

Background and context

In June 2018 the City Strategy Committee approved the Wellington City Council Housing Strategy (the Strategy). The Strategy had been developed based on extensive engagement and consultation on housing issues in Wellington.

The Strategy sets a long-term vision of “All Wellingtonians well-housed”.

Contributing to the vision, the Strategy sets four long-term outcomes. These outcomes are as follows and are further defined in the Strategy.

- Wellington has a well-functioning housing system
- Homes in Wellington are of good quality and are resilient
- Homes meet the needs of Wellingtonians
- Our housing system supports sustainable, resilient and connected communities

Supporting the Housing Strategy is the Wellington Housing Affordability Model (WHAM). The model was created to address a gap where publicly available measures cannot be used to direct local resource.

Purpose of WHAM

A number of affordability measures exist including the Demographia International Housing Affordability Survey, the MHUD Housing Affordability Measure (HAM) and a general housing cost to income ratio. A review of these available measures found that they are, in general, effective for their intended purpose but cannot be used to direct local resource.

The purpose of WHAM is to understand what housing is affordable for specific population groups based on their income and household composition. This recognises that affordability varies significantly across different household groupings.

WHAM is based on the premise that assessing affordability depends on each household’s circumstances and composition, and that housing affordability is more complex than providing one set dollar amount or ratio that is applied in a ‘one size fits all’ way. WHAM has been developed to answer the key questions of:

‘Who is a defined house price/rent affordable for?’

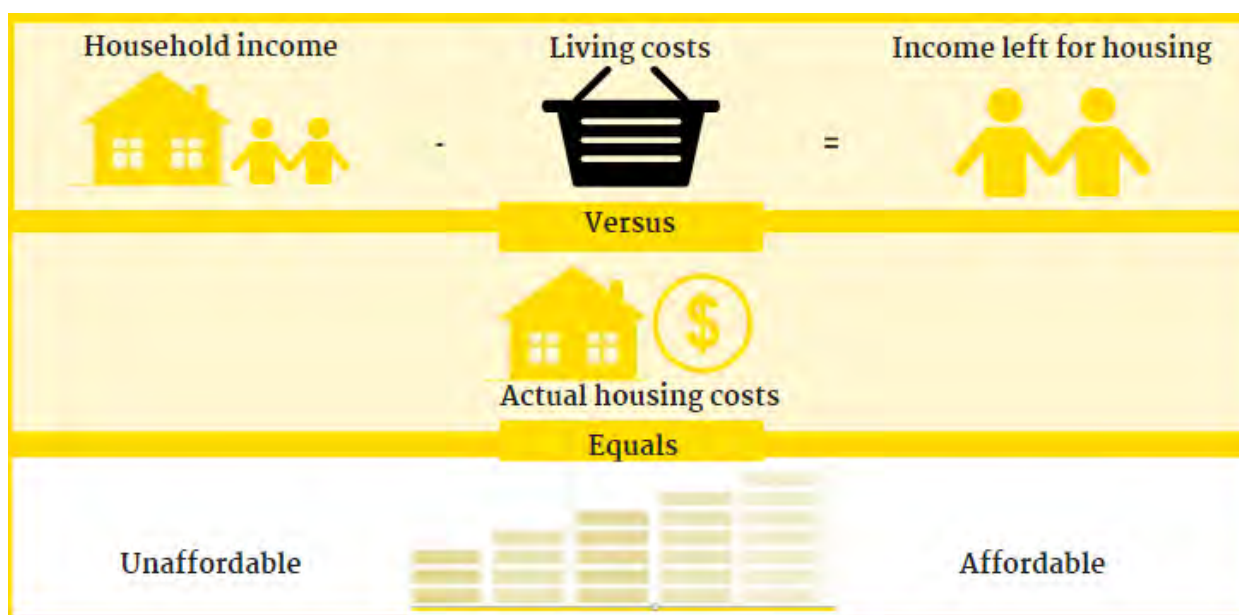
‘What is affordable for a defined household (income and make-up)?’

‘How affordable is a particular rent or purchase price for a particular household type?’

To answer these questions WHAM incorporates a number of underpinning assumptions as part of the calculations. Assumptions have been selected to represent a range of households and will not be directly applicable to every individual household.

The results are displayed as a spectrum of affordability from unaffordable to comfortably affordable; levels of affordability are defined based on the living costs assumed. The living costs are based on data from the Household Economic Survey – Expenditure, this data set is produced by Stats NZ every three years. The NZ-specific data is used to form 'baskets of goods' which represent a household's potential living costs.

The high-level formula follows a methodology of taking account of reasonable living costs and what is left over is available for housing. Other measures tend to account for housing cost first. The formula can be summarised by the following infographic.



Current use

The model has been reviewed by Sense Partners and was found to be fit for use, with confidence on both accuracy of the calculations and the conceptual basis, with the usual caveats on data quality and assumptions made.

Council are using the model to inform policy and planning. While the model is useable and produces adequate results, there are improvements that could be made with more focused resource.

The model is currently being used to inform:

- WCC's City Housing policy decisions
- WCC's rental policy for Te Kāinga – affordable rental programme

The model has the potential to be used by other Councils and organisations. WCC is working through options to make it available, in the meantime please contact the Housing Development Team to find out more housingdevelopment@wcc.govt.nz