing providers, industry bodies, and commercial businesses	<p>This is essentially a subcomponent of Public Private Partnerships, with a specific orientation towards commercial services and supplier arrangements. Opportunities may exist to broker agreements between affordable housing providers and commercial businesses associated with the housing industry. Effectively, arrangements would be oriented towards reducing the costs attached to the goods and services associated with affordable housing construction.</p> <p>Businesses would expect to derive marketing and promotional benefits from contributing towards affordable housing projects. There may also be taxation or other benefits built into this arrangement.</p> <p>While not to be discouraged, such arrangements have limited capacity to address affordability needs.</p>
Sweat equity schemes	<p>Sweat equity provides an opportunity for low-income households to directly contribute to the construction or renovation of housing for their own use. Schemes provide peer support, training and supervision to ensure that households have adequate knowledge regarding land purchase, finance, building design, construction techniques and material selections. Skilled contractors would undertake licensed trade work (plumbing,</p>

Solution	Description
	<p>wiring, etc.) The contribution of 'free' labour to the construction of a dwelling can substantially reduce housing costs.</p> <ul style="list-style-type: none"> • Sweat equity schemes can also contribute substantially to skill development, self esteem and pride in ownership. • The relatively high level of management and supervision required for the schemes to operate successfully can reduce the cost savings achieved. • The number of households with the capacity and motivation to undertake self build or sweat equity schemes is only a small part of the total quantum of households in need. • The mechanisms are liable to opposition on the grounds that substandard housing may result, or that "blighting" of adjacent properties would occur when a dwelling is left incomplete for a long period of time.

Appendix 5 Examples of solutions:

This Appendix provides some examples of some of the solutions available that have been outlined in the tables above.

1. Housing Market Efficiency - Housing Finance

Recent reports released by the Australian Prime Ministerial Taskforce on Home Ownership advocate for the introduction of (shared) equity housing finance. The report contends that “when a ‘representative’ younger family use a mixture of debt and equity, the upfront costs of home ownership, and the interest and principal payments required thereafter, decline by around 30%. There is also a dramatic reduction in the household’s risk of default, and a 70% rise in their liquid assets once they leave the workforce...” (Joyce *et al* 2003, p.15)

2. Central government reimbursement of local government expenditure on infrastructure to enable more discretionary funding of affordable housing

TCC and WBOPDC paid approximately \$25 million on the Eastern arterial connection to bring this State Highway infrastructure on line ahead of the planned timing that was incorporated in LTNZ’s budgets. The purpose was to align the development of this necessary infrastructure with the SmartGrowth strategy. This increased both the indebtedness and the debt servicing costs of the local Councils and thereby the Councils had less discretionary funding available to spend on other priorities, which could potentially include affordable housing.

3. Central and Local Government Planning Policy

An example is the protocol just signed by Derby City Council and the Housing Corporation which will bring together to the resources and skills of both organisations to deliver affordable housing across the city. This is based on a national protocol agreed between the Local Government Association and the Corporation, the housing protocols set out how the Corporation and local authorities will work together to deliver a common vision of affordable homes within strong communities, reflecting local priorities.

Derby City Council has been piloting the protocol since June 2006 and has been working closely with a range of key local stakeholders including developers, planners, landlords of both social and private homes and supported housing providers to develop an action plan. Actions points include:

- the development of a more supportive planning framework
- providing an adequate supply of land for new housing
- better engagement with the Local Strategic Partnership to ensure planning for housing is considered in the context of education, transport, safety, social infrastructure and local leadership
- the development of Local Sustainable Design Forums to involve local and regional stakeholders in raising the quality of new housing
- a review of the quality of neighbourhood housing services and allied community initiatives which increase the life opportunities of local people.

4. Land management and Development

Landcom and VicUrban

Landcom in NSW, VicUrban in Victoria and the Land Management Corporation (LMC) in South Australia are examples of currently operating, Government owned land management and development organisations (LMDO's). Whilst Landcom and VicUrban engage in comprehensive land development and finished lot retailing projects as well as strategic land release, the LMC is primarily concerned with the latter of these tasks.

Subiaco

The City of Subiaco (in the Perth Metropolitan area) and the Subiaco Redevelopment Authority are embarking on a development on the Australia Fine China site

While existing densities in Subiaco central are high, the existing dwellings tend to be larger consuming more materials, energy and water resources. The development site offers the potential to demonstrate affordability through adoption of techniques such as flexible interior walls in buildings and water and energy efficient design. This type of design offers long term operational cost savings as well as consuming fewer resources. Innovative materials usage and co-operative systems for house construction offer additional ways to provide more affordable housing.

- 10-15% of dwellings are to be provided for social and affordable housing
- 100% of buildings are to comply with disability access legislation
- Dwellings are to be designed with a high degree of adaptability to suit different lifecycle stages/changing demographic needs

EPRA

The East Perth Redevelopment Authority¹²¹ ("EPRA") is introducing Affordable Owner Occupier Housing ("AOO") units in its inner city redevelopments to meet its commitment to the Housing Diversity Policy which requires that 10-15% of dwellings in new land releases are set aside for social or affordable housing. The development areas include: Claisebrook Village, East Perth, Riverside, New Northbridge, East Perth Power Station, Perth Cultural Centre and the Northbridge Link project.

The EPRA nominates sites within its project areas for AOO housing. Developers are provided with density bonuses to build extra residential units on these nominated sites, subject to those extra units being sold as AOO housing to eligible candidates. Candidates who are eligible enter a ballot to purchase one of the AOO units.

5. Government organisations engaged in land banking

The South Australian Land Management Corporation (LMC) is an example of an LMDO that has traditionally engaged in significant land banking initiatives. Approximately 40% of South Australia's total un-serviced future land supply is 'held' by the LMC and other

¹²¹ www.epra.wa.gov.au

South Australian Government agencies (South Australian State Housing Plan 2003, p. 31).

6. The Queensland Development Sequencing Model¹²²

The Queensland development sequencing model involves the identification of a preferred or “benchmark” pathway for development in a planning district, based on minimisation of the total cost of infrastructure (i.e. social and private benefit). This least cost pathway is adopted by all agencies for the purposes of services planning.

Developers are not obliged to remain within the staging set down in this least cost pathway. They are free to pursue ‘out of sequence’ projects provided they are prepared to meet the additional costs of supplying private benefit infrastructure, and provided they are prepared to bring forward the provision of social infrastructure in their preferred location.

The benchmark sequence of development is reviewed regularly (every year) and on an ‘as required’ basis, as new information comes to hand on land demands and as of out of sequence development approvals alter the geography of infrastructure capacity in a district.

As well as paying for the acceleration costs (effectively the bridging finance costs) for water supply, sewerage, drainage, education, health, transport and other infrastructure, developers contribute to local infrastructure costs on a ‘share of usage’ basis as set out in a Development Contributions Plan.

Typically, the financing arrangement is that the out of sequence developer fully funds the accelerated infrastructure, then the government agency in question either buys back the facility at the time when its creation in the subject location was scheduled, or it collects contributions from intervening developments and passes these back to the original out of sequence developer (SGS P/L 2003, p. 21)

7. Demonstration projects promoting innovation

Landcom Smart Housing, NSW¹²³.

The Landcom Smart Housing programme was launched as a design and construct competition, aimed at encouraging architects and developers to design innovative housing products to meet the needs of changing household structures and low income households.

All Landcom Smart Housing projects incorporate a mix of household styles, with dwellings designed to suit varying income levels. One of the principles of the programme is that affordable housing must not be drastically different from regular housing in external quality or design.

Dwellings in the Smart Housing projects of Forest Glade and Parklea are significantly more affordable than comparable dwellings in their respective localities. Forest Glade incorporates 63 ‘smart’ homes, of which 20% are set aside for households with means tested, moderate incomes (Landcom 2003).

¹²² Adapted from: SGS P/L (2003), *Managing Urban Systems – An Introduction*.

¹²³ Adapted from: Climo, D, ‘Landcom Launches Building Competition’, in *Building Products News*, November 9, 2000 <http://www.infolink.com.au/articles/d0/0c0026d0.asp>

8. Park homes



The park home industry in the UK is currently lobbying the government to change its planning guidance to allow more sites¹²⁴. It believes park homes are a viable form of low cost housing - for key workers on urban "brownfield" sites as well as in rural locations. Speaking at the British Holiday and Home Park Association (BH&HPA) 2005 annual conference, UK housing minister Yvette Cooper said park homes "do need to be recognised as having an important role in housing provision". She told delegates: "Park homes are an opportunity to promote diversity in housing choice, to help enhance the environment. "If the market demands it they should be able to grow, meeting high standards." Mr Prescott has also given his approval, agreeing in a November 2002 commons debate with Labour MP Hilton Dawson, who said park homes could be a "major contribution" to the affordable housing stock if the sector was properly regulated.

In the UK, about 250,000 people live in park homes on about 1,700 sites. At the moment they are mostly retired people, with many sites barring entry to anyone under 55.

9. Affordable Housing Delivery Vehicles (*cost effective, not for profit delivery vehicles*)¹²⁵

- NSW has had the longest experience with a specialised vehicle for developing and managing affordable housing. The City West housing company, established in 1994, is funded through equity grants from state and federal governments and proceeds of a developer contribution scheme that operates in the local area (Pymont/Ultimo).
- In 1999 the ACT government established a public company, Community Housing Canberra Ltd (CHC), to hold assets transferred from public housing, with the initial purpose of improving the viability of community managed housing in Canberra. This organisation may now to play a role in developing new affordable housing. In 2002, CHC completed a project in partnership with a private sector developer, using private sector finance. The project involved the redevelopment of an old public housing estate into new affordable and market-priced housing.
- In 2002, the Queensland Government has established the Brisbane Housing Company (BHC) in partnership with the Brisbane City Council. The Brisbane Housing Companies primary objective is to develop new affordable housing in the inner suburbs of Brisbane. The BHC has also received considerable equity funding from the government partners as well as the proceeds of voluntary developer contributions for affordable housing.

¹²⁴ http://news.bbc.co.uk/1/hi/uk_politics/4155798.stm August 2005.

¹²⁵ Information presented to describe this lever has been adapted from: SGS Economics and Planning P/L (2003), *Preserving Affordable Housing in South Australia: Regulatory and Market Mechanisms*, for Planning South Australia.

Each of the abovementioned organisations is an “arms length” entity, essentially owned by government but operating with sufficient separation to achieve public benevolent institution and charitable institution status.

10. Supply Side Subsidies

10.1 Capital Grants

In Australia capital grants are the primary form of housing assistance provided under the current CSHA. The CSHA is a multilateral agreement between the states, territories and Commonwealth to fund the provision of public housing, as well as other housing related purposes. The Commonwealth government allocates grants on a per capita basis, which are then matched by State contributions.

10.2 Private Partnerships¹²⁶

The arrangements between the NSW SHA and AMP Society are a prominent example of currently operating PPP's.

Public Equity Partnership Schemes (PEP1 and PEP2)

[The following information has been extracted from: Berry *et al* 2001, Policy Options for Stimulating Private Sector investment in Affordable Housing Across Australia, Stage 1 Report: Outlining the Need for Action, AHURI].

The PEP1 (1013 dwellings) and PEP2 (477 dwellings) schemes entered into between the NSW DOH and AMP have been in operation for 8 and 7 years respectively. Existing public housing dwelling units were purchased by the AMP Society for leaseback to the DOH. Any vacancy after the first 12 months (PEP1) or 2 years (PEP2) must be let to private tenants and properties can be sold at any time after the completion of the 10th year up to the end of the 21 year term.

The DOH is responsible for the overall management of the publicly let properties. However, a small number of properties which have been privately tenanted are managed by Stockland Property Management on behalf of DOH.

Under the conditions of the agreements, the DOH has certain financial obligations and rights:

- to pay a guaranteed pre-tax gross real rate of return to AMP. The subsidy paid by the DOH is equal to the difference between actual rents received and the required rate of return. A tax saving to AMP accrues because any capital gains derived from the properties are subject to the same tax treatment as in a complying superannuation fund, that is, the cost base is indexed. This indexation and the capital indemnity which is treated by the ATO as sales proceeds effectively results in tax free capital gains to AMP. Therefore the gross rate of return is reduced by the extent of taxation deductions accruing from capital gains tax indexation and other direct income deductions.
- to receive from the transaction 75%(PEP1), and 66.6%(PEP2), of any real capital gains accruing from the properties.
- to pay from the capital repayment reserve or elsewhere a capital indemnity to AMP equivalent to the difference between net sale proceeds of a PEP property versus the original property price plus acquisition costs indexed to CPI+1% (PEP1) or CPI (PEP2). In the event

¹²⁶ The information presented on Public Private Partnerships has been adapted from: Ballardini and Trudgett (2001), 'Australia's Housing Affordability Crisis: The Policy Choices', in *Social Investment in Housing and Urban Development – Round Table Papers*, August 2001.

that the net sales proceeds plus the capital repayment reserve exceed the required return the excess is returned to DOH; and

- to cover operating costs and other risks, DOH manages all properties and charges 0.5% of market value plus 2% of portfolio value for operating expenses (including maintenance).

Under PEP2 a special trust fund, the Rental Housing Assistance Fund (RHAF) was established by the Government to secure the financial obligations of the State to AMP. An insurance policy was effected to secure these obligations under PEP1.

In the transaction the taxation treatment obtained by AMP is assumed to be fixed for the course of its operation, that is CPI indexation and a tax rate of 15% plus other deductions so no tax risk applies. However changes to inflation can affect the extent of the capital gains tax indexation deduction, and therefore the extent to which the real gross rate of return is reduced by CGT indexation. Lower inflation and real capital gains reduces CGT indexation and hence increases subsidy payments. To the extent that the combined rents from public and private tenants does not achieve the required rate of return subsidies are paid.

10.3 Housing lifeline loans

All states in Australia have experience with housing lifeline products, by way of the Mortgage Relief programmes introduced in 1982. Acute housing needs (i.e. homelessness) are also addressed through the *Supported Accommodation Assistance Program (SAAP)*, which is funded jointly by the Commonwealth, States and Territories (Berry 2001, p.12).

Housing lifeline loans may be open to criticism with regards to the perverse effects of rising indebtedness amongst young people.

10.4 Deposit assistance

The Australian Commonwealth Government First Home Owners Grant (FHOG) is a recent example of a deposit assistance scheme. However, the FHOG has been implemented to offset increases in home purchaser costs resulting from the introduction of a GST, rather than to enhance first home ownership affordability per se.

The FHOG is available to all first home buyers, regardless of income. It has been argued that this lack of targeting has contributed to housing price escalations, which have in turn undermined the impact of the grant.

Targeting the FHOG to means-tested recipients may reduce the total subsidy cost to government as well as lessening the levers impact on general housing price escalations.

Whilst the FHOG is a Commonwealth programme, deposit assistance may be provided by any level of government.

10.5 Below Market Interest Rate Loans

The provision of subsidised loans for targeted groups (SHA tenants for example) has historically been part of Australian State housing affordability policies. Whilst Commonwealth finance under the CSHA has been a significant contributor to these schemes, increasingly the SHA's are required to source funds from the wholesale debt market. Subsidised loans are also available to other target groups, such as defence personnel.

Whilst organizations such as 'Keystart' in Western Australia and 'HomeStart' in South Australia provide a range of finance services specifically for low income households (low deposit loans for example), below market interest rate loans are not a product that is explicitly offered¹²⁷.

11. Housing first policies

The Queensland Department of Housing states that Municipal authorities in Toronto and Vancouver in Canada, and the City of Port Phillip in Victoria, Australia have adopted policies with some of these features.¹²⁸

12. Inclusionary Zoning

Inclusionary Zoning mechanisms currently operate in Ultimo / Pyrmont and Green Square in Sydney, NSW.

Example: City West Inclusionary Zoning Mechanism (Sydney Regional Environmental Plan (REP) No. 26)¹²⁹

The City West Inclusionary Zoning mechanism applies to the Ultimo / Pyrmont Precinct of Sydney. Under a tripartite funding arrangement it aims to provide 600 units of affordable housing over the next 20 – 30 years (6%-7% of total stock). 200 of the affordable housing units are to be provided through Inclusionary Zoning – either as works or cash-in-lieu developer contributions.

General approach to determining the number of affordable units / monetary contribution required:

The Consent Authority prefers the provision of affordable housing within each proposed development (on-site contribution). Contributions are based on the following formula:

On site contribution = m2 total floor area required for 200 units of affordable housing*
m2 total floor area of residential and residential – business zones in Ultimo-Pyrmont
On site contribution = 20,000m2 / 1,800,000m2 = 1.1% of total floor area

**It is assumed that the average size of one unit of affordable housing is 100m2 total floor area*

Cash-in-lieu contribution = Total cost for 200 units of affordable housing**/ m2 total floor area of residential and residential-business zones in Ultimo-Pyrmont

***Average cost of providing one unit of affordable housing = \$200,000 (1994 prices, subject to indexing).*

In Lieu contribution = \$40,000,000/ 1,800,000m2 = approximately \$23 per m2 total floor area.

¹²⁷ However, given the risk profile attached to HomeStart and Keystart finance recipients, it is fair to assume that the rate of interest obtained is in fact lower than that available in the market.

¹²⁸ http://www.housing.qld.gov.au/initiatives/affordable/publications/paper/7_response.htm

¹²⁹ Adapted from Williams, Australian Planner, Vol 34, No1, 1997

13. Linkage fees – for major non-residential developments

In a description of linkage fees, the Queensland Department of Housing states¹³⁰ that “...this approach has been adopted with considerable success in cities with strong commercial property markets and rising affordability problems. Boston, New York, San Francisco, Seattle and Santa Monica in the US administer impact levies in commercial districts, as did the City of Sydney in the 1980s. Johnstone Shire in north Queensland requires large-scale resort developers to provide employee housing as a condition of approval.”

14. Joint venture projects with churches / charities / community organizations

Berry states that “a number of States have developed partnerships with private investors and non-profit organizations to deliver housing services involving leasing, sale-and-leaseback, and corporate vehicle arrangements. In Victoria, for example, the Office of Housing’s head-leases dwellings and farms out management to selected community housing organizations.

The Community Tenancy Scheme in New South Wales involves housing associations head-leasing from private landlords and on-renting to low income tenants. Similar schemes exist in Queensland and the A.C.T.” (2001, p. 96)

15. Property Development Corporations

Property Development Corporations established by Local Government can utilise specialist skills on Boards and Management teams to leverage assets, to encourage or incentivise commercial developments to provide affordable housing in developments, etc.

Tomorrows Manukau Properties Limited is responsible for the development of the town centre within the Flatbush development for Manukau City Council. TMPL will have the ability to enter into joint ventures, borrow, sell and invest in the market and promote the town centre, all the while remaining accountable to the Council via a board of directors. The 18ha of land for the new town centre has been transferred to the TMPL to manage. While TMPL is not focused on provision of affordable housing the structural model could be used to achieve this purpose along with other related objectives.

16. Community Housing and Land Trusts

An alternative structural model is Community Land Trusts¹³¹ which as not-for-profit community controlled organisations generally involve Councils.

The Queensland Department of Housing refers to these models¹³² as being popular in some rural areas of the United States where sizeable parcels of land are available. They comment that:

- Communal or collective ownership arrangements require a broad degree of community acceptance.

¹³⁰ http://www.housing.qld.gov.au/initiatives/affordable/publications/paper/7_response.htm

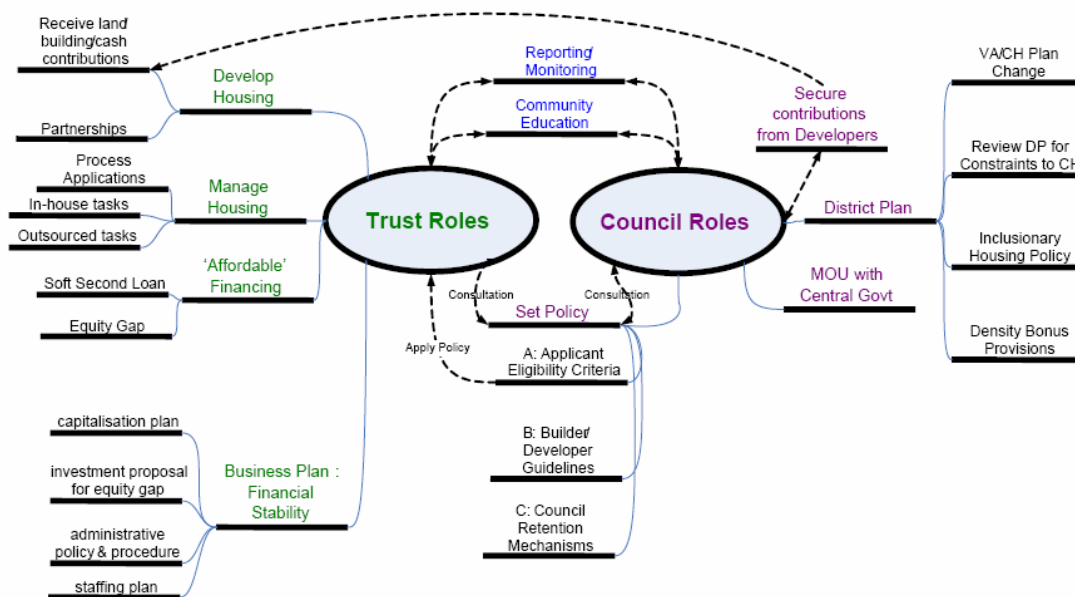
¹³¹ <http://www.housingcorp.gov.uk/upload/pdf/cltreport.pdf>

¹³² http://www.housing.qld.gov.au/initiatives/affordable/publications/paper/7_response.htm

- Nevertheless, some local governments make planning provision for "multiple occupancy" of land for residential development, usually for large sites in rural or semi-rural areas. CLTs could expand on these models.
- This option could provide opportunities to address housing needs in rural areas, but is unlikely to be significant on a larger scale.

This model was also referred to as a recommendation to consider adopting in relation to addressing housing needs for people with disabilities in the Bay of Plenty and Lakes region¹³³.

The diagram below represents the model that is currently being investigated and promoted by Queenstown Lakes District Council.



Local Government has a potential role in provision of in-kind assistance as part of its community development activities. Many "third-sector" providers lack the capability and experience to establish appropriate governance arrangements, management information systems, and to conduct appropriate on-going governance and management.

A5.1 Evaluation of solutions

A number of issues need to be taken into account in assessing the merit of these various levers, including:

- Cost effectiveness
- Political acceptability
- Sustainability (of benefits and funding)
- Consistent with existing policies
- Legality
- Perceived equity
- Avoidance of poverty traps

¹³³ Housing Needs for People with Disabilities in the Bay of Plenty and Lakes Region. McKinlay Douglas Ltd and Etain Associates. June 2006.

- Consistency with other initiatives (existing housing programmes and other “levers” being considered)
- Administrative complexity and compliance costs
- Transparency
- Allowance for choice, expression of preferences
- Openness to adjustment
- Minimisation of unwanted market distortions
- No or limited negative impacts on market efficiency

A criteria-based approach to evaluation was employed in this project. The Reference Group organisations were presented for discussion purposes with the following criteria (blended from the above list) at the December 2006 workshop.

- Criterion 1: ***Demonstrated effectiveness and practicality.*** A mechanism would be rated highly on this front if there are existing examples of its successful implementation in New Zealand.
- Criterion 2: ***Cross programme harmonisation.*** Mechanisms which actively contribute to other (non housing) social, economic and environmental policy objectives rate strongly on this criterion. For example, a particular mechanism may have the effect of improving the target households’ access to education, training and employment, or it might otherwise develop household skills that will assist with avoidance of welfare dependence.
- Criterion 3: ***Implementation readiness.*** This relates to the institutional, legislative, administrative resources and skills required to put the mechanism into practice. Here, special attention has to be given to the institutional and resource constraints of the Bay of Plenty.
- Criterion 4: ***Likelihood of broad stakeholder support.*** This criterion addresses the implementability of the mechanism from a political perspective. A mechanism would attract a lower rating if key stakeholder groups are on the record as being strongly opposed to the measures in question.

Bearing in mind the implied emphasis given to *rental* housing opportunities for households in the bottom two quintiles of the income distribution in the Bay of Plenty, the relevance of the mechanism to this tenure represents a key criterion for sieving the options. The solutions table that was used at the workshop was partitioned to reflect solutions that would address affordable rental housing and affordable home ownership. The Reference Group organisations were asked to complete their own evaluation of solutions to address the priority issues identified at the December 2006 workshop. The organisations carried out the evaluation using the criteria agreed at this workshop, and reported their results for collation to Capital Strategy in March 2007, for further discussion at the Reference Group workshop on 30 March 2007. This is shown in Appendix 6.

Appendix 6 Reference Group Evaluation

The following tables show a summary of both the results of Reference Group discussions from the workshop held in December 2006, and also the results of evaluations received back from Reference Group organisations.

The first 5 columns show the issues and solution options derived from stakeholder interviews, the number of votes received at the workshop for the issues thought to be of highest priority and also further discussion points raised at the workshop. The remaining columns incorporate the feedback and evaluation scores received from four Reference Group organisations that completed this exercise and sent it back to us. Comments from the WBOP and EBOP were consolidated into the one table.

The Reference Group used a scale of 1=best/most effective to 10 =low/least effective at solving the issue to score proposed solutions against each criterion for the top 5 or 6 priority issues that emerged from the workshop. The Reference Group also identified any further solutions they considered appropriate, barriers to implementation, and in some cases organisations that need to be involved.

Issues from Interviews	Solution Options from Interviews	Priority Order Ranking from Workshop Two	Points Raised by Reference Group in workshop and in evaluation responses	Reference Group Evaluation Average (1=best/most effective to 10 =low/least effective)					Barriers to solutions or implementation issues	Key organisations involved
				A ¹³⁴	B ¹³⁵	C ¹³⁶	D ¹³⁷	E ¹³⁸		
Increased land values in built-up areas driving increases in house prices/rents	Zone more greenfields land in WBOP	1=	Need more immigrants 43 000+ High density = increased land prices Skill gap for labour - labour demand/urban areas Double edged sword of land release Surrounding land bought and sold by TLAs (could use partnerships) Tension in urban form: contained footprint of City	9	10	7.5	7.5	10	Additional green fields have already been zoned. Environmental/social/health	

¹³⁴ **A = Demonstrated effectiveness and practicality** - A mechanism would be rated highly on this front if there are existing examples of its successful implementation in New Zealand

¹³⁵ **B = Cross program harmonisation** - Mechanisms which actively contribute to other (non housing) social, economic and environmental policy objectives rate strongly on this criterion

¹³⁶ **C = Implementation readiness** - The institutional, legislative, administrative resources and skills required to put the mechanism into practice

¹³⁷ **D = Likelihood of broad stakeholder support** - This addresses the "implementability" of the mechanism from a political perspective. A mechanism would attract a lower rating if key stakeholder groups are on the record as being strongly opposed to the measures in question

¹³⁸ **E = Additional optional criterion** - The Reference Group Workshop proposed that Stakeholders could either use the 4 criterion to evaluate the options to solve the priority issues, or introduce one additional evaluation criterion that they could specify as being relevant to their communities. The BOPDHB proposed **E = Likely to improve health status**

Issues from Interviews	Solution Options from Interviews	Priority Order Ranking from Workshop Two	Points Raised by Reference Group in workshop and in evaluation responses	Reference Group Evaluation Average (1=best/most effective to 10 =low/least effective)					Barriers to solutions or implementation issues	Key organisations involved
				A ¹³⁴	B ¹³⁵	C ¹³⁶	D ¹³⁷	E ¹³⁸		
			<p>vs loss of land Costs to construct infrastructure Not easily reconcilable issue. People needing to move – transport more of an issue. Put bus routes in as soon as built. Do not put urban sprawl into other centres. Increased land values – could be controlled if councils were involved with subdivisions. Creates greater isolation in suburbs, reliance on cars to get to work, play and learn Not sure how much land is available</p>						<p>impacts of reduced green fields – impact on live work play balance</p> <p>This isn't the solution and is one of the main causes of the problems around low physical activity levels</p> <p>Poor public transport</p>	
	HNZC provide own land for low-cost housing		HNZC have sold land to community trust at lower cost	3	1.7	2.5	1.5	4	<p>Existing resource is finite. How could the resource be retained / renewed?</p> <p>Need for HNZC to retain land for own core business (housing those in most need)</p> <p>Balancing live/work /play</p>	<p>Councils, HNZC, CHAI</p> <p>There may be other owners who could provide the land for low-cost housing</p>
	Councils provide own land for low-cost housing			-	-	8	9			

Issues from Interviews	Solution Options from Interviews	Priority Order Ranking from Workshop Two	Points Raised by Reference Group in workshop and in evaluation responses	Reference Group Evaluation Average (1=best/most effective to 10 =low/least effective)					Barriers to solutions or implementation issues	Key organisations involved
				A ¹³⁴	B ¹³⁵	C ¹³⁶	D ¹³⁷	E ¹³⁸		
	Require that land zoned for subdivision is developed in a set time period (e.g. 2 years) to control speculative prices and ensure that development is on line in reasonable time		Unless land owned by Council Query as to whether this is able to be regulated	4	2.5	5.5	4.5		We don't know how big an issue this is Planning time constraints – e.g. parts of Papamoa have been undeveloped for a long time due to being held up in consultation/planning. Speculators If developer is building all the homes, then there may be a tendency to build all homes with similar design and style. Not an issue if land is sold to individuals to build their own home	
Need greater connectivity with transport integrated into planning criteria to facilitate occupancy and increase access to	The four main core needs for older people/people with disabilities are for shopping; church and clubs; medical access; visiting friends and family.	1=	Cheap cars but can't afford to go to town. People go further out of town and get hit with higher transport costs (due to petrol prices and related costs) eg. \$60 /wk from Te Puke to TGA. Over time build cities with transport corridors with medium density along corridors (with in 200-300m). Land Transport evolution – Improve convenience of transport service better routes/frequencies/to better facilities JIT information.	2	2	5	3	1	Public transport needs to be routed into new large subdivisions when they are opened, and not just at completion, to encourage use	

Issues from Interviews	Solution Options from Interviews	Priority Order Ranking from Workshop Two	Points Raised by Reference Group in workshop and in evaluation responses	Reference Group Evaluation Average (1=best/most effective to 10 =low/least effective)					Barriers to solutions or implementation issues	Key organisations involved
				A ¹³⁴	B ¹³⁵	C ¹³⁶	D ¹³⁷	E ¹³⁸		
work (in neighbouring districts)	Usually public transport fits the first two needs, but not the last two needs.		High employment outside urban areas No public transport at useable time – bus needs to be cheaper than private car Interest costs on cars Use parking charges as disincentive to encourage use of Public Transport Maori land close to cities – asset rich Access land for new affordable that is accessible to public transport Inside TGA – affordable houses need to be near transport corridors. Traffic congestion because no public transport Katikati no public transport Utilise rail services out Papamoa way						from the outset. Public transport needs to cater better for people with disabilities eg more kneeling buses. Subdivisions need to be better planned so that buses can turn around at the end. Often buses can't turn around easily – need to reverse out – so finish up by-passing subdivisions and just travelling down main road	
People need to know the actual costs of home ownership and how to look after them - housekeeping and building maintenance Budgeting to make housing more affordable	Continue support to agencies providing this advice and training	2	Mortgage payments are only one component of home ownership – basic knowledge of finance needed e.g. % of max income 3 rd and 4 th form curriculum sustainable education to the masses on housing/budgeting. More education on budgeting with interest rates, council rates, mortgage costs (one off's and on going), insurances (life, income, house, contents, car, boat etc), utilities/infrastructure and general housing maintenance costs (on per square metre). Money made too readily available When loan is approved, an Info pack should be given to client by the bank to show <u>total</u> costs Homes are situated further away from the City, transport costs work out the same as paying less for rental accommodation further out. Think it is a good initiative, but don't think it will	1	1	1	1			NZ Federation of Family Budgeting Services (Inc.)

Issues from Interviews	Solution Options from Interviews	Priority Order Ranking from Workshop Two	Points Raised by Reference Group in workshop and in evaluation responses	Reference Group Evaluation Average (1=best/most effective to 10 =low/least effective)					Barriers to solutions or implementation issues	Key organisations involved
				A ¹³⁴	B ¹³⁵	C ¹³⁶	D ¹³⁷	E ¹³⁸		
			help with affordable housing							
Incomes have not kept pace with CPI or rental increases For low income households (with wages of e.g. \$10-15/hr) home ownership is not feasible without assistance, and rental is also a problem	Greater government direct funding or subsidies to affordable housing providers (if it increases the rental pool)	3=	Consider this to be a high priority for the BOP, but it will require a national solution. While it is important to engage with the major employers on this issue, the main growth is with the new small businesses which won't be able to have an impact on housing issues	3.3	5	6.5	5	2	Just because government pays for it doesn't make it any more affordable	
Existing co-operative partnership arrangements demonstrate workable solutions are possible	Partnerships e.g. Council + HNZC + Housing Trusts Set up or better resource existing Housing Trusts	3=	If parties are not bought together no headway is achieved, local govt won't find neutral party to mix together E.g. Queenstown Lakes DC not for profit. Government role in this: need to be clear of policy position for social housing vs affordable housing HNZC can not cope – need to involve private sector – incentive required which will need government subsidy Salvation Army example of initiative Interest rate reduction to reduce rent Shouldn't ignore private organisations; private sector required to get numbers Form a trust to purchase land – own house /lease land (sell at going rate + cost of improvements) Huge capital available but not going into sector Housing sector so diverse – not one answer – partnership needed	2	2	4	3	3	Councils need to determine their policy as to where they sit in relation to revenue generation vs social responsibility, and how to accommodate both successfully.	

Issues from Interviews	Solution Options from Interviews	Priority Order Ranking from Workshop Two	Points Raised by Reference Group in workshop and in evaluation responses	Reference Group Evaluation Average (1=best/most effective to 10 =low/least effective)					Barriers to solutions or implementation issues	Key organisations involved
				A ¹³⁴	B ¹³⁵	C ¹³⁶	D ¹³⁷	E ¹³⁸		
			<p>People get established in affordable housing + comfortable in position and don't want to sell so reduces stock available for new entrants.</p> <p>Partnership needs leadership + to take responsibility.</p> <p>Won't be achieved through collaboration – need lobbying and leadership</p> <p>Could use HNZC as lead agency (doesn't mean funding)</p> <p>Responsibilities for solutions need to be allocated</p> <p>Transport - a lot of employment outside urban areas but cost horrendous to get there</p> <p>Public private partner-ships have worked well in Melbourne, involving local authorities, central government agencies and private development.</p> <p>This has led success-fully to mix of social, low-income and speculative high income housing in same area.</p>							
Range of fragmented initiatives duplicating one or more aspects are currently being delivered by diverse agencies across the region	Greater coordination and overview planning required by social support agencies in the region.	4=	No overriding strategy – ad hoc responses. COBOP working towards regional housing strategy but it will initially be at a higher level.	2.5	1.5	3	2.5	4		
High financial contributions put pressure on section prices and house prices (these can now reach	Target lower cost housing in areas with lower financial contributions	4=	<p>Council fees = 20% of low cost house</p> <p>Sold by ballot→ mixture of housing</p> <p>e.g. targeting development in existing low growth town</p> <p>Both Financial Contributions and Development</p>	7.5	8.3	5.7	7.7		<p>Doesn't address what drives demand</p> <p>Requires incentives to do so... economic, safety,...etc</p>	

Issues from Interviews	Solution Options from Interviews	Priority Order Ranking from Workshop Two	Points Raised by Reference Group in workshop and in evaluation responses	Reference Group Evaluation Average (1=best/most effective to 10 =low/least effective)					Barriers to solutions or implementation issues	Key organisations involved
				A ¹³⁴	B ¹³⁵	C ¹³⁶	D ¹³⁷	E ¹³⁸		
\$20-40K per lot/unit)	Reduce impact fees (subdivision impact fees and building impact fees)		<p>Contributions typically cost \$12 – \$18,000.</p> <p>Provision of land for lease to developers could be more attractive – may lead to lower contribution payments. Effective based on international experience</p> <p>Good for environmental sustainability</p> <p>Reduction of DIFS only applying for social and affordable housing</p>	3.5	5	4.7	6.7		<p>Council policy</p> <p>The need to maintain financial viability for council</p> <p>Potential backlash re increased fees for some to subsidise decreased fees for others if no additional financial support from central govt</p>	<p>Developers</p> <p>Central govt</p> <p>Councils</p> <p>CHAI</p>
	Councils consider policy that allows developers to get discount from contributions if provide on-site infrastructure to reduce impacts (e.g. waste-water disposal)			-	5	4.5	6		<p>Requires education, awareness, understanding and commitment</p> <p>Timing re roll out of affordable environmental technology</p> <p>Concept widely supported but day to day commitment to implement is often limited</p>	<p>EECA</p> <p>Developers</p> <p>Sustainable building orgs</p>
	Contribution recovery: Charge for ½ immediately and tack remainder onto rates			10	1	9	4.5		<p>Making sure developers comply.</p> <p>Increases annual rate payments - ?affordability.</p>	<p>Council</p> <p>Social Housing Providers</p>

Issues from Interviews	Solution Options from Interviews	Priority Order Ranking from Workshop Two	Points Raised by Reference Group in workshop and in evaluation responses	Reference Group Evaluation Average (1=best/most effective to 10 =low/least effective)					Barriers to solutions or implementation issues	Key organisations involved
				A ¹³⁴	B ¹³⁵	C ¹³⁶	D ¹³⁷	E ¹³⁸		
	interest free over set period								How do we know what the true cost of the house is? How do we know the developer isn't the one who benefits?	
Rise in consents processing costs	Council advocacy to government (compensatory funding for added functions)	5=	This is a big issue for older people, leading to high anxiety. Leaky building costs. Costs of upgrading septic tanks when next cleaned out (about \$16,000) is leading to some people delaying emptying of overloaded septic tanks. Resource consent costs when making necessary home alterations / renovations is an issue for some families. Not an issue for simple changes such as installing ramps when required, as government meets those costs.	5	5	7	5	2		
Multiple ownership Maori land causes difficulty as lenders can't or won't take security on land	Lend for leasehold housing on the land and register the mortgage on the leasehold in the Land Court as loan security	5=	Needs more research but might be a good idea We see housing on leased land with low capitalisation as a viable option, not just for Maori land, but land owned by local authorities, HNZA etc. For Maori land, there are greater difficulties in determining the owners, and then being able to contact them. But it is a good solution if you can get through the barriers.	3	3	3	3		How would this work? How does this provide security on multiply owned land?	
Clusters of low-income people forming in caravan parks and specific suburbs (lack of access to facilities & amenities.	Provide in zoning rules and consents for development of properly designed caravan parks with permanent sited caravans and facilities for targeted groups	6=	We do not see this as a permanent solution, but may be a temporary solution for some families at stages in their lives This doesn't address affordability	6	6.3	5.3	7	8	Where's the land?	

Issues from Interviews	Solution Options from Interviews	Priority Order Ranking from Workshop Two	Points Raised by Reference Group in workshop and in evaluation responses	Reference Group Evaluation Average (1=best/most effective to 10 =low/least effective)					Barriers to solutions or implementation issues	Key organisations involved
				A ¹³⁴	B ¹³⁵	C ¹³⁶	D ¹³⁷	E ¹³⁸		
Social problems)	or as a transition									
People renting all their lives now approaching retirement age, on fixed incomes not able to afford to rent let alone buy. Increasing problem with ageing population		6=	<p>Need to promote first home buyer schemes at a younger age eg KiwiSaver, the Australian scheme so that people are mortgage free by the time they reach retirement age.</p> <p>People used to move from public rental i.e. HNZA into NGO, council, church, Masonic lodge, RSA rental units. Those opportunities are reducing now.</p> <p>Concerned that councils may try to get out of their broader social accountability for housing for the elderly, when they get out of direct provision.</p> <p>Are accommodation allowances available through WINZ sufficiently large to meet costs?</p> <p>Need to look at more creative solutions eg portable granny flats; different designs; kit set units that could be rented out by councils or other organisations.</p> <p>Also temporary portable extensions for large families.</p> <p>Need to develop <u>small</u> clusters of supported housing for elderly, and communal housing/flattening options. The CHRANZ document on Accommodation options for older people in NZ, 2004 has some good options.</p>	3	3.5	3.5	3.5	1		
Income assistance policies have inflationary impact on rents so affordable	HNZA, Councils and Charitable foundations consider more direct provision of houses including partnership	6=	HNZA core approach	2	5	1	-			

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				A ¹³⁴	B ¹³⁵	C ¹³⁶	D ¹³⁷	E ¹³⁸		
homes should be targeted to need by appropriate agencies	models									
Shouldn't transfer responsibility from state to employer [employer assisted housing] as level of burden on employers would result in job losses		6=		10	10	10	10			
Infrastructure services required to allow more land to be zoned/developed Standard of infrastructure expected by the market is high and increasing, and this comes with a cost	Councils explore potential for public-private partnerships for selected infrastructure (e.g. wastewater)	7=	Land value = supply/demand productive vs urban use Need to allocate (market) Can not artificially govern	8	7.5	6.5	7.5			

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				A ¹³⁴	B ¹³⁵	C ¹³⁶	D ¹³⁷	E ¹³⁸		
New house prices are out of range of affordable buyers and renters	Review sequence of growth nodes planned for intensification to prioritise ones that could feasibly provide lower-cost houses	7=	Councils can only do so much infrastructure per year Physical limits to buildings. More direct interventions required Regional initiatives required Land values not cheap Need funding for reserves, water & other infrastructure Query re is it possible to spread compliance costs into longer-term mortgage repayments rather than an upfront payment	4	4.3	2.7	4.7	8		
	The Council could reduce the fees (subsidise) for these lower cost houses (under \$300,000).		8.5	9.5	5	8.7	8			
	Consider regulation to set limits on proportion of sections that can be subject to minimum size covenants		4.5	3	4	4.5	2	Small sections necessary in major cities		
	Review design guidelines to ensure lower-cost buildings can be built within the district		1	4.5	1	4.5				
	Developers could be required to build a proportion of lower		2	2	4.7	4.7	2	The market may support this approach with the ageing		

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	cost/smaller size housing (of say up to 10%) of their total estate development								population	
	Take a regional view of adjacent areas that could provide more affordable homes			5	5.5	2.5	6			
Access to finance for urban development on Maori land	Assume HNZC, Kiwi Bank or other Govt agency as underwriter of % land value Leverage off % value by funds held in trust arising from commercial activities undertaken on that Maori land holding.	7=		5	5	5	5		Opposition of life-style block owners	
Traditional skill sets have disappeared so need to teach [Maori] people how to maintain properties	Provide associated education programmes as a complementary programme to home ownership or papakainga housing, or require it as a prerequisite	7=	Already a pre-requisite for HNZC products for all cultures. Isn't this a wee stretch from affordability?	8	9	9	6		No limited to Maori. A generational problem – skills had to return	
Communicati										

Issues from Interviews	Solution Options from Interviews	Priority Order Ranking from Workshop Two	Points Raised by Reference Group in workshop and in evaluation responses	Reference Group Evaluation Average (1=best/most effective to 10 =low/least effective)					Barriers to solutions or implementation issues	Key organisations involved
				A ¹³⁴	B ¹³⁵	C ¹³⁶	D ¹³⁷	E ¹³⁸		
on with landlord a major problem - damage by negligent occupiers - compounds maintenance problems										
Note: The following rows were not ranked as priority issues/solutions at the December 2006 workshop, but were scored in Reference Group evaluations received										
Developable land held in concentrated ownership	Strategic acquisition of land by public bodies for lease to affordable housing provider bodies or for development (with covenants on resale)		e.g. Queenstown and Nelson Community Land Trust option	4	1.5	1.5	1.5		Balancing live, work and play. Where's the land? Relies on huge capital resources	HNZC, Councils
Council permissive zoning and consent processes allow conversion of older housing in or adjacent to commercial centres and main routes to commercial uses	Consider planning for and designating certain areas for affordable housing use, hence restricting or prohibiting conversion to commercial use			4	4	4	4			

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Zoning of Maori land limits housing density compared to general residential zones	Councils review zoning of Maori land to provide greater flexibility to increase number of dwellings per lot		Zoning is as it is usually because dwellings rely on water and septic tank infrastructure... this would need to be addressed Not a limitation	5	5	5	5		Accessing council infrastructure	
Substandard housing	Need for skills development in home maintenance, although does not get around the problems of not being able to afford the home maintenance.		Affordable home maintenance schemes are needed. This could include greater use of Grey Skills programme, where retired/semi-retired tradesman offer their services and advice, and increase local skills development in communities.	4	2	5	3	2		
Govt policies aren't getting "our [Maori] people" motivated and accountable Need a significant income differential between welfare and wages to motivate graduates into employment – home	Need training aligned with outcomes and goals and put systems in place to achieve these			5	5	5	5			

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maintenance, cottage industries, etc. so they can afford housing										
Need to align progression from emergency housing to stable relocation/integration into community	Need more emergency housing		<p>Issues around Retirement Villages Act. There are likely to be changes being made to family trust deeds.</p> <p>There is insufficient housing for people with mental illness living in the community. Often people experiencing mental illness are kept in acute care units inappropriately because there is no suitable housing option to move to. So inpatient units are being used as emergency housing.</p> <p>There are difficulties if a family home is owned by a family trust, and the trust doesn't want to sell the home (so people can shift to more appropriate home) or make alterations because they reduce the value of the home for resale.</p>	3.5	3	2.7	2.3	2	Nobody could ever fulfil the demand for emergency housing	
	Use Habitat for Humanity and NZ Housing Foundation – to enable building up equity in the house over time by homeowners			4	4	4	4			
Focus is on Papakainga housing	Shareholders (through Trustees) to partner with capital investors. Trustees raise capital, build houses,		<p>Currently happening but doesn't address the affordable housing big picture</p> <p>It is a theoretical solution, but in practice it has a long way to go</p>	2.7	2.7	5	3.7		Community capacity a big issue	Māori trusts, Councils, HNZC, lenders

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				A ¹³⁴	B ¹³⁵	C ¹³⁶	D ¹³⁷	E ¹³⁸		
	rent/lease to buy back to beneficiaries									
Seasonal workers not being catered for	Consider Council provision of housing for workers near workplaces and fund through a separate rate levied on relevant employers Or consider private sector provision		Seasonal workers is a private sector issue and not a Council issue	8 2	8 2	8 4	8 1			
High financial and development contributions	Reduce or waive Council contribution charges, resource consent and building fees for affordable housing providers, or for developers building these homes			1	1	1	1			

Issues from Interviews	Solution Options from Interviews	Priority Order Ranking from Workshop Two	Points Raised by Reference Group in workshop and in evaluation responses	Reference Group Evaluation Average (1=best/most effective to 10 =low/least effective)					Barriers to solutions or implementation issues	Key organisations involved
				A ¹³⁴	B ¹³⁵	C ¹³⁶	D ¹³⁷	E ¹³⁸		
Need to holistically address intergenerational issues which are adversely contributing to social development	Salvation Army 2002 initiative		Skill building necessary. Intergenerational housing design required. Look at building guidelines – use of overseas guidelines on accessibility (15 key points) when building new homes There is a need for good advice to be given.	3	4	5	5	2	Needs to start in children's education from an early age	
Continuation of current interventions addressing the symptoms – lot of people take advantage of Govt policy and soak up everything on offer Dependency on welfare with people being rewarded for being dependant	Clients need more help and advice about their housing choices, and the pros and cons		Some people that are providing the advice don't have proper training/knowledge on these issues. Independent advice is essential. There are issues around home equity schemes e.g. Sentinel	3.5	3.5	4	5	5	Not everyone has the ability to manage their day to day affairs	NZ Federation of Family Budgeting Services (Inc.)
			Government invests 30% of purchase price on first home, to be returned on sale plus 30% of capital gain. Capitalising Family Assistance	1	1	1	1			

Issues from Interviews	Solution Options from Interviews	Priority Order Ranking from Workshop Two	Points Raised by Reference Group in workshop and in evaluation responses	Reference Group Evaluation Average (1=best/most effective to 10 =low/least effective)					Barriers to solutions or implementation issues	Key organisations involved
				A ¹³⁴	B ¹³⁵	C ¹³⁶	D ¹³⁷	E ¹³⁸		
	Strategic focus: need incremental savings plans for those receiving WINZ payments		Need for more safety net schemes for insurance, as insurance not often carried by low income people. HNZC could offer more basic advice on home maintenance to their residents	6.5	6.5	7.5	7	4		
Policy interventions such as accommodation on supplements distort the market resulting in rent increases	Don't increase accommodation supplements as this distorts the market and pushes up rents. Increase prepayments via WINZ and supplement with Budgeting education		Banks and budget services could work together - finance policy Add on costs proportionally higher on "saver" mid cost houses (e.g. electricity %, maintenance %) If don't have maintenance skills hard to do themselves Need to know total cost of home ownership Need to know a rental model New Zealanders obsessed with home ownership (attitude) Seasonal Work – Transport – Accommodation coordinated planning needed Land use integration with transport planning important	3	3	3	3			
Need to soften 'homeless' criteria so that eligibility is widened for potential HNZN tenants	Tap into private rental sector to expand housing stock and reduce HNZN waiting lists		The two solution options are already in place with HNZN. HNZN has 2774 houses in the region and lease additional properties to increase the portfolio. Applicants are also supported to access the private rental sector.	1	1	1	1			
	HNZN need to identify needs of market sectors and target planning and design to meet demand			1	1	1	1			

Issues from Interviews	Solution Options from Interviews	Priority Order Ranking from Workshop Two	Points Raised by Reference Group in workshop and in evaluation responses	Reference Group Evaluation Average (1=best/most effective to 10 =low/least effective)					Barriers to solutions or implementation issues	Key organisations involved
				A ¹³⁴	B ¹³⁵	C ¹³⁶	D ¹³⁷	E ¹³⁸		
Insulation will reduce future operating costs and make the homes healthier Many Papakainga houses lack insulation	Permit and legal costs should be lowered for those seeking to build/extend/modify homes with energy-saving devices or construction, etc		Need to reduce use of unflued gas heaters. The BOPDHB is participating in funding Healthy Homes schemes for retrofitting of homes with insulation and draught stopping, recognising both health and energy gains made. Research has proven health benefits of insulation	1.5	1.5	1.5	1.5	1		
	EECA, RHP initiatives should be reactivated Could reduce specification of homes to the basic requirements to make them more affordable, and phase in enhancements as they can be afforded		4	4	4	4				

Appendix 7 Interview Questions

October/November 2006 Interview Questions

Affordable Housing in the Bay of Plenty Region: A solutions study

The objective of the project is to:

- Investigate the links between housing, work, infrastructure and regional development in the Western and Eastern Bay of Plenty sub-regions, covering the following dimensions:
 - affordable housing in housing markets under stress
 - regional economic development issues, including regional growth and labour markets
 - residential water and waste-water infrastructure, transport infrastructure and social infrastructure (schools)
- Enable a locally owned solutions plan to be developed and implemented.

The research results will contribute towards the development and implementation of locally owned solutions to meet any identified issues arising between affordable housing and labour requirements in the two sub-regions.

There are many definitions of affordable housing, including various indexes of affordability. Our definition of affordable housing for the purposes of this project is housing (whether rental or owned) where the annual costs¹³⁹ of housing are less than 30% of gross household income. This applies to both rental houses and owned houses.

Capital Strategy Limited is interviewing a range of people and organizations to get a better idea of the issues, possible solutions, and barriers to those solutions.

The findings from interviews will be incorporated along with other research.

We will circulate questions in advance of interviews so interviewees can:

- see the nature of questions being asked
- have time to think about their answers
- where necessary establish an organization's view on particular questions
- collect data or information

The completed interview forms and notes will not be disclosed to any party without your permission. We may wish to attribute quotes to particular individuals and/or organizations in our presentation material and reports – we will seek your permission before doing this. If you are happy to be quoted by name or by your organisation, or if you don't want to be quoted, please tell us

¹³⁹ Cash costs = rent or mortgage payments, rates

Core Questions

1. How significant is the problem of affordable housing?
2. What are the impacts of, and the problems caused by, a lack of affordable housing?
3. Why do you think the market is not delivering an adequate supply of affordable homes, and what are the barriers?
4. What changes could be made to increase the supply of and access to affordable homes?

Specific Questions for Groups

Councils:

Could Council processes be improved to increase the supply and reduce the cost of affordable homes – which processes, how do they affect affordable housing, and how could they be changed?

What is the average time for the following Council processes: resource consents, building consents, District Plan change process/rezoning?

Do you believe there is currently adequate zoned land including taking account of recent zoning changes [*in places such as Papamoa and Te Puke) in the Western Bay of Plenty and Tauranga area; and in EBOP]* to meet foreseeable demand for housing? If not, what other areas would you consider for new residential development?

- *Is out of sequence development permitted and on what terms and where? (e.g. Plan Change, non-complying resource consent)?*

We are aware of information published by the Council on development potential of existing zoned (undeveloped) land. Can you confirm data on the following is available and provide this information?

- *Vacant subdivided lots within the district/city, and*
- *Lot equivalents on unsubdivided land which is zoned for residential development and able to be connected to trunk sewer and water pipes, and*
- *Lot equivalents on land earmarked in strategies, plans and policies for residential development but not currently zoned as such (e.g. zoned Future Urban)*

Are there any examples of existing areas where infrastructure (provided by the Council, central government or others) is acting as a constraint on greenfield or infill development? In which particular geographic areas are there problems that if rectified would increase the availability or development potential of land?

Are there any areas where improved infrastructure provision would increase the supply and/or reduce the cost of affordable housing?

Is land banking for residential development by landowners prevalent in the district?

To what extent and how does land-banking affect the rate of release of development land and prices?

- *If a significant cause of pressure, what mechanisms could be established to prevent or reduce land withholding by property owners in areas planned for current and future residential (and commercial) development?*
- *Would a regulatory requirement for development to occur within a certain timeframe subsequent to rezoning be worth considering?*
- *What would the impacts of such a requirement be, e.g. would this decrease incentives for development or the quality?*

What rates and charges are applied to undeveloped sections or undeveloped land zoned for development (is such land treated differently from land with 'improvements')?

Which organizations could or would be best to provide land and/or finance for affordable housing, and why?

- *HNZC*
- *Charitable foundations and trusts*
- *Councils*
- *Employers*
- *Banks and other financial institutions*

Which of the following methods would assist provision of land for affordable housing, or to build homes?

- *Strategic land acquisition for affordable housing (and if so, who should do this e.g. Council, a Council owned development agency, housing trusts, HNZC, etc and why?):*
 - *for public development and long-term ownership?*
 - *for provision of leasehold interest to private owners only?*
 - *for tender or sale to developers for affordable housing?*
- *Mortgage guarantee – and from?*
- *Other suggestions (please specify)*

What are the issues and do you have any suggestions as to how to best integrate affordable housing into new subdivisions or infill developments?

- *e.g. District Plan rules requiring or incentivising a proportion of housing to meet defined criteria of affordability?*

What impact does the Council's financial contributions policy have on the commercial feasibility of residential development? Are there any differences between infill vs. greenfields?

What is the typical per lot contribution for infrastructure for a 300 lot subdivision, and what are the component proportions for roading, water, wastewater, stormwater, community facilities, public open space?

What are the pros and cons and issues associated with the following mechanisms to reduce the up-front cost of affordable housing?

- *Deferral of development and financial contributions*
- *Waiver of development and financial contributions*
- *Deferral or waiver of consent and permit fees*
- *Conversion of up-front contribution charges into interest bearing term infrastructure loans payable by the home-owner*
- *Other mechanism (please specify)*
- *Could this be for all sections and houses or could/should a value ceiling apply, and what would be the impact of such a ceiling?*

What time period does the infrastructure cost in the development and financial contribution charges apply to?

Are covenants on developments affecting the number of affordable houses being built?

Which of the following issues is preventing development of multi-owned Maori land?

- *Infrastructure to support development (sewerage reticulation, potable water, power supply, roading, access to schools and community facilities including medical services)*
- *How to identify the ownership in land*
- *How to negotiate with other owners to use the land for house building*
- *Subdivision requirements*
- *Arranging finance, including meeting lender security requirements*
- *Building costs*

Developers:

Do you believe there is currently adequate zoned land including taking account of recent zoning changes in places such as Papamoa and Te Puke in the Western Bay of Plenty and Tauranga area; and in the EBOP, to meet foreseeable demand for residential housing? If not, what other areas do you believe should be considered for new residential development ?

Do you believe currently zoned land including Papamoa and Te Puke in the Western Bay of Plenty and Tauranga area; and in the EBOP, will provide feasible commercial opportunities for lower-cost (affordable) housing? If not what other actions should be considered by Councils and other decision-makers to provide for affordable housing?

Are there any examples of existing areas where infrastructure (provided by the Council, central government or others) is acting as a constraint on greenfield or infill development? In which particular geographic areas are there problems that if rectified would increase the availability or development potential of land?

Is land banking for residential development by landowners prevalent in the district?

To what extent and how does land-banking affect the rate of release of development land and prices?

- *If a significant cause of pressure, what mechanisms could be established to prevent or reduce land withholding by property owners in areas planned for current and future residential (and commercial) development?*
- *Would a regulatory requirement for development to occur within a certain timeframe subsequent to rezoning be worth considering?*
- *What would the impacts of such a requirement be, e.g. would this decrease incentives for development or the quality*

Which organizations could or would be best to provide land and/or finance for affordable housing

- *HNZC*
- *Charitable foundations and trusts*
- *Councils*
- *Employers*
- *Banks and other financial institutions*

Which of the following methods would assist provision of land for affordable housing?

- *Strategic land acquisition (e.g. by the Council or a council owned development agency, housing trusts, HNZC):*
 - *for public development and long-term ownership?*
 - *for provision of leasehold interest to private owners only*
- *Mortgage guarantee – and from?*
- *Other suggestions (please specify)*

What are the issues and do you have any suggestions as to how to best integrate affordable housing into new subdivisions or infill developments?

- *e.g. District Plan rules requiring a proportion of housing to meet defined criteria of affordability?*
- *Would a performance bond assist?*

What impact does the Council's financial contributions policy have on the commercial feasibility of residential development? Are there any differences between infill vs. greenfields?

What covenants are applied in new developments that may constrain provision of affordable houses (to own or rent), and how could changes be made that would increase the supply of affordable housing?

- *Could restrictions on the use of development size/value covenants on a % of sections in a development help, and what would be a reasonable proportion or threshold subdivision size to apply this to?*

How competitive is the local house building market (e.g. indicated by choice of builders; waiting times; presence of group home companies)?

Builders

What covenants are applied in new developments that may constrain provision of affordable houses (to own or rent), and how could changes be made that would increase the supply of affordable housing?

- *Could restrictions on the use of development size/value covenants on a % of sections in a development help, and what would be a reasonable proportion or threshold subdivision size to apply this to?*

What is the typical total cost of construction per square metre for a 80, 100, 150 m² dwelling

Do any of the following factors increase the cost of housing in the WBOP/EBOP (or both)?

- *the price of building materials and if so, which items and how much more expensive are they (relative to other areas)*
- *the cost of trade services (electrical, plumbing, drainlaying, bricklaying, tiling, etc)*
- *the cost of land development and site services (e.g. site preparation)*

Is there adequate information available to the development sector on the supply and demand for affordable housing, and house-buyers price sensitivity?

Are there incentives in place in regulatory approval and development contribution policies to encourage energy-efficient designs and devices to be incorporated into dwellings?

Financial Institutions and advisors

How much of the affordability problem arises from the proportion of lower waged staff in the region?

What are the main issues you have to deal with for people on a low income budgeting to meet housing costs?

Which of the following issues is preventing development of multi-owned Maori land?

- *Infrastructure to support development (sewerage reticulation, potable water, power supply, roading, access to schools and community facilities including medical services)*
- *How to identify the ownership in land*
- *How to negotiate with other owners to use the land for house building*
- *Subdivision requirements*
- *Arranging finance, including meeting lender security requirements*
- *Building costs*

Would alternative tenure models assist, such as shared ownership and rent-to-buy, leasehold – what are the pros and cons?

Would establishment or better resourcing of private-public partnerships increase the supply of affordable homes – what form should they take?

What specifications in housing could be lowered to reduce building costs to assist in increasing the supply and reducing the cost to buy? What are the pros and cons of this approach?

Which organizations could or would be best to provide land and/or finance for affordable housing, and why?

- *HNZC*
- *Charitable foundations and trusts*
- *Councils*
- *Employers*
- *Banks and other financial institutions*

Which of the following methods would assist provision of land for affordable housing, or to build homes?

- *Strategic land acquisition for affordable housing (and if so, who should do this e.g. Council, a Council owned development agency, housing trusts, HNZC, etc and why?):*
 - *for public development and long-term ownership?*
 - *for provision of leasehold interest to private owners only?*
 - *for tender or sale to developers for affordable housing?*
- *Mortgage guarantee – and from?*
- *Other suggestions (please specify)*

What impact does the Council's financial contributions policy have on the commercial feasibility of residential development? Are there any differences between infill vs. greenfields?

What are the pros and cons and issues associated with the following mechanisms to reduce the up-front cost of affordable housing?

- *Deferral of development and financial contributions*
- *Waiver of development and financial contributions*
- *Deferral or waiver of consent and permit fees*
- *Conversion of up-front contribution charges into interest bearing term infrastructure loans payable by the home-owner*
- *Other mechanism (please specify)*
- *Could this be for all sections and houses or could/should a value ceiling apply, and what would be the impact of such a ceiling?*

Employers and Employer representative organisations

How much of the affordability problem arises from the proportion of lower waged staff in the region?

Does lack of affordable housing affect attraction and retention of new employees and/or seasonal workers, and in which particular job categories and geographic areas in the BOP?

Would provision of public transport or private bus services between and within the EBOP and WBOP, and between Rotorua and the WBOP & EBOP, improve access for workers between their place of work and affordable housing?

Could underutilized or vacant housing stock in towns (e.g. Kawerau) be used for this purpose?

For seasonal workers would an option be to transport workers between and within EBOP and WBOP and from outside the area?

Could camping grounds, hostel, or temporary rental accommodation on rural or other land be an option (e.g. multi-unit hostels for seasonal workers)?

What are the key issues and barriers in relation to planning controls, infrastructure provision, community views, etc?

Are there any issues with the quality of seasonal or longer term rental accommodation?

What are the other key issues that affect or are preventing an adequate supply of affordable homes in the BOP?

What do you think are the best solutions to the problem, and who do you think should be responsible for each of these solutions?

Iwi-hapu organisations

Is there adequate:

- *emergency and interim housing, including hostels.*
- *supported housing*
- *new HNZC stock planned and re-generation of existing stock*

How prevalent is overcrowding and in what areas, and what would be the best way to address this?

Concerns about poor quality accommodation have been raised. How widespread are the following problems (quantify if possible or provide examples), and what could be done to improve the situation?

- *people living in temporary accommodation in garages, sheds, buses, caravans and campervans*
- *lack of insulation*

- *damp and mould*
- *lack of basic chattels such as carpets and curtains in rental accommodation,*
- *safety issues around lack of fire guards*
- *fire risk*
- *inadequate outside areas for children to play*
- *unsafe driveways*

Is there adequate co-ordination between the agencies on provision of affordable housing? If there is a problem, how could this be best addressed, and by who?

Would alternative tenure models assist, such as shared ownership, rent-to-buy, leasehold – what are the pros and cons?

What programmes are you aware of that could improve the standard of maintenance or housing stock, and to make it cheaper to live in (e.g. energy saving devices to reduce power bills, etc)? Is enough being done, and what more could be done?

Is there adequate information available for people to access affordable housing and housing assistance?

- *Are housing accommodation supplements adequate in the BOP?*
- *Is information sufficient for people to assess their eligibility for accommodation supplements?*

Should employers provide assistance for housing (e.g. provide some worker housing, or short term loans, or rental assistance, rental housing, etc), why, and what sort of assistance?

Would establishment or better resourcing of private-public partnerships increase the supply of affordable homes – what form should they take?

Would changes to provision of public transport in the area enable more people to live in affordable homes and get to and from home to work, education or shops and services? If yes, what services need to be provided and where?

Would relaxing the criteria on minor dwellings help to increase the supply of lower cost housing on existing sections available to people requiring affordable housing (extending the “granny flat” concept to a broader range subject to controls to prevent abuse of entitlement)?

What are the main problems preventing access to affordable rental properties, and to what extent are they a problem?

- *price*
- *lack of rentals in the low-medium band.*
- *bond and rent in advance.*
- *Household debt servicing costs for cars, HP on appliances, furniture*
- *Waiting lists for Council, housing trust or HNZA homes*
- *Other (please specify)*

What are the tribal authority’s objectives and plans to increase housing stock or improve the quality of existing stock?

Which of the following issues is preventing development of multi-owned Maori land?

- *Infrastructure to support development (sewerage reticulation, potable water, power supply, roading, access to schools and community facilities including medical services)*
- *How to identify the ownership in land*
- *How to negotiate with other owners to use the land for house building*
- *Subdivision requirements*
- *Arranging finance, including meeting lender security requirements*
- *Building costs*

How significant is housing maintenance and what level of need exists in the community?

How does your organisation contribute to meeting maintenance needs?

Housing of the elderly

How much of the affordability problem arises from the proportion of lower or fixed income people in the region?

Do you facilitate/provide information on housing alternatives for your clients/members? Please outline.

What support services does your organisation provide to support the elderly continuing to either live in their own home, or to find suitable alternative accommodation that meets their needs?

What services do other organisations provide to the elderly to help them stay in their own home or obtain suitable alternative accommodation that meets their needs?

What could be done to increase the supply and lower the cost of affordable pensioner housing (e.g. allow smaller lot sizes than normal, increase in multi-unit developments, changes to specification to reduce cost)?

Are there opportunities to increase the number of elderly people either sharing their home or renting rooms to other elderly people to reduce costs or to provide company and support? What are the pros and cons?

What are the options and issues associated with elderly people building a small flat on their existing property, moving into it and then renting out their previous home?

What forms of assistance with repairs or maintenance of their housing (e.g. lawns, gardens, etc) is needed by the elderly and what could be done to assist them with this?

What problems exist for people who want to get from their homes to social activities, the shops, health care, etc?

- *What forms of public transport are there in the district?*
- *How effectively do these connect the community with meeting their needs (shopping, social events, health care, etc)?*
- *What alternatives are available for getting around (volunteers, etc)?*

- *Are there services within walking distance to homes?*
- *What could be done to address any problems?*

What stocks of emergency housing are there in the district and what are their occupancy rates and typical duration?

Budgeting and welfare support organisations

How much of the affordability problem arises from the proportion of lower waged staff in the region?

What are the main issues you have to deal with for people on a low income budgeting to meet housing costs?

How prevalent are incidences of accommodation arrears? Is this a recurrent problem for some individuals or common within the community?

Which agencies/organisations deal with housing issues in the district, and what is their role?

What formal networks exist to assist people with accommodation needs?

What informal networks exist to assist people with accommodation needs?

Do these organisations liaise on a regular basis so they work together effectively to help people with their accommodation needs?

What improvements could be made in the way support agencies operate to help people with their accommodation needs?

Which community sectors have the most need for emergency housing?

How significant is the issue of housing maintenance and what level of need exists in the community?

Appendix 8 Market Rents 1 September 2006-28 February 2007

Source: Tenancy Services, Department of Building and Housing¹⁴⁰

Kawerau

Bedrooms	Dwelling	Bonds Received	Average Rent	Standard Deviation	Lower Quartile	Median Rent	Upper Quartile
3	Flat	10	\$145	10.39	\$140	\$140	\$160
2	Flat	10	\$133	26.16	\$120	\$137	\$150
1	Flat	5	\$81	8.22	\$75	\$75	\$90
3	House	57	\$173	21.38	\$165	\$170	\$190
2	House	9	\$152	15.02	\$140	\$150	\$162

Opotiki

Bedrooms	Dwelling	Bonds Received	Average Rent	Standard Deviation	Lower Quartile	Median Rent	Upper Quartile
2	Flat	5	\$134	23.46	\$128	\$140	\$150
4	House	8	\$171	22.32	\$155	\$170	\$190
3	House	47	\$164	13.85	\$156	\$165	\$170
2	House	19	\$154	27.1	\$140	\$145	\$167

Tauranga - Bethlehem / Otumoetai / Judea

Bedrooms	Dwelling	Bonds Received	Average Rent	Standard Deviation	Lower Quartile	Median Rent	Upper Quartile
2	Apartment	5	\$257	22.8	\$246	\$260	\$272
1	Apartment	14	\$220	10	\$205	\$225	\$225
3	Flat	5	\$233	26.36	\$210	\$225	\$255
2	Flat	70	\$222	23.7	\$210	\$220	\$240
1	Flat	18	\$171	23.25	\$160	\$172	\$195
5+	House	5	\$409	141.17	\$311	\$380	\$462
4	House	84	\$358	55.36	\$320	\$350	\$400
3	House	302	\$291	40.81	\$265	\$285	\$310
2	House	65	\$247	43.28	\$230	\$240	\$250
1	House	5	\$181	23.56	\$163	\$190	\$200

Tauranga - Central / Greerton / Welcome Bay

Bedrooms	Dwelling	Bonds Received	Average Rent	Standard Deviation	Lower Quartile	Median Rent	Upper Quartile
3	Apartment	14	\$386	100.77	\$300	\$355	\$470
2	Apartment	13	\$320	97.69	\$235	\$300	\$427
3	Flat	8	\$270	51.55	\$230	\$260	\$320
2	Flat	133	\$223	40.63	\$200	\$220	\$240
1	Flat	61	\$168	30.77	\$150	\$175	\$181
5+	House	11	\$420	89.98	\$346	\$430	\$488
4	House	87	\$337	61.85	\$300	\$340	\$380
3	House	385	\$290	49.02	\$260	\$290	\$320
2	House	113	\$247	37.63	\$225	\$250	\$270
1	House	7	\$179	48.17	\$150	\$160	\$192
1	Room	5	\$155	74.16	\$95	\$160	\$191

¹⁴⁰ www.dbh.govt.nz/market-rent

Tauranga - Mt Maunganui / Papamoa

Bedrooms	Dwelling	Bonds Received	Average Rent	Standard Deviation	Lower Quartile	Median Rent	Upper Quartile
4	Apartment	6	\$418	74.41	\$400	\$410	\$420
3	Apartment	34	\$358	66.96	\$320	\$350	\$385
2	Apartment	37	\$328	63.87	\$287	\$310	\$352
3	Flat	14	\$287	41.73	\$260	\$290	\$320
2	Flat	117	\$231	55.15	\$203	\$220	\$250
1	Flat	34	\$180	42.68	\$160	\$180	\$195
5+	House	10	\$468	108.07	\$400	\$475	\$550
4	House	92	\$353	60.8	\$320	\$350	\$372
3	House	433	\$300	43.77	\$275	\$300	\$320
2	House	107	\$256	44.36	\$226	\$250	\$278
1	House	8	\$183	40.07	\$157	\$165	\$205
1	Room	5	\$166	91.61	\$91	\$160	\$216

Western Bay of Plenty District

Bedrooms	Dwelling	Bonds Received	Average Rent	Standard Deviation	Lower Quartile	Median Rent	Upper Quartile
3	Flat	7	\$222	48.81	\$180	\$240	\$240
2	Flat	31	\$188	44.1	\$157	\$180	\$200
1	Flat	24	\$137	41.86	\$117	\$150	\$160
5+	House	10	\$411	143.16	\$275	\$375	\$550
4	House	50	\$317	66.33	\$270	\$305	\$350
3	House	230	\$252	47.63	\$230	\$250	\$270
2	House	90	\$206	58.31	\$180	\$200	\$220
1	House	9	\$162	25.01	\$150	\$160	\$173

Whakatane

Bedrooms	Dwelling	Bonds Received	Average Rent	Standard Deviation	Lower Quartile	Median Rent	Upper Quartile
2	Apartment	5	\$444	363.17	\$230	\$350	\$533
3	Flat	6	\$220	50.99	\$180	\$225	\$260
2	Flat	67	\$201	43.73	\$176	\$200	\$210
1	Flat	12	\$162	48.17	\$137	\$147	\$165
4	House	36	\$305	47.5	\$290	\$320	\$335
3	House	150	\$272	48	\$250	\$270	\$285
2	House	35	\$229	35.09	\$202	\$230	\$250

Whakatane – Rural

Bedrooms	Dwelling	Bonds Received	Average Rent	Standard Deviation	Lower Quartile	Median Rent	Upper Quartile
2	Flat	10	\$172	73	\$150	\$155	\$200
4	House	7	\$248	61.13	\$231	\$260	\$280
3	House	39	\$209	59.65	\$167	\$220	\$245
2	House	7	\$175	25.73	\$150	\$180	\$197

Appendix 9 Excerpt: SmartGrowth Strategy and Implementation Plan Review¹⁴¹

Note: changes from the original strategy are in blue text.

Section 7.2.13. Affordable Housing

Growth Issues

1. Inability of the affordable housing market to compete for resources in an area of rapid growth.
2. Housing affordability is influenced by employment and wage rates, and transport costs as well as land and building costs.
3. Housing New Zealand has a key role in the provision of affordable housing.
4. There are a range of independent agencies involved in providing affordable housing for those in need.
5. Economic effect of increased land and housing prices resulting in access that is unaffordable to workers into the housing market.
6. *Transport accessibility is vital to enable those in affordable housing to access work and play opportunities. This includes regular and reliable passenger transport.*

Principles

1. Sufficient affordable housing which provides for low income residents as well as supporting the subregions future labour force.
2. Acceptance that the market without intervention will be unable to provide adequate affordable housing.
3. Central government has the primary responsibility to provide social housing.
4. The different spatial and cultural needs of residents will be recognised.
5. Affordable housing provides security and enhances the well-being of the community.
6. Affordable housing is well designed, well presented, and a source of pride for owners and occupiers.
7. *Affordable housing is well designed and constructed from quality materials that last.*

Background – Council Role

Tauranga City Council and Western Bay of Plenty District Council have considered a range of methods to support increased and improved affordable housing. The position of the two Councils is that affordable housing is ultimately the responsibility of central government and this cost should not be transferred to the ratepayer. The responses which were supported by the Councils are reflected in actions 1 to 4 below.

The following options were also considered by the two Councils but were not supported:

- *Inclusionary zoning i.e. % of homes to be for affordable housing - but ownership must transfer to Third Sector housing provider/manager (or it will end back on open market).*
- *Waiver or deferred payment of development contributions*
- *Waiver or deferred payment of resource consent & building fees*
- *Council increasing its own housing stock through acquisition.*
- *Capital funding from the local authority to provide leverage for Third Sector*
- *Increased resources into further Maori Land projects*

Completed Actions

No completed actions.

Specific Project Actions

No specific project actions.

Please note: the following sections (Ongoing Approaches 1-5) have been copied directly from SmartGrowth documents, and incorporate track changes.

¹⁴¹ November 2006

On-going Approaches					
1.	<p>TCC and WBOPDC will work with community organisations and iwi/hapu social housing providers to:</p> <p>(a) Leverage maximum funds from Central Government for the upgrading, refurbishment and redevelopment of social housing in the western Bay of Plenty sub-region.</p> <p>Implement the intensification goals of the SmartGrowth strategySupport increase/improvement in affordable housing stock through:</p> <p>a) Redevelopment of existing elder housing stock (including consideration of upgrading, refurbishment, redevelopment and intensification).</p> <p>b) Investigating Public/Private/Social Housing Sector partnerships through the provision of land by Council for affordable housing use.</p> <p>c) Advocating with Central Government and other Agencies in respect of the need for affordable housing provision in the sub-region.</p>				
Explanation	<p><u>These are the areas where Council believes it is appropriate for action to be undertaken by the Council. Other actions are primarily the responsibility of Central Government.</u></p> <p><u>The Councils considered the options available in terms of supporting and enabling affordable housing. The actions above were agreed.</u></p> <p><u>Tauranga City Council has decided that it will not pursue the following:</u></p> <ul style="list-style-type: none"> <u>Inclusionary zoning</u> <u>Development contribution deferment or waiver (as this transfer some or all of the cost to the ratepayer which is not fair and equitable)</u> <u>Consent fee deferment or waiver</u> <u>Increasing housing stock through market acquisition</u> <u>Providing capital funding to other parties as leverage funding</u>Central Government allocated in the 2003 budget \$63 million funding for community and local government housing initiatives to be spent over the next four year period. The funding is to encourage community organisations, iwi/Maori and local government to increase their involvement in providing rental housing and home ownership opportunities to low income New Zealanders and those with special needs. 				
Priority	Lead Agency	Support Agencies	Cost Estimate	Plan	Linked Actions
On-going A joint application submitted to Housing New Zealand by the end of 2004	TCC, WBOPDC	HNZ Not-for-profit / voluntary organisations, iwi / hapu social housing providers within the WBOP area	\$18,000		
<p>A report was presented to the Joint Governance Committee of the two Councils. The decision was made not to pursue optimal use of existing community housing land through an intensification redevelopment approach.</p>					

2.	<u>Increase housing supply through:</u> a) <u>Zoning (refer section 7.2.3); and</u> <u>Supporting development of Maori Land</u> Increase housing supply through: zoning (refer section 7.2.3); and ;;b) supporting development of Maori Land				
<u>Explanation</u>	a) <u>Research suggests existing home owners upgrade freeing up their homes for lower income families. However, if supply is low prices are 'bid-up' reducing affordability.</u> b) <u>The Maori population growth during the SmartGrowth planning period is significant and some of this will be able to be accommodated on Maori Land.</u>				
<u>Priority</u>	<u>Lead Agency</u>	<u>Support Agencies</u>	<u>Cost Estimate</u>	<u>Plan</u>	<u>Linked Actions</u>
<u>On-going</u>	<u>TCC & WBOPDC</u>	<u>EBOP</u>	<u>To be determined</u>	<u>DP, RPS</u>	<u>Section 7.2.3</u> <u>Section 7.2.8</u>

3.	<u>Continue to provide housing for elderly provided.</u> Continue to provide housing for elderly provided.				
<u>Explanation</u>	<u>A stock of elderly housing units throughout the sub-region owned by Councils and Trusts. It is acknowledged that WBOPDC have considered divestment of elderly housing units but that this has not been progressed at this stage.</u>				
<u>Priority</u>	<u>Lead Agency</u>	<u>Support Agencies</u>	<u>Cost Estimate</u>	<u>Plan</u>	<u>Linked Actions</u>
<u>On-going</u>	<u>TCC, WBOPDC & Trusts</u>		<u>Within existing resources</u>		

4.	<u>Meet some housing needs through the distribution of Stewart and Carruthers funds in accordance with the Trust Deed and Council Policy.</u>				
<u>Explanation</u>	<u>The Trust Funds are available to be distributed for a range of needs including housing.</u>				
<u>Priority</u>	<u>Lead Agency</u>	<u>Support Agencies</u>	<u>Cost Estimate</u>	<u>Plan</u>	<u>Linked Actions</u>
<u>On-going</u>	<u>TCC</u>		<u>Within Trust Fund balances.</u>		
<u>Status at June 2006</u>	<u>Council has approved in principle to the allocation of \$500,000 from the Stewart Trust to the Salvation Army to establish emergency / transitional housing service in Tauranga. The Salvation Army are now working on a business plan which will ensure the long term viability of the venture.</u>				

5.	<u>BOP Housing Study being undertaken. Study conclusions and recommendations considered and where appropriate implemented.</u>				
<u>Explanation</u>	<u>The provision of affordable housing is essential in an area of high growth. There is funding available for such initiatives that need to be led by community interest groups.</u>				
<u>Priority</u>	<u>Lead Agency</u>	<u>Support Agencies</u>	<u>Cost Estimate</u>	<u>Plan</u>	<u>Linked Actions</u>
<u>On-going</u> <u>Undertake Study June 2007</u> <u>Consider Recommendations December 2007</u> <u>Implementation Ongoing</u>	Centre for Housing Research SGIC SGIC	TCC IMG WBOPDC HNZ	Within existing resources		

Appendix 10 Housing Stress

Following tables provide detailed estimates of households that live in rented dwellings and are in housing stress.

Table 64 Number of Households by Annual Household Income by Annual Rent Under \$2,600, 2001

Income Quintile	Quintile 1	Quintile 1	Quintile 1	Quintile 1	Quintile 2	Quintile 2	Quintile 2	Quintile 3	Quintile 3	Quintile 4	Quintile 5	Quintile 5	Total	Households Living in Housing Stress
Household Income Range	Loss/ Zero Income	\$1 - \$5,000	\$5,001 - \$10,000	\$10,001 - \$15,000	\$15,001 - \$20,000	\$20,001 - \$25,000	\$25,001 - \$30,000	\$30,001 - \$40,000	\$40,001 - \$50,000	\$50,001 - \$70,000	\$70,001 - \$100,000	\$100,001 or More		
Mid Point Income	\$0	\$2,500	\$7,500	\$12,500	\$17,500	\$22,500	\$27,500	\$35,000	\$45,000	\$60,000	\$85,000	\$100,001 or More		
Upper End Income	\$0	\$5,000	\$10,000	\$15,000	\$20,000	\$25,000	\$30,000	\$40,000	\$50,000	\$70,000	\$100,000	\$100,001 or More		
Annual Household Rent	Under \$2,600			Rent, Mid Point, \$1,300				Rent, Upper End, \$2,600						
Rent as % of Income, Mid Point	Over 100%	52%	17%	10%	7%	6%	5%	4%	3%	2%	2%	Less than 2%		
Rent as % of Income, Upper End	Over 100%	52%	26%	17%	13%	10%	9%	7%	5%	4%	3%	Less than 3%		
Western Bay of Plenty District	0	0	10	32	13	4	9	13	4	9	5	0	100	0
Tauranga District	0	13	56	169	33	12	12	12	16	4	0	4	332	13
Whakatane District	0	15	39	69	18	14	18	22	9	26	9	4	244	15
Kawerau District	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Opotiki District	0	6	5	5	5	0	0	0	0	5	6	5	37	6
WBOPSG Region	0	13	65	202	46	17	22	25	21	13	5	4	432	13
Eastern BOP Region	0	21	45	73	23	14	18	22	9	31	15	9	281	21
Total, BOP Region	0	34	110	275	69	31	40	48	30	44	19	14	713	34

Source: SGS Economics and Planning based on Statistics New Zealand 2001 Census Data

Table 65 Number of Households by Annual Household Income by Annual Rent between \$2,600 - \$4,159, 2001

Income Quintile	Quintile 1	Quintile 1	Quintile 1	Quintile 1	Quintile 2	Quintile 2	Quintile 2	Quintile 3	Quintile 3	Quintile 4	Quintile 5	Quintile 5	Total	Households Living in Housing Stress
Household Income Range	Loss/ Zero Income	\$1 - \$5,000	\$5,001 - \$10,000	\$10,001 - \$15,000	\$15,001 - \$20,000	\$20,001 - \$25,000	\$25,001 - \$30,000	\$30,001 - \$40,000	\$40,001 - \$50,000	\$50,001 - \$70,000	\$70,001 - \$100,000	\$100,001 or More		
Mid Point Income	\$0	\$2,500	\$7,500	\$12,500	\$17,500	\$22,500	\$27,500	\$35,000	\$45,000	\$60,000	\$85,000	\$100,001 or More		
Upper End Income	\$0	\$5,000	\$10,000	\$15,000	\$20,000	\$25,000	\$30,000	\$40,000	\$50,000	\$70,000	\$100,000	\$100,001 or More		
Annual Household Rent	\$2,600 - \$4,159			Rent, Mid Point, \$3,380				Rent, Upper End, \$4,159						
Rent as % of Income, Mid Point	Over 135%	135%	45%	27%	19%	15%	12%	10%	8%	6%	4%	Less than 4%		
Rent as % of Income, Upper End	Over 100%	83%	42%	28%	21%	17%	14%	10%	8%	6%	4%	Less than 4%		
Western Bay of Plenty District	4	7	21	109	43	20	32	35	19	32	8	4	335	32
Tauranga District	15	27	76	221	102	61	56	51	21	30	13	9	683	118
Whakatane District	5	15	54	114	44	27	50	31	27	22	4	4	398	74
Kawerau District	0	5	11	27	9	9	5	5	9	10	9	5	105	16
Opotiki District	11	5	29	34	15	23	14	8	8	17	5	4	173	45
WBOPSG Region	19	34	97	331	145	80	89	86	41	62	21	13	1,017	150
Eastern BOP Region	16	25	94	175	68	60	68	45	45	49	19	13	676	134
Total, BOP Region	34	59	191	505	213	140	157	131	86	111	40	26	1,693	284

Source: SGS Economics and Planning based on Statistics New Zealand 2001 Census Data

Table 66 Number of Households by Annual Household Income by Annual Rent between \$4,160 - \$5,199, 2001

Income Quintile	Quintile 1	Quintile 1	Quintile 1	Quintile 1	Quintile 2	Quintile 2	Quintile 2	Quintile 3	Quintile 3	Quintile 4	Quintile 5	Quintile 5	Total	Households Living in Housing Stress
Household Income Range	Loss/ Zero Income	\$1 - \$5,000	\$5,001 - \$10,000	\$10,001 - \$15,000	\$15,001 - \$20,000	\$20,001 - \$25,000	\$25,001 - \$30,000	\$30,001 - \$40,000	\$40,001 - \$50,000	\$50,001 - \$70,000	\$70,001 - \$100,000	\$100,001 or More		
Mid Point Income	\$0	\$2,500	\$7,500	\$12,500	\$17,500	\$22,500	\$27,500	\$35,000	\$45,000	\$60,000	\$85,000	\$100,001 or More		
Upper End Income	\$0	\$5,000	\$10,000	\$15,000	\$20,000	\$25,000	\$30,000	\$40,000	\$50,000	\$70,000	\$100,000	\$100,001 or More		
Annual Household Rent	\$4,160 - \$5,199		Rent, Mid Point, \$4,680					Rent, Upper End, \$5,199						
Rent as % of Income, Mid Point	Over 187%	187%	62%	37%	27%	21%	17%	13%	10%	8%	6%	Less than 6%		
Rent as % of Income, Upper End	Over 104%	104%	52%	35%	26%	21%	17%	13%	10%	7%	5%	Less than 6%		
Western Bay of Plenty District	0	4	21	33	20	12	25	28	12	12	4	0	171	58
Tauranga District	5	9	35	48	62	30	42	29	17	12	8	4	302	96
Whakatane District	5	11	41	63	19	24	34	38	19	9	14	0	276	120
Kawerau District	0	5	6	6	5	5	5	6	5	0	0	5	48	17
Opotiki District	5	4	21	11	4	4	12	4	4	4	0	0	73	41
WBOPSG Region	5	13	56	81	82	42	67	57	29	25	13	4	472	154
Eastern BOP Region	10	20	68	80	28	33	50	47	28	13	14	5	397	179
Total, BOP Region	15	33	125	160	110	75	118	104	57	37	26	9	870	333

Source: SGS Economics and Planning based on Statistics New Zealand 2001 Census Data

Table 67 Number of Households by Annual Household Income by Annual Rent between \$5,200 - \$6,499, 2001

Income Quintile	Quintile 1	Quintile 1	Quintile 1	Quintile 1	Quintile 2	Quintile 2	Quintile 2	Quintile 3	Quintile 3	Quintile 4	Quintile 5	Quintile 5	Total	Households Living in Housing Stress
Household Income Range	Loss/ Zero Income	\$1 - \$5,000	\$5,001 - \$10,000	\$10,001 - \$15,000	\$15,001 - \$20,000	\$20,001 - \$25,000	\$25,001 - \$30,000	\$30,001 - \$40,000	\$40,001 - \$50,000	\$50,001 - \$70,000	\$70,001 - \$100,000	\$100,001 or More		
Mid Point Income	\$0	\$2,500	\$7,500	\$12,500	\$17,500	\$22,500	\$27,500	\$35,000	\$45,000	\$60,000	\$85,000	\$100,001 or More		
Upper End Income	\$0	\$5,000	\$10,000	\$15,000	\$20,000	\$25,000	\$30,000	\$40,000	\$50,000	\$70,000	\$100,000	\$100,001 or More		
Annual Household Rent	\$5,200 - \$6,499		Rent, Mid Point, \$5,850					Rent, Upper End, \$6,499						
Rent as % of Income, Mid Point	Over 234%	234%	78%	47%	33%	26%	21%	17%	13%	10%	7%	Less than 7%		
Rent as % of Income, Upper End	Over 130%	130%	65%	43%	32%	26%	22%	16%	13%	9%	6%	Less than 6%		
Western Bay of Plenty District	4	4	30	76	52	25	63	44	45	53	30	9	434	166
Tauranga District	0	24	77	112	58	74	86	73	58	69	19	12	664	271
Whakatane District	10	32	45	85	59	56	65	55	66	45	23	5	546	231
Kawerau District	5	10	23	34	20	10	20	22	5	22	15	0	185	92
Opotiki District	11	16	40	49	35	20	38	27	4	9	5	4	257	151
WBOPSG Region	4	28	107	188	110	99	150	118	102	123	49	20	1,098	437
Eastern BOP Region	27	57	109	167	114	85	123	104	75	75	43	9	988	474
Total, BOP Region	30	85	216	355	224	184	272	221	177	198	92	30	2,086	911

Source: SGS Economics and Planning based on Statistics New Zealand 2001 Census Data

Table 68 Number of Households by Annual Household Income by Annual Rent between \$6,500 - \$7,799, 2001

Income Quintile	Quintile 1	Quintile 1	Quintile 1	Quintile 1	Quintile 2	Quintile 2	Quintile 2	Quintile 3	Quintile 3	Quintile 4	Quintile 5	Quintile 5	Total	Households Living in Housing Stress
Household Income Range	Loss/ Zero Income	\$1 - \$5,000	\$5,001 - \$10,000	\$10,001 - \$15,000	\$15,001 - \$20,000	\$20,001 - \$25,000	\$25,001 - \$30,000	\$30,001 - \$40,000	\$40,001 - \$50,000	\$50,001 - \$70,000	\$70,001 - \$100,000	\$100,001 or More		
Mid Point Income	\$0	\$2,500	\$7,500	\$12,500	\$17,500	\$22,500	\$27,500	\$35,000	\$45,000	\$60,000	\$85,000	\$100,001 or More		
Upper End Income Annual Household Rent	\$0	\$5,000	\$10,000	\$15,000	\$20,000	\$25,000	\$30,000	\$40,000	\$50,000	\$70,000	\$100,000	\$100,001 or More		
	\$6,500 - \$7,799		Rent, Mid Point, \$7,150					Rent, Upper End, \$7,799						
Rent as % of Income, Mid Point	Over 286%	286%	95%	57%	41%	32%	26%	20%	16%	12%	8%	Less than 8%		
Rent as % of Income, Upper End	Over 156%	156%	78%	52%	39%	31%	26%	19%	16%	11%	8%	Less than 8%		
Western Bay of Plenty District	4	4	18	60	58	42	35	53	29	25	4	0	332	186
Tauranga District	9	21	41	110	79	80	80	75	39	43	16	0	592	339
Whakatane District	5	24	42	70	63	39	56	43	48	45	13	4	452	243
Kawerau District	10	10	12	45	29	14	19	43	14	27	10	0	233	119
Opotiki District	6	11	15	36	46	20	38	27	13	27	5	0	244	133
WBOPSG Region	13	25	59	170	136	122	114	128	68	68	20	0	924	525
Eastern BOP Region	20	45	69	150	138	73	114	113	76	99	28	4	929	495
Total, BOP Region	33	69	128	321	274	195	228	241	144	168	48	4	1,853	1,020

Source: SGS Economics and Planning based on Statistics New Zealand 2001 Census Data

Table 69 Number of Households by Annual Household Income by Annual Rent between \$7,800 - \$9,099, 2001

Income Quintile	Quintile 1	Quintile 1	Quintile 1	Quintile 1	Quintile 2	Quintile 2	Quintile 2	Quintile 3	Quintile 3	Quintile 4	Quintile 5	Quintile 5	Total	Households Living in Housing Stress
Household Income Range	Loss/ Zero Income	\$1 - \$5,000	\$5,001 - \$10,000	\$10,001 - \$15,000	\$15,001 - \$20,000	\$20,001 - \$25,000	\$25,001 - \$30,000	\$30,001 - \$40,000	\$40,001 - \$50,000	\$50,001 - \$70,000	\$70,001 - \$100,000	\$100,001 or More		
Mid Point Income	\$0	\$2,500	\$7,500	\$12,500	\$17,500	\$22,500	\$27,500	\$35,000	\$45,000	\$60,000	\$85,000	\$100,001 or More		
Upper End Income Annual Household Rent	\$0	\$5,000	\$10,000	\$15,000	\$20,000	\$25,000	\$30,000	\$40,000	\$50,000	\$70,000	\$100,000	\$100,001 or More		
	\$7,800 - \$9,099		Rent, Mid Point, \$8,450					Rent, Upper End, \$9,099						
Rent as % of Income, Mid Point	Over 338%	338%	113%	68%	48%	38%	31%	24%	19%	14%	10%	Less than 10%		
Rent as % of Income, Upper End	Over 182%	182%	91%	61%	45%	36%	30%	23%	18%	13%	9%	Less than 9%		
Western Bay of Plenty District	0	16	37	97	106	77	98	101	94	104	18	9	757	431
Tauranga District	23	46	101	266	229	159	200	269	240	164	53	21	1,771	1,024
Whakatane District	0	30	28	66	77	79	92	86	93	100	47	17	716	372
Kawerau District	0	5	0	16	14	9	5	5	14	15	0	0	81	47
Opotiki District	0	0	5	13	5	5	14	13	13	4	11	4	88	42
WBOPSG Region	23	63	138	364	334	236	298	370	334	268	71	30	2,528	1,455
Eastern BOP Region	0	34	33	95	96	93	111	105	119	120	57	22	886	462
Total, BOP Region	23	97	171	459	430	329	408	475	453	388	128	51	3,413	1,917

Source: SGS Economics and Planning based on Statistics New Zealand 2001 Census Data

Table 70 Number of Households by Annual Household Income by Annual Rent between \$9,100 - \$10,399, 2001

Income Quintile	Quintile 1	Quintile 1	Quintile 1	Quintile 1	Quintile 2	Quintile 2	Quintile 2	Quintile 3	Quintile 3	Quintile 4	Quintile 5	Quintile 5	Total	Households Living in Housing Stress
Household Income Range	Loss/ Zero Income	\$1 - \$5,000	\$5,001 - \$10,000	\$10,001 - \$15,000	\$15,001 - \$20,000	\$20,001 - \$25,000	\$25,001 - \$30,000	\$30,001 - \$40,000	\$40,001 - \$50,000	\$50,001 - \$70,000	\$70,001 - \$100,000	\$100,001 or More		
Mid Point Income	\$0	\$2,500	\$7,500	\$12,500	\$17,500	\$22,500	\$27,500	\$35,000	\$45,000	\$60,000	\$85,000	\$100,001 or More		
Upper End Income	\$0	\$5,000	\$10,000	\$15,000	\$20,000	\$25,000	\$30,000	\$40,000	\$50,000	\$70,000	\$100,000	\$100,001 or More		
Annual Household Rent	\$9,100 - \$10,399		Rent, Mid Point, \$9,750					Rent, Upper End, \$10,399						
Rent as % of Income, Mid Point	Over 390%	390%	130%	78%	56%	43%	35%	28%	22%	16%	11%	Less than 11%		
Rent as % of Income, Upper End	Over 208%	208%	104%	69%	52%	42%	35%	26%	21%	15%	10%	Less than 10%		
Western Bay of Plenty District	9	9	20	43	50	46	43	59	73	56	48	10	464	219
Tauranga District	24	31	74	272	275	190	241	292	295	287	122	39	2,141	1,107
Whakatane District	5	5	5	30	25	30	38	59	51	53	54	17	371	138
Kawerau District	0	0	0	0	0	0	0	0	0	4	0	0	4	0
Opotiki District	0	0	0	3	0	0	0	0	0	0	4	0	7	3
WBOPSG Region	33	39	94	315	325	236	284	351	368	343	170	48	2,605	1,325
Eastern BOP Region	5	5	5	33	25	30	38	59	51	57	58	17	383	141
Total, BOP Region	38	44	98	348	349	266	323	410	420	399	228	65	2,987	1,466

Source: SGS Economics and Planning based on Statistics New Zealand 2001 Census Data

Table 71 Number of Households by Annual Household Income by Annual Rent between \$10,400 - \$12,999, 2001

Income Quintile	Quintile 1	Quintile 1	Quintile 1	Quintile 1	Quintile 2	Quintile 2	Quintile 2	Quintile 3	Quintile 3	Quintile 4	Quintile 5	Quintile 5	Total	Households Living in Housing Stress
Household Income Range	Loss/ Zero Income	\$1 - \$5,000	\$5,001 - \$10,000	\$10,001 - \$15,000	\$15,001 - \$20,000	\$20,001 - \$25,000	\$25,001 - \$30,000	\$30,001 - \$40,000	\$40,001 - \$50,000	\$50,001 - \$70,000	\$70,001 - \$100,000	\$100,001 or More		
Mid Point Income	\$0	\$2,500	\$7,500	\$12,500	\$17,500	\$22,500	\$27,500	\$35,000	\$45,000	\$60,000	\$85,000	\$100,001 or More		
Upper End Income	\$0	\$5,000	\$10,000	\$15,000	\$20,000	\$25,000	\$30,000	\$40,000	\$50,000	\$70,000	\$100,000	\$100,001 or More		
Annual Household Rent	\$10,400 - \$12,999		Rent, Mid Point, \$11,700					Rent, Upper End, \$12,999						
Rent as % of Income, Mid Point	Over 468%	468%	156%	94%	67%	52%	43%	33%	26%	19%	14%	Less than 11%		
Rent as % of Income, Upper End	Over 260%	260%	130%	87%	65%	52%	43%	32%	26%	19%	13%	Less than 10%		
Western Bay of Plenty District	0	4	14	27	26	13	14	34	35	40	23	23	252	98
Tauranga District	24	43	74	231	214	213	277	368	379	626	275	140	2,865	1,077
Whakatane District	0	0	5	9	9	4	9	18	27	38	22	31	171	36
Kawerau District	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Opotiki District	0	0	0	0	0	0	0	0	0	0	4	0	4	0
WBOPSG Region	24	48	88	258	240	226	291	402	414	666	298	163	3,117	1,174
Eastern BOP Region	0	0	5	9	9	4	9	18	27	38	26	31	175	36
Total, BOP Region	24	48	92	267	249	231	299	420	441	704	323	194	3,292	1,210

Source: SGS Economics and Planning based on Statistics New Zealand 2001 Census Data

Table 72 Number of Households by Annual Household Income by Annual Rent between \$13,000 - \$15,599, 2001

Income Quintile	Quintile 1	Quintile 1	Quintile 1	Quintile 1	Quintile 2	Quintile 2	Quintile 2	Quintile 3	Quintile 3	Quintile 4	Quintile 5	Quintile 5	Total	Households Living in Housing Stress
Household Income Range	Loss/ Zero Income	\$1 - \$5,000	\$5,001 - \$10,000	\$10,001 - \$15,000	\$15,001 - \$20,000	\$20,001 - \$25,000	\$25,001 - \$30,000	\$30,001 - \$40,000	\$40,001 - \$50,000	\$50,001 - \$70,000	\$70,001 - \$100,000	\$100,001 or More		
Mid Point Income	\$0	\$2,500	\$7,500	\$12,500	\$17,500	\$22,500	\$27,500	\$35,000	\$45,000	\$60,000	\$85,000	\$100,001 or More		
Upper End Income	\$0	\$5,000	\$10,000	\$15,000	\$20,000	\$25,000	\$30,000	\$40,000	\$50,000	\$70,000	\$100,000	\$100,001 or More		
Annual Household Rent	\$13,000 - \$15,599		Rent, Mid Point, \$14,300					Rent, Upper End, \$15,599						
Rent as % of Income, Mid Point	Over 572%	572%	191%	114%	82%	64%	52%	41%	32%	24%	17%	Less than 17%		
Rent as % of Income, Upper End	Over 312%	312%	156%	104%	78%	62%	52%	39%	31%	22%	16%	Less than 16%		
Western Bay of Plenty District	0	0	5	5	4	9	5	13	4	9	9	5	68	27
Tauranga District	5	4	9	27	17	26	30	43	51	85	78	101	477	119
Whakatane District	4	4	0	0	0	4	0	0	4	7	7	19	50	12
Kawerau District	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Opotiki District	0	0	0	5	0	0	0	0	0	0	0	5	10	5
WBOPSG Region	5	4	14	31	21	35	35	56	56	94	87	106	545	146
Eastern BOP Region	4	4	0	5	0	4	0	0	4	7	7	24	60	17
Total, BOP Region	9	9	14	36	21	39	35	56	60	102	94	130	605	163

Source: SGS Economics and Planning based on Statistics New Zealand 2001 Census Data

Table 73 Number of Households by Annual Household Income by Annual Rent between \$15,600 - \$18,199, 2001

Income Quintile	Quintile 1	Quintile 1	Quintile 1	Quintile 1	Quintile 2	Quintile 2	Quintile 2	Quintile 3	Quintile 3	Quintile 4	Quintile 5	Quintile 5	Total	Households Living in Housing Stress
Household Income Range	Loss/ Zero Income	\$1 - \$5,000	\$5,001 - \$10,000	\$10,001 - \$15,000	\$15,001 - \$20,000	\$20,001 - \$25,000	\$25,001 - \$30,000	\$30,001 - \$40,000	\$40,001 - \$50,000	\$50,001 - \$70,000	\$70,001 - \$100,000	\$100,001 or More		
Mid Point Income	\$0	\$2,500	\$7,500	\$12,500	\$17,500	\$22,500	\$27,500	\$35,000	\$45,000	\$60,000	\$85,000	\$100,001 or More		
Upper End Income	\$0	\$5,000	\$10,000	\$15,000	\$20,000	\$25,000	\$30,000	\$40,000	\$50,000	\$70,000	\$100,000	\$100,001 or More		
Annual Household Rent	\$15,600 - \$18,199		Rent, Mid Point, \$16,900					Rent, Upper End, \$18,199						
Rent as % of Income, Mid Point	Over 676%	676%	225%	135%	97%	75%	61%	48%	38%	28%	20%	Less than 20%		
Rent as % of Income, Upper End	Over 364%	364%	182%	121%	91%	73%	61%	45%	36%	26%	18%	Less than 18%		
Western Bay of Plenty District	0	0	4	4	4	4	4	4	0	4	0	4	32	20
Tauranga District	0	4	4	4	13	4	9	13	13	17	30	43	154	39
Whakatane District	0	0	0	0	0	0	4	0	0	3	0	11	17	4
Kawerau District	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Opotiki District	0	0	4	0	0	0	0	0	0	0	0	0	4	4
WBOPSG Region	0	4	9	8	16	8	13	17	13	21	30	47	186	59
Eastern BOP Region	0	0	4	0	0	0	4	0	0	3	0	11	21	7
Total, BOP Region	0	4	12	8	16	8	16	17	13	24	30	58	207	66

Source: SGS Economics and Planning based on Statistics New Zealand 2001 Census Data

Table 74 Number of Households by Annual Household Income by Annual Rent over \$18,200, 2001

Income Quintile	Quintile 1	Quintile 1	Quintile 1	Quintile 1	Quintile 2	Quintile 2	Quintile 2	Quintile 3	Quintile 3	Quintile 4	Quintile 4	Quintile 5	Quintile 5	Total	Households Living in Housing Stress
Household Income Range	Loss/ Zero Income	\$1 - \$5,000	\$5,001 - \$10,000	\$10,001 - \$15,000	\$15,001 - \$20,000	\$20,001 - \$25,000	\$25,001 - \$30,000	\$30,001 - \$40,000	\$40,001 - \$50,000	\$50,001 - \$70,000	\$70,001 - \$100,000	\$100,001 or More			
Mid Point Income	\$0	\$2,500	\$7,500	\$12,500	\$17,500	\$22,500	\$27,500	\$35,000	\$45,000	\$60,000	\$85,000	\$100,001 or More			
Upper End Income	\$0	\$5,000	\$10,000	\$15,000	\$20,000	\$25,000	\$30,000	\$40,000	\$50,000	\$70,000	\$100,000	\$100,001 or More			
Annual Household Rent	Over \$18,200														
Rent as % of Income, Mid Point	Over 728%	728%	243%	146%	104%	81%	66%	52%	40%	30%	21%	Less than 21%			
Rent as % of Income, Upper End	Over 364%	364%	182%	121%	91%	73%	61%	46%	36%	26%	18%	Less than 18%			
Western Bay of Plenty District	0	0	0	4	0	0	0	4	4	4	0	4	21	4	
Tauranga District	0	4	0	13	4	8	8	12	8	8	12	42	120	37	
Whakatane District	0	0	0	0	0	0	5	5	0	9	5	0	24	5	
Kawerau District	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Opotiki District	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
WBOPSG Region	0	4	0	17	4	8	8	16	12	12	12	46	141	42	
Eastern BOP Region	0	0	0	0	0	0	5	5	0	9	5	0	24	5	
Total, BOP Region	0	4	0	17	4	8	13	21	12	22	17	46	165	47	

Source: SGS Economics and Planning based on Statistics New Zealand 2001 Census Data

Appendix 11 SGS Regional Input Output Model of the BOP Region

A11.1 Input Output Tables

In order to measure the upstream and downstream linkages in the economy, it is important to first have a detailed “picture” of the dynamics of the economic geography. For this purpose the Statistics New Zealand collects various data that represents the flow of goods and services between industries at a national level, and publishes this data in the form of an input-output (IO) table.

To quote the Statistics New Zealand (www.stats.govt.nz):

“An Inter-Industry study provides an economic statement of the industrial structure of a nation’s economy for a given year. It records how much each industry purchases from and sells to other industries, as well as measuring the indirect relationships between industries.

Such analysis defines and measures the interdependence of the different industries within an economy. It therefore provides a detailed picture of the process of production, the use of goods and services and the income generated in that production.”

The structure of an IO table is presented in Figure 27. Each column in the table represents a specific source of demand, while each row shows a specific source of supply. For analytical purposes, the table is often presented as four quadrants:



- ⇒ **Intermediate Consumption** measures the flow between industries in the national economy. Each column represents the total demand of the industry in terms of the value of goods and services it requires from other industries to operate. For instance, a cell within Quadrant 1 represents the value of goods and services purchased by horticulture from other farming.
- ⇒ **Final Demand** represents sections of the economy that buy goods and services from industries, but which do not form industries themselves. Two examples are exports outside of the NZ economy and household consumption expenditures.
- ⇒ **Primary Inputs to Production** are the opposite of Final Demand, i.e. the components of industry demand that are attributable to sections of the economy but which are not industries, such as imports, compensation of employees, taxes, etc.
- ⇒ **Primary Inputs to Final Demand** measures the remainder of the economy, such as the amount of household expenditure that is spent on taxes.

Once an IO table is constructed, it can be used to study the various linkages between industries. For example, by cross-referencing the horticulture column with the other farming row, we know how much of total horticulture production is supplied by the other farming industry, and thus have a measure of the downstream linkage between horticulture and other farming.

Figure 27 Input Output Table Structure

The Inter-Industry transactions table

		Intermediate consumption of industries	Final demand	
		Horticulture, Livestock, Dairy, Other farming --	Households, Government, NPISH's, GFCF, Exports	Total use = Total supply
Intermediate inputs	Horticulture Livestock Dairy Other farming Forestry Fishing	Quadrant 1. Intermediate production and demand	Quadrant 2. Final output of production	
	Imports			
	Total use in basic prices			
	Taxes on products			
	Total use in purchasers prices			
Primary inputs	Total value added	Quadrant 3.	Quadrant 4.	
	Compensation of employees Operating surplus Consumption of fixed capital Other taxes on production Subsidies	Primary inputs to production		
	Total output in basic prices			

 Aggregates of GDP, production approach
 Aggregates of GDP, expenditure approach

Source:

Statistics

New

Zealand,

www.Stats.govt.NZ

A11.2 Regional IO Table Simulation

By using the NZ IO table as a base it is possible to synthesise a Regional IO Table by using region specific data (such as employment and population). The first step in this process is to consider only the total supply column and production row of the NZ IO table.

If the total supply column and production row are to represent a valid description of the economy, two properties must hold:

1. **Total supply in the entire economy must equal total demand, and**
2. **The total supply provided by an industry must equal the total production generated by that industry.**

Using these properties, industry employment and regional population data, a set of assumptions can now be developed for adjusting the total supply column and total production row to the regional level (refer Figure 28).

Of all these assumptions, the one with the most profound effect on the regional economy is the calculation of exports. These can be estimated using the location quotient method, as follows:

$$\text{Industry Location Quotient} = \frac{(\text{Regional Industry Employment} / \text{Total Regional Employment})}{(\text{National Industry Employment} / \text{Total National Employment})}$$

If the Location Quotient is greater than or equal to one, then the Industry is said to be over-represented in the area, and is therefore supplying commodities for inter-regional export. To find the amount of export generated jobs, the following formula is utilised:

$$\text{Inter-Regional Export Generated Jobs} = \frac{(\text{Industry Location Quotient} - 1) / (\text{Industry Location Quotient}) * \text{Regional Industry Employment}}$$

Inter-regional Exports can then be calculated by assuming that industry production per employee is the same as at the national level.

$$\text{Inter-Regional Exports} = \text{Inter-Regional Export Generated Jobs} * \text{Industry Production per Employee}$$

International exports from the region can also be found using the following formula:

$$\text{International Exports from Region} = \frac{\text{International Exports from a National Level} * (\text{Total Regional Employment} / \text{Total National Employment})}$$

Therefore, to calculate total regional exports:

$$\text{Regional Exports} = \text{Inter-Regional Exports} + \text{International Exports from Region}$$

Figure 28 **Scale Assumptions**

Total Supply Column Assumptions (Adjustments)

1. Industry Supply is scaled down using regional industry employment (e.g. Regional Industry Production = National Industry Production / National Industry Employment * Regional Industry Employment).
2. Household Consumption is scaled down using Regional Population.
3. Government Consumption is scaled down using Regional Population.
4. Private Gross Fixed Capital Formation is scaled down using Regional Employment.
5. Public Gross Fixed Capital Formation is scaled down using Government Employment.
6. Government Gross Fixed Capital Formation is scaled down using Government Employment.
7. Consumption due to Change in Inventories is scaled down using Regional Employment.
8. Regional Exports is calculated using the Location Quotient Method (described above).

Total Production Row Assumptions (Adjustments)

9. Industry Production equals Industry Supply (by definition).
10. Employee Compensation is scaled down using Regional Employment.
11. Gross Operating Surplus and Mixed Income is scaled down using Regional Employment.
12. Taxes on production is scaled down using Regional Employment.
13. Total Imports is chosen so that total regional supply equals total regional production.

The Calculation of Inter-Industry Flow

Using the assumptions in Figure 28, it is possible to down scale the total supply column and demand rows of the NZ IO table, i.e. so that they represent the region under study. However, how the demand and supply flows between these sources and destinations is still unknown, e.g. how much of Horticulture Production in the region is used as raw materials by the region's Other Farming Industry?

This is estimated via the RAS method. The RAS method is a common procedure used to manipulate industry flow tables, and is also used by the Statistics New Zealand to update historic industry flow tables to the current year given only a small amount of information

Essentially the SGS model applies the RAS method by using the existing NZ IO table as a base, and generates a Regional IO table that satisfies the total production row and total supply columns described above. Mathematically speaking, this is achieved by minimising the error between the two tables, while satisfying the column and row totals of the matrix. This is achieved via an iterative process, which starts from an initial guess based on the column and row totals, adjusting the guess in the direction that has the least amount of error until the optimal solution is found.

This assumes that the regional economy is as close to the national economy in structure as possible, while satisfying known production levels. The final result of the procedure is a fairly close approximation to the required Regional Industry Flow table.

Spatial Economy Analysis

It is noted that the structure of the economy in a specific area will be similar to those regions surrounding it. For this reason, it makes sense to generate a regional IO table for Bay of Plenty from the Non-Metropolitan North Island economy structure rather than directly from the National IO table.

Therefore, in the instance, the SGS method adopts a layered approach in that:

1. The North Island IO table is derived from the National table;
2. Non-Metropolitan North Island IO table is derived from North Island IO table; and
3. The Bay of Plenty Region table is derived from the Non-Metropolitan North Island table.

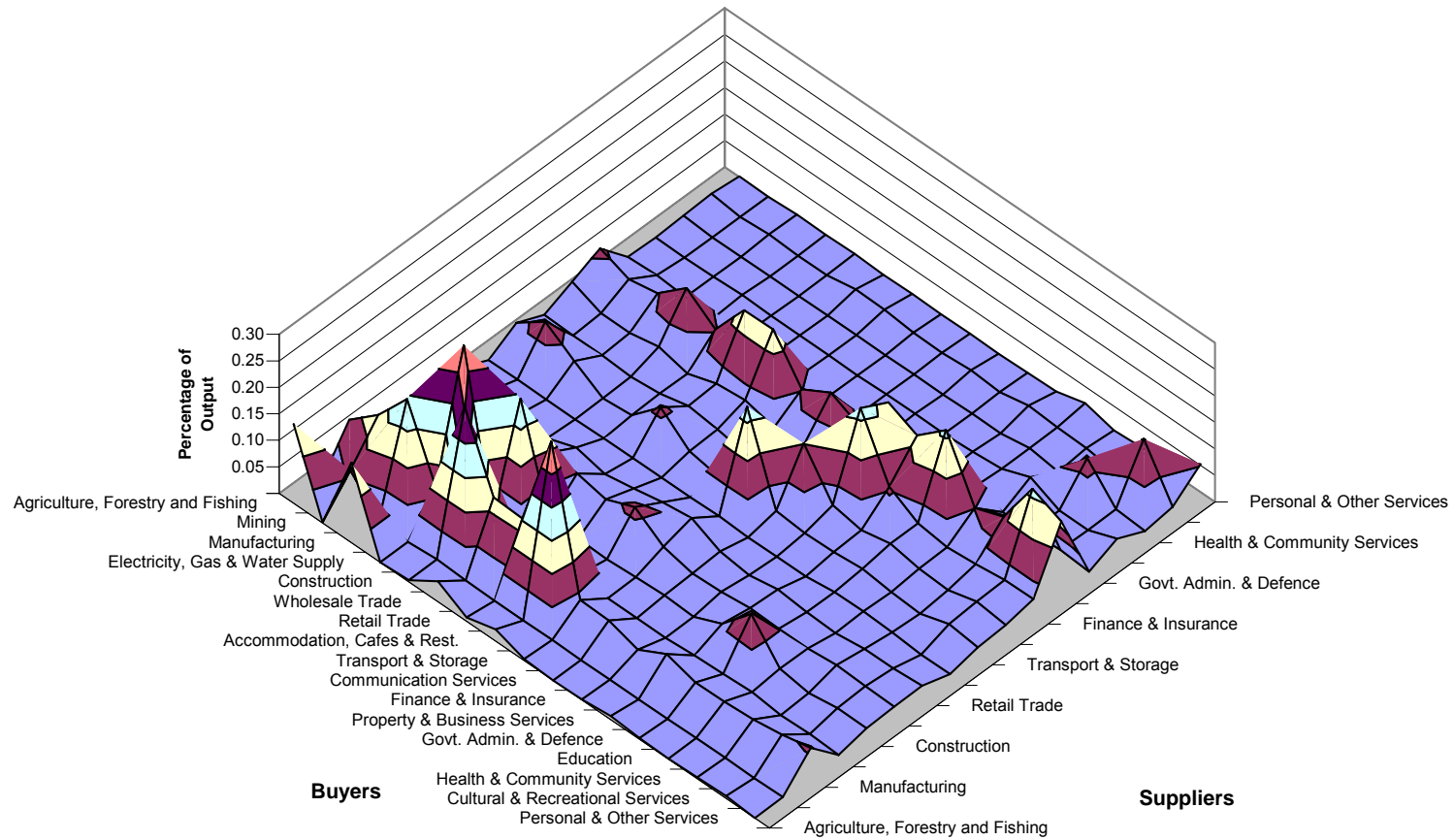
A11.3 Generating Regional Multipliers

An IO table represents the inter-linkages in an economy in its present state. To evaluate how the economic stimulus in a particular industry impacts on the rest of the regional economy, it is necessary to derive and subsequently use a set of 'multipliers'. These multipliers summarise the total effect to the economy after the flow on consumption and production effects have been accounted for, as follows:

$$\begin{aligned} \text{Total Effects} &= && \text{(Initial Effect)} + && \text{(Flow On Effects)} \\ &= && \text{(Initial Effect)} + && \text{(Production Induced Effects + Consumption Induced Effects)} \end{aligned}$$

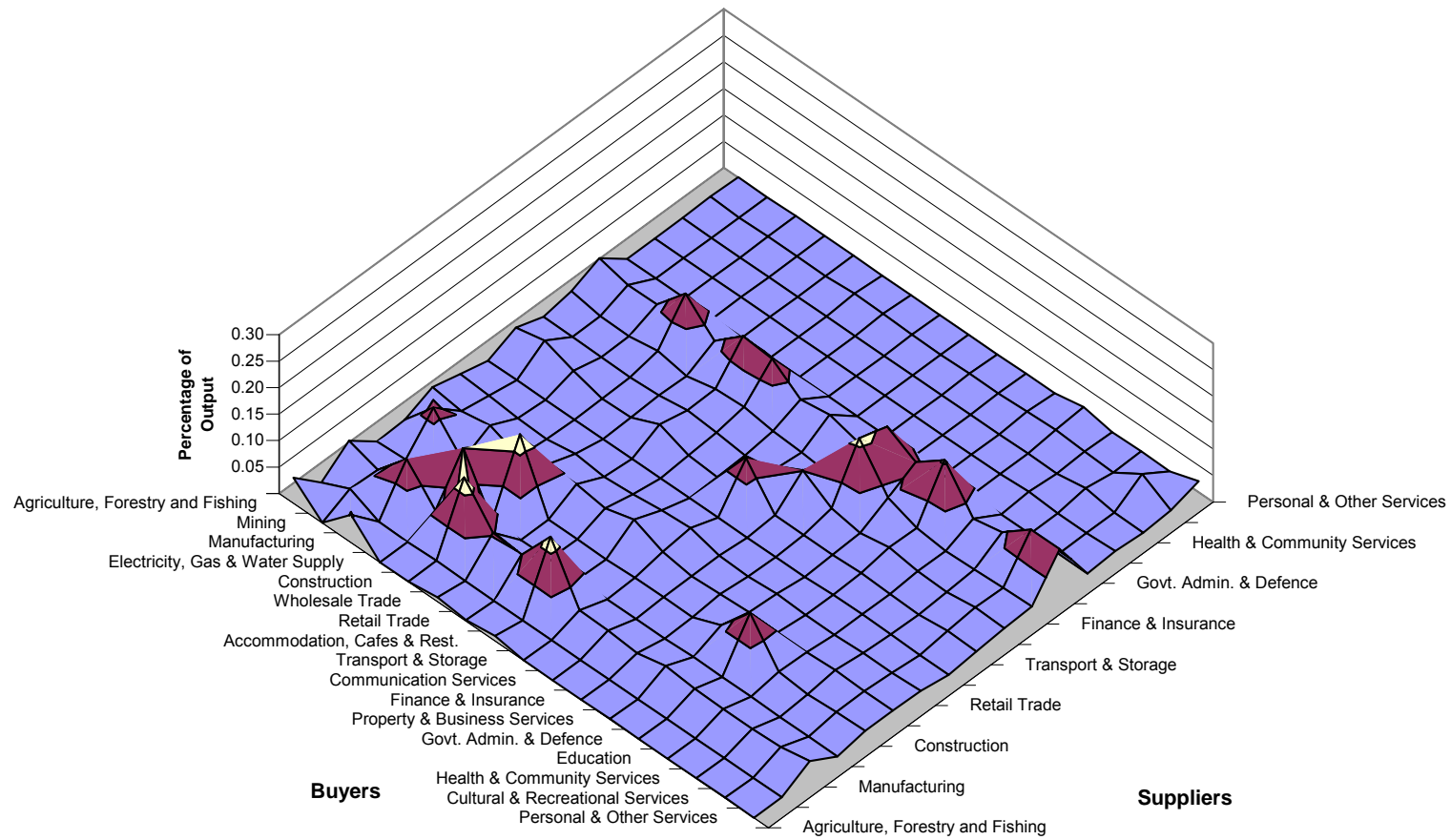
The first step in generating multipliers is to create the 'Direct Requirements' matrix. This matrix is found by dividing every column in the IO table by the industries column total. The downstream linkages in the Direct Requirements matrix now represent the amount of production supplied by other industries on a per dollar basis. Therefore, cross-referencing the Horticulture column with the Other Farming row in the Direct Requirements matrix will give the amount of production that must be supplied by the Other Farming industry for each dollar increase in production in Horticulture. This is also known as the First Round effect. The Direct Requirements matrix for NZ and Bay of Plenty region are reported in the figures overleaf.

Figure 29 **New Zealand Inter Industry Flows**



Source: SGS Economics and Planning based on Statistics New Zealand data

Figure 30 Bay of Plenty Inter Industry Flows



Source: SGS Economics and Planning based on Statistics New Zealand data

As a result of the demand generated by the first round, another round of increased production will occur in supplier industries to service this demand. This round will produce yet another round of effects, and so forth. Fortunately, a mathematical procedure exists that can calculate every multiplier in a single step, assuming an infinite number of rounds. This is known as the Leontief Inverse and can be calculated using matrix algebra.

Mathematically, to find the total multipliers, the starting point is with the Intermediate Usage quadrant of the Direct Requirements matrix (which is used to analyse production induced effects). The household consumption column and wages and supplements row (to analyse the consumption induced effects) is appended to this to produce matrix A. The Leontief Inverse is found by subtracting matrix A from an identity¹⁴² matrix I (to prevent double counting the industry under study), and then finding the inverse of this matrix, to find the Leontief inverse $(I-A)^{-1}$. By inverting the matrix the set of multipliers that must exist to make the current economy possible is derived¹⁴³.

The final result of the Leontief Inverse procedure as used in the NZ IO table is presented in Table 75. Regional table derived multipliers follow the same format, but will have smaller effects due to the fact that some production generated will be lost to external producers (imports) and consumers might literally spend their dollars outside the region. The multipliers for Bay of Plenty are presented in Table 76

The multipliers in Table 76 for the Bay of Plenty region can be interpreted as follows:

- ⇒ **Output Multipliers** – for every additional dollar earned in Bay of Plenty’s Horticulture and fruit growing industry, the level of regional output increases by \$1.456.
- ⇒ **Employment Multipliers** – at present each \$1 million in Bay of Plenty’s Horticulture and fruit growing industry supports 19 jobs. For each \$1 million increase in output by the Horticulture and fruit growing industry, total regional employment is expected to rise by 22 jobs.
- ⇒ **Value Added Multipliers** – for every extra dollar of output generated in the Horticulture and fruit growing industry, 39.8¢ is attributable to increase in income (wages, salaries and supplements) and gross operating surplus in the Horticulture and fruit growing industry. In the whole region, total income and gross operating surplus will increase by 57.2¢.

¹⁴² A matrix where all the diagonal elements are 1 and all other elements are 0, i.e. cross referencing the same industry column and row would result in the value of 1.

¹⁴³ This procedure is known as a demand side model, and therefore assumes that demand influences supply but supply does not influence demand.

Table 75 New Zealand Multipliers

INDUSTRY	OUTPUT		EMPLOYMENT		VALUE ADDED	
	<i>Initial</i>	<i>Total</i>	<i>Initial</i>	<i>Total</i>	<i>Initial</i>	<i>Total</i>
	<i>Effects</i>	<i>Multipliers</i>	<i>Effects</i>	<i>Multipliers</i>	<i>Effects</i>	<i>Multipliers</i>
Horticulture and fruit growing	1	3.270	19	36	0.365	1.226
Livestock and cropping farming	1	3.079	12	27	0.224	1.012
Dairy cattle farming	1	2.626	9	21	0.465	1.074
Other farming	1	3.058	21	36	0.283	1.068
Services to agriculture, hunting and trapping	1	3.430	12	30	0.376	1.296
Forestry and logging	1	2.829	3	17	0.457	1.150
Fishing	1	3.095	4	20	0.336	1.127
Mining and quarrying	1	3.096	4	19	0.373	1.155
Oil & gas exploration & extraction	1	2.301	0	10	0.370	0.860
Meat and meat product manufacturing	1	3.625	4	24	0.402	1.394
Dairy product manufacturing	1	3.489	1	20	0.211	1.152
Other food manufacturing	1	3.915	4	25	0.261	1.347
Beverage, malt and tobacco manufacturing	1	3.684	2	22	0.250	1.270
Textile and apparel manufacturing	1	3.862	9	30	0.357	1.450
Wood product manufacturing	1	3.676	6	25	0.336	1.353
Paper & paper product manufacturing	1	3.285	2	18	0.374	1.240
Printing, publishing & recorded media	1	3.474	7	25	0.408	1.352
Petroleum and industrial chemical manufacturing	1	3.772	1	20	0.173	1.172
Rubber, plastic and other chemical product manufacturing	1	3.825	4	24	0.312	1.366
Non-metallic mineral product manufacturing	1	3.340	4	21	0.379	1.270
Basic metal manufacturing	1	3.737	3	22	0.266	1.293
Structural, sheet and fabricated metal product manufacturing	1	3.857	5	25	0.326	1.396

INDUSTRY	OUTPUT		EMPLOYMENT		VALUE ADDED	
	<i>Initial</i>	<i>Total</i>	<i>Initial</i>	<i>Total</i>	<i>Initial</i>	<i>Total</i>
	<i>Effects</i>	<i>Multipliers</i>	<i>Effects</i>	<i>Multipliers</i>	<i>Effects</i>	<i>Multipliers</i>
Transport equipment manufacturing	1	4.070	6	29	0.292	1.445
Machinery & equipment manufacturing	1	3.830	7	27	0.347	1.416
Furniture and other manufacturing	1	3.794	10	30	0.340	1.397
Electricity generation and supply	1	2.924	1	14	0.351	1.088
Gas supply	1	2.732	1	14	0.338	1.013
Water supply	1	3.101	3	15	0.338	1.108
Construction	1	3.864	7	28	0.262	1.325
Wholesale trade	1	3.436	6	25	0.381	1.320
Retail trade	1	3.399	17	35	0.422	1.344
Accommodation, restaurants and bars	1	3.620	21	39	0.309	1.281
Road transport	1	3.305	9	27	0.306	1.185
Water and rail transport	1	3.253	4	21	0.462	1.331
Air transport, services to transport and storage	1	3.661	5	25	0.362	1.363
Communication services	1	2.687	5	17	0.506	1.180
Finance	1	3.005	6	21	0.445	1.236
Insurance	1	3.455	5	24	0.295	1.235
Services to finance and insurance	1	3.290	8	26	0.334	1.223
Real estate	1	2.266	5	14	0.371	0.853
Ownership of owner occupied dwellings	1	1.947	0	7	0.395	0.761
Equipment hire and investors in other property	1	3.333	4	22	0.146	1.038
Business services	1	3.438	10	30	0.443	1.395
Central government administration, defence, public order and safety services	1	3.861	11	34	0.415	1.526
Local government administration services and civil defence	1	3.744	5	27	0.241	1.272
Education	1	3.740	21	42	0.609	1.672

INDUSTRY	OUTPUT		EMPLOYMENT		VALUE ADDED	
	<i>Initial</i>	<i>Total</i>	<i>Initial</i>	<i>Total</i>	<i>Initial</i>	<i>Total</i>
	<i>Effects</i>	<i>Multipliers</i>	<i>Effects</i>	<i>Multipliers</i>	<i>Effects</i>	<i>Multipliers</i>
Health and community services	1	3.528	16	37	0.561	1.554
Cultural and recreational services	1	3.634	9	30	0.318	1.332
Personal and other community services	1	3.580	24	46	0.411	1.418

Source: SGS Economics and Planning based on Statistics New Zealand data

Table 76 Bay of Plenty Multipliers

INDUSTRY	OUTPUT		EMPLOYMENT		VALUE ADDED	
	<i>Initial</i>	<i>Total</i>	<i>Initial</i>	<i>Total</i>	<i>Initial</i>	<i>Total</i>
	<i>Effects</i>	<i>Multipliers</i>	<i>Effects</i>	<i>Multipliers</i>	<i>Effects</i>	<i>Multipliers</i>
Horticulture and fruit growing	1	1.456	19	22	0.398	0.572
Livestock and cropping farming	1	1.402	12	15	0.224	0.374
Dairy cattle farming	1	1.281	9	12	0.438	0.539
Other farming	1	1.370	21	24	0.281	0.421
Services to agriculture, hunting and trapping	1	1.479	12	15	0.408	0.586
Forestry and logging	1	1.445	3	7	0.501	0.677
Fishing	1	1.159	4	6	0.136	0.190
Mining and quarrying	1	1.436	4	7	0.391	0.549
Oil & gas exploration & extraction	1	1.000	0	0	0.000	0.000
Meat and meat product manufacturing	1	1.600	4	9	0.373	0.585
Dairy product manufacturing	1	1.619	1	6	0.163	0.404
Other food manufacturing	1	1.407	4	7	0.208	0.345
Beverage, malt and tobacco manufacturing	1	1.383	2	5	0.203	0.349
Textile and apparel manufacturing	1	1.281	9	11	0.227	0.333
Wood product manufacturing	1	1.560	6	9	0.336	0.553
Paper & paper product manufacturing	1	1.346	2	5	0.306	0.437
Printing, publishing & recorded media	1	1.386	7	10	0.369	0.512
Petroleum and industrial chemical manufacturing	1	1.127	1	2	0.055	0.094
Rubber, plastic and other chemical product manufacturing	1	1.258	4	6	0.183	0.274
Non-metallic mineral product manufacturing	1	1.407	4	7	0.361	0.517
Basic metal manufacturing	1	1.281	3	5	0.165	0.274
Structural, sheet and fabricated metal product manufacturing	1	1.443	5	8	0.328	0.492
Transport equipment manufacturing	1	1.228	6	8	0.132	0.210
Machinery & equipment manufacturing	1	1.335	7	9	0.254	0.379
Furniture and other manufacturing	1	1.375	10	13	0.260	0.399

INDUSTRY	OUTPUT		EMPLOYMENT		VALUE ADDED	
	<i>Initial</i>	<i>Total</i>	<i>Initial</i>	<i>Total</i>	<i>Initial</i>	<i>Total</i>
	<i>Effects</i>	<i>Multipliers</i>	<i>Effects</i>	<i>Multipliers</i>	<i>Effects</i>	<i>Multipliers</i>
Electricity generation and supply	1	1.433	1	4	0.554	0.746
Gas supply	1	1.341	1	4	0.393	0.532
Water supply	1	1.464	3	5	0.441	0.633
Construction	1	1.576	7	11	0.260	0.458
Wholesale trade	1	1.465	6	10	0.398	0.580
Retail trade	1	1.433	17	20	0.433	0.604
Accommodation, restaurants and bars	1	1.465	21	24	0.345	0.511
Road transport	1	1.548	9	13	0.404	0.616
Water and rail transport	1	1.434	4	7	0.506	0.676
Air transport, services to transport and storage	1	1.261	5	7	0.213	0.302
Communication services	1	1.239	5	7	0.381	0.474
Finance	1	1.466	6	10	0.574	0.773
Insurance	1	1.626	5	10	0.279	0.536
Services to finance and insurance	1	1.592	8	12	0.405	0.650
Real estate	1	1.308	5	7	0.453	0.575
Ownership of owner occupied dwellings	1	1.202	0	1	0.480	0.562
Equipment hire and investors in other property	1	1.451	4	8	0.165	0.340
Business services	1	1.476	10	14	0.500	0.694
Central government administration, defence, public order and safety services	1	1.559	11	15	0.477	0.699
Local government administration services and civil defence	1	1.714	4	10	0.368	0.631
Education	1	1.506	20	24	0.670	0.869
Health and community services	1	1.425	16	19	0.597	0.767
Cultural and recreational services	1	1.396	9	12	0.304	0.462
Personal and other community services	1	1.488	24	28	0.475	0.673

Source: SGS Economics and Planning based on Statistics New Zealand data

A11.4: Detailed Employment by Industry Forecasts

Table 77 Employment by IO Industry Forecasts, Bay of Plenty Region, 2001 – 31

IO Industry Classification	ANZSIC 1 Digit Industry Classification	Actual Employment	Forecasts						Employment Growth, 2001-31	Annual Average Growth, 2001-31
		2001	2006	2011	2016	2021	2026	2031		
Horticulture and fruit growing	Agriculture, Forestry and Fishing	3,616	3,887	4,361	4,725	5,113	5,490	5,856	2,240	1.6%
Livestock and cropping farming	Agriculture, Forestry and Fishing	1,273	1,152	1,302	1,407	1,511	1,600	1,698	425	1.0%
Dairy cattle farming	Agriculture, Forestry and Fishing	2,937	3,005	3,449	3,881	4,303	4,726	5,146	2,209	1.9%
Other farming	Agriculture, Forestry and Fishing	647	563	572	547	540	519	509	-138	-0.8%
Services to agriculture, hunting and trapping	Agriculture, Forestry and Fishing	1,550	1,859	2,249	2,636	3,001	3,362	3,725	2,175	3.0%
Forestry and logging	Agriculture, Forestry and Fishing	1,333	1,510	1,503	1,691	1,762	1,897	2,001	668	1.4%
Fishing	Agriculture, Forestry and Fishing	139	136	148	157	169	179	190	51	1.0%
Mining and quarrying	Mining	114	132	141	160	170	185	198	84	1.9%
Oil & gas exploration & extraction	Mining	0	0	0	0	0	0	0	0	0.0%
Meat and meat product manufacturing	Manufacturing	709	739	741	745	745	745	747	38	0.2%
Dairy product manufacturing	Manufacturing	469	488	488	489	488	487	487	18	0.1%
Other food manufacturing	Manufacturing	1,025	1,070	1,196	1,308	1,435	1,552	1,672	647	1.6%
Beverage, malt and tobacco manufacturing	Manufacturing	170	178	202	221	242	262	283	113	1.7%
Textile and apparel manufacturing	Manufacturing	500	511	494	481	472	459	449	-50	-0.4%
Wood product manufacturing	Manufacturing	2,507	2,920	3,323	3,777	4,178	4,590	5,016	2,509	2.3%
Paper & paper product manufacturing	Manufacturing	1,584	1,218	1,190	1,188	1,141	1,119	1,086	-498	-1.3%
Printing, publishing & recorded media	Manufacturing	878	908	988	1,061	1,133	1,207	1,282	404	1.3%
Petroleum and industrial chemical manufacturing	Manufacturing	298	262	287	311	326	340	356	58	0.6%
Rubber, plastic and other chemical product manufacturing	Manufacturing	408	436	460	491	515	542	569	161	1.1%
Non-metallic mineral product manufacturing	Manufacturing	234	253	280	301	323	345	368	134	1.5%
Basic metal manufacturing	Manufacturing	23	25	26	28	29	31	33	10	1.2%
Structural, sheet and fabricated metal product manufacturing	Manufacturing	730	794	881	960	1,040	1,117	1,197	467	1.7%
Transport equipment	Manufacturing	758	741	786	799	821	832	851	93	0.4%

IO Industry Classification	ANZSIC 1 Digit Industry Classification	Actual Employment	Forecasts						Employment Growth, 2001-31	Annual Average Growth, 2001-31
		2001	2006	2011	2016	2021	2026	2031		
manufacturing										
Machinery & equipment manufacturing	Manufacturing	1,698	1,861	2,033	2,215	2,380	2,544	2,714	1,016	1.6%
Furniture and other manufacturing	Manufacturing	848	913	1,000	1,082	1,165	1,245	1,328	479	1.5%
Electricity generation and supply	Electricity, Gas and Water Supply	105	110	117	124	130	136	142	37	1.0%
Gas supply	Electricity, Gas and Water Supply	7	7	7	8	8	8	9	2	0.9%
Water supply	Electricity, Gas and Water Supply	47	51	60	67	75	82	90	43	2.2%
Construction	Construction	6,684	7,184	8,058	8,668	9,399	10,026	10,732	4,048	1.6%
Wholesale trade	Wholesale Trade	4,703	5,031	5,506	5,957	6,402	6,835	7,284	2,581	1.5%
Retail trade	Retail Trade	13,464	14,907	16,664	18,331	19,922	21,494	23,103	9,639	1.8%
Accommodation, restaurants and bars	Accommodation, Cafes and Restaurants	5,107	5,729	6,605	7,416	8,256	9,052	9,889	4,782	2.2%
Road transport	Transport and Storage	1,839	1,952	2,076	2,236	2,365	2,505	2,645	806	1.2%
Water and rail transport	Transport and Storage	716	761	662	622	543	483	416	-300	-1.8%
Air transport, services to transport and storage	Transport and Storage	1,273	1,373	1,438	1,518	1,584	1,656	1,726	453	1.0%
Communication services	Communication Services	832	880	969	1,052	1,134	1,218	1,303	471	1.5%
Finance	Finance and Insurance	1,092	1,167	1,302	1,424	1,549	1,673	1,799	707	1.7%
Insurance	Finance and Insurance	205	217	241	263	285	308	330	125	1.6%
Services to finance and insurance	Finance and Insurance	640	686	776	857	939	1,020	1,100	460	1.8%
Real estate	Property and Business Services	2,096	2,325	2,650	2,938	3,239	3,532	3,832	1,736	2.0%
Ownership of owner occupied dwellings	Property and Business Services	0	0	0	0	0	0	0	0	0.0%
Equipment hire and investors in other property	Property and Business Services	329	361	411	459	502	548	592	264	2.0%
Business services	Property and Business Services	6,380	6,854	7,557	8,202	8,848	9,500	10,159	3,779	1.6%
Central government administration, defence, public order and safety services	Government Administration and Defence	1,998	2,010	2,038	2,060	2,085	2,108	2,131	134	0.2%
Local government administration services and civil defence	Government Administration and Defence	981	977	987	989	992	993	995	14	0.0%
Education	Education	7,593	7,927	8,485	8,937	9,458	9,932	10,428	2,834	1.1%
Health and community services	Health and Community Services	9,151	9,832	10,758	11,551	12,413	13,217	14,048	4,897	1.4%

IO Industry Classification	ANZSIC 1 Digit Industry Classification	Actual Employment	Forecasts						Employment Growth, 2001-31	Annual Average Growth, 2001-31
		2001	2006	2011	2016	2021	2026	2031		
Cultural and recreational services	Cultural and Recreational Services	2,000	2,226	2,550	2,842	3,143	3,435	3,734	1,734	2.1%
Personal and other community services	Personal and other Services	2,957	3,258	3,728	4,111	4,547	4,951	5,373	2,416	2.0%
Total	Total	94,646	101,390	111,744	121,294	130,820	140,087	149,621	54,975	1.5%

Source: SGS Economics and Planning

Table 78 Employment by Industry Forecasts, Western Bay of Plenty SmartGrowth Region, 2001 – 31

IO Industry Classification	ANZSIC 1 Digit Industry Classification	Actual Employment	Forecasts						Jobs Growth, 2001-31	Annual Average Growth, 2001-31
		2001	2006	2011	2016	2021	2026	2031		
Horticulture and fruit growing	Agriculture, Forestry and Fishing	3,016	3,248	3,654	3,963	4,293	4,616	4,927	1,912	1.7%
Livestock and cropping farming	Agriculture, Forestry and Fishing	581	527	595	641	688	728	771	190	0.9%
Dairy cattle farming	Agriculture, Forestry and Fishing	829	848	977	1,103	1,226	1,349	1,471	642	1.9%
Other farming	Agriculture, Forestry and Fishing	290	254	258	246	243	234	230	-60	-0.8%
Services to agriculture, hunting and trapping	Agriculture, Forestry and Fishing	1,090	1,313	1,605	1,884	2,150	2,413	2,678	1,587	3.0%
Forestry and logging	Agriculture, Forestry and Fishing	189	215	215	242	253	273	288	99	1.4%
Fishing	Agriculture, Forestry and Fishing	106	104	113	120	129	136	145	38	1.0%
Mining and quarrying	Mining	65	76	81	92	98	106	114	49	1.9%
Oil & gas exploration & extraction	Mining	0	0	0	0	0	0	0	0	0.0%
Meat and meat product manufacturing	Manufacturing	600	626	626	629	627	627	627	28	0.2%
Dairy product manufacturing	Manufacturing	43	45	46	46	46	46	47	3	0.2%
Other food manufacturing	Manufacturing	793	833	938	1,032	1,140	1,239	1,341	548	1.8%
Beverage, malt and tobacco manufacturing	Manufacturing	150	158	181	200	221	242	262	112	1.9%
Textile and apparel manufacturing	Manufacturing	383	393	377	364	355	343	333	-49	-0.5%
Wood product manufacturing	Manufacturing	925	1,079	1,229	1,397	1,546	1,699	1,857	932	2.4%
Paper & paper product manufacturing	Manufacturing	16	13	13	13	12	12	12	-4	-1.0%
Printing, publishing & recorded media	Manufacturing	525	563	625	684	743	804	864	339	1.7%
Petroleum and industrial chemical manufacturing	Manufacturing	264	225	248	269	281	292	305	42	0.5%
Rubber, plastic and other chemical product manufacturing	Manufacturing	277	302	320	346	364	387	408	131	1.3%
Non-metallic mineral product manufacturing	Manufacturing	156	170	188	203	218	234	249	94	1.6%
Basic metal manufacturing	Manufacturing	20	22	22	24	25	27	28	9	1.2%
Structural, sheet and fabricated metal product manufacturing	Manufacturing	436	479	536	587	639	689	742	306	1.8%

IO Industry Classification	ANZSIC 1 Digit Industry Classification	Actual Employment	Forecasts						Jobs Growth, 2001-31	Annual Average Growth, 2001-31
		2001	2006	2011	2016	2021	2026	2031		
Transport equipment manufacturing	Manufacturing	475	468	502	515	534	547	564	89	0.6%
Machinery & equipment manufacturing	Manufacturing	884	975	1,070	1,171	1,264	1,356	1,451	566	1.7%
Furniture and other manufacturing	Manufacturing	559	609	674	736	800	861	924	366	1.7%
Electricity generation and supply	Electricity, Gas and Water Supply	41	44	47	51	54	58	61	20	1.4%
Gas supply	Electricity, Gas and Water Supply	7	7	7	8	8	9	9	2	1.0%
Water supply	Electricity, Gas and Water Supply	3	4	4	5	5	6	7	3	2.3%
Construction	Construction	4,180	4,509	5,081	5,479	5,958	6,370	6,832	2,652	1.7%
Wholesale trade	Wholesale Trade	2,741	2,988	3,324	3,641	3,961	4,277	4,597	1,856	1.7%
Retail trade	Retail Trade	7,401	8,321	9,432	10,496	11,530	12,564	13,601	6,200	2.0%
Accommodation, restaurants and bars	Accommodation, Cafes and Restaurants	2,125	2,417	2,819	3,196	3,588	3,964	4,352	2,228	2.4%
Road transport	Transport and Storage	867	929	1,001	1,082	1,151	1,226	1,300	433	1.4%
Water and rail transport	Transport and Storage	660	705	604	561	481	420	350	-310	-2.1%
Air transport, services to transport and storage	Transport and Storage	869	947	996	1,056	1,108	1,164	1,217	349	1.1%
Communication services	Communication Services	507	551	620	686	752	820	887	380	1.9%
Finance	Finance and Insurance	628	685	779	865	954	1,043	1,132	504	2.0%
Insurance	Finance and Insurance	128	140	160	179	198	218	238	110	2.1%
Services to finance and insurance	Finance and Insurance	395	429	490	547	604	662	718	323	2.0%
Real estate	Property and Business Services	1,382	1,558	1,798	2,014	2,241	2,464	2,688	1,306	2.2%
Ownership of owner occupied dwellings	Property and Business Services	0	0	0	0	0	0	0	0	0.0%
Equipment hire and investors in other property	Property and Business Services	181	201	229	256	280	306	332	150	2.0%
Business services	Property and Business Services	3,681	3,999	4,451	4,860	5,276	5,698	6,120	2,439	1.7%
Central government administration, defence, public order and safety services	Government Administration and Defence	925	931	945	955	967	977	988	63	0.2%
Local government administration services and civil defence	Government Administration and Defence	370	369	372	373	374	375	375	5	0.0%
Education	Education	3,371	3,522	3,772	3,976	4,210	4,424	4,647	1,276	1.1%

IO Industry Classification	ANZSIC 1 Digit Industry Classification	Actual Employment	Forecasts					Jobs Growth, 2001-31	Annual Average Growth, 2001-31	
		2001	2006	2011	2016	2021	2026			2031
Health and community services	Health and Community Services	4,990	5,369	5,882	6,322	6,801	7,249	7,710	2,720	1.5%
Cultural and recreational services	Cultural and Recreational Services	801	899	1,036	1,161	1,290	1,417	1,544	743	2.2%
Personal and other community services	Personal and other Services	1,656	1,840	2,123	2,358	2,624	2,873	3,130	1,475	2.1%
Total	Total	50,583	54,907	61,067	66,634	72,314	77,843	83,478	32,895	1.7%

Source: SGS Economics and Planning

Table 79 Employment by Industry Forecasts, Eastern Bay of Plenty Region, 2001 – 31

IO Industry Classification	ANZSIC 1 Digit Industry Classification	Actual Employment	Forecasts						Jobs Growth, 2001-31	Annual Average Growth, 2001-31
		2001	2006	2011	2016	2021	2026	2031		
Horticulture and fruit growing	Agriculture, Forestry and Fishing	600	639	707	762	819	874	929	328	1.5%
Livestock and cropping farming	Agriculture, Forestry and Fishing	692	625	707	766	823	873	927	235	1.0%
Dairy cattle farming	Agriculture, Forestry and Fishing	2,108	2,157	2,472	2,778	3,077	3,377	3,675	1,567	1.9%
Other farming	Agriculture, Forestry and Fishing	356	309	314	300	296	285	279	-77	-0.8%
Services to agriculture, hunting and trapping	Agriculture, Forestry and Fishing	460	546	644	752	851	949	1,048	588	2.8%
Forestry and logging	Agriculture, Forestry and Fishing	1,144	1,295	1,288	1,449	1,509	1,624	1,713	570	1.4%
Fishing	Agriculture, Forestry and Fishing	32	32	35	37	40	42	45	12	1.1%
Mining and quarrying	Mining	49	57	60	68	72	78	83	35	1.8%
Oil & gas exploration & extraction	Mining	0	0	0	0	0	0	0	0	0.0%
Meat and meat product manufacturing	Manufacturing	110	113	115	117	117	118	119	10	0.3%
Dairy product manufacturing	Manufacturing	426	443	442	443	442	440	440	14	0.1%
Other food manufacturing	Manufacturing	233	237	258	276	295	313	332	99	1.2%
Beverage, malt and tobacco manufacturing	Manufacturing	20	20	21	21	21	21	21	1	0.2%
Textile and apparel manufacturing	Manufacturing	117	118	118	117	117	116	116	-1	0.0%
Wood product manufacturing	Manufacturing	1,582	1,841	2,094	2,380	2,632	2,891	3,159	1,577	2.3%
Paper & paper product manufacturing	Manufacturing	1,568	1,206	1,178	1,175	1,128	1,106	1,074	-494	-1.3%
Printing, publishing & recorded media	Manufacturing	352	345	362	377	390	403	418	65	0.6%
Petroleum and industrial chemical manufacturing	Manufacturing	34	38	39	42	45	48	50	17	1.3%
Rubber, plastic and other chemical product manufacturing	Manufacturing	131	134	140	146	151	155	161	30	0.7%
Non-metallic mineral product manufacturing	Manufacturing	78	83	92	98	105	112	119	40	1.4%
Basic metal manufacturing	Manufacturing	3	3	4	4	4	4	4	1	1.0%
Structural, sheet and fabricated metal product manufacturing	Manufacturing	294	315	345	373	401	427	455	161	1.5%
Transport equipment	Manufacturing	284	272	284	284	287	285	287	4	0.0%

IO Industry Classification	ANZSIC 1 Digit Industry Classification	Actual Employment	Forecasts						Jobs Growth, 2001-31	Annual Average Growth, 2001-31
		2001	2006	2011	2016	2021	2026	2031		
manufacturing										
Machinery & equipment manufacturing	Manufacturing	814	886	962	1,044	1,117	1,188	1,264	450	1.5%
Furniture and other manufacturing	Manufacturing	290	304	326	346	366	384	404	114	1.1%
Electricity generation and supply	Electricity, Gas and Water Supply	65	66	70	73	75	78	81	17	0.8%
Gas supply	Electricity, Gas and Water Supply	0	0	0	0	0	0	0	0	0.0%
Water supply	Electricity, Gas and Water Supply	44	48	55	62	69	76	83	40	2.2%
Construction	Construction	2,503	2,676	2,978	3,189	3,441	3,656	3,900	1,397	1.5%
Wholesale trade	Wholesale Trade	1,962	2,043	2,182	2,317	2,441	2,558	2,687	725	1.1%
Retail trade	Retail Trade	6,063	6,586	7,231	7,835	8,391	8,930	9,502	3,439	1.5%
Accommodation, restaurants and bars	Accommodation, Cafes and Restaurants	2,982	3,312	3,786	4,220	4,668	5,088	5,536	2,554	2.1%
Road transport	Transport and Storage	972	1,023	1,075	1,154	1,214	1,279	1,345	373	1.1%
Water and rail transport	Transport and Storage	56	56	58	60	62	64	66	10	0.5%
Air transport, services to transport and storage	Transport and Storage	404	426	441	461	476	492	509	104	0.8%
Communication services	Communication Services	324	329	349	367	382	398	415	91	0.8%
Finance	Finance and Insurance	463	482	523	559	596	630	666	203	1.2%
Insurance	Finance and Insurance	77	77	81	84	87	89	93	16	0.6%
Services to finance and insurance	Finance and Insurance	245	258	285	310	334	358	382	137	1.5%
Real estate	Property and Business Services	714	767	852	924	998	1,068	1,143	430	1.6%
Ownership of owner occupied dwellings	Property and Business Services	0	0	0	0	0	0	0	0	0.0%
Equipment hire and investors in other property	Property and Business Services	148	161	182	203	222	242	261	113	1.9%
Business services	Property and Business Services	2,699	2,855	3,106	3,342	3,572	3,802	4,039	1,339	1.4%
Central government administration, defence, public order and safety services	Government Administration and Defence	1,072	1,079	1,094	1,105	1,119	1,131	1,143	71	0.2%
Local government administration services and civil defence	Government Administration and Defence	611	609	615	616	618	619	620	9	0.0%
Education	Education	4,223	4,405	4,713	4,962	5,248	5,508	5,781	1,558	1.1%
Health and community services	Health and Community Services	4,161	4,463	4,877	5,229	5,612	5,968	6,338	2,177	1.4%

IO Industry Classification	ANZSIC 1 Digit Industry Classification	Actual Employment	Forecasts					Jobs Growth, 2001-31	Annual Average Growth, 2001-31	
		2001	2006	2011	2016	2021	2026			2031
Cultural and recreational services	Cultural and Recreational Services	1,199	1,327	1,514	1,681	1,853	2,019	2,190	990	2.0%
Personal and other community services	Personal and other Services	1,301	1,418	1,605	1,753	1,923	2,078	2,243	942	1.8%
Total	Total	44,063	46,483	50,676	54,660	58,506	62,244	66,143	22,080	1.4%

Source: SGS Economics and Planning



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