
REPORT 2
(1215/52/IM)

SUBMISSION FROM WELLINGTON CITY COUNCIL – PRODUCTIVITY COMMISSION INQUIRY ON HOUSING AFFORDABILITY

1. Purpose of Report

To provide a Wellington City Council response to the Productivity Commission Housing Affordability Inquiry draft paper

2. Recommendations

Officers recommend that the Strategy and Policy Committee:

1. *Receive the information.*
2. *Approve the attached draft submission to be forwarded to the Productivity Commission.*
3. *Agree to delegate to the Chief Executive Officer and the Built Environment Portfolio leader, the authority to amend the proposed submission from Wellington City Council to the Productivity Commission on the housing affordability inquiry to include any amendments agreed by the Committee and any associated minor consequential edits.*

3. Background

The Government asked the Productivity Commission to evaluate the factors influencing the affordability of housing (both rental and owner-occupied housing) and examine potential opportunities to increase housing affordability. Specifically the Government asked the Commission to:

- identify and analyse all components of the cost and price of housing;
- identify mechanisms to improve the affordability of housing, with respect to both the demand and supply of housing and associated infrastructure; and
- identify any significant impediments to home ownership, and assess the feasibility and implications of reducing or removing such impediments.

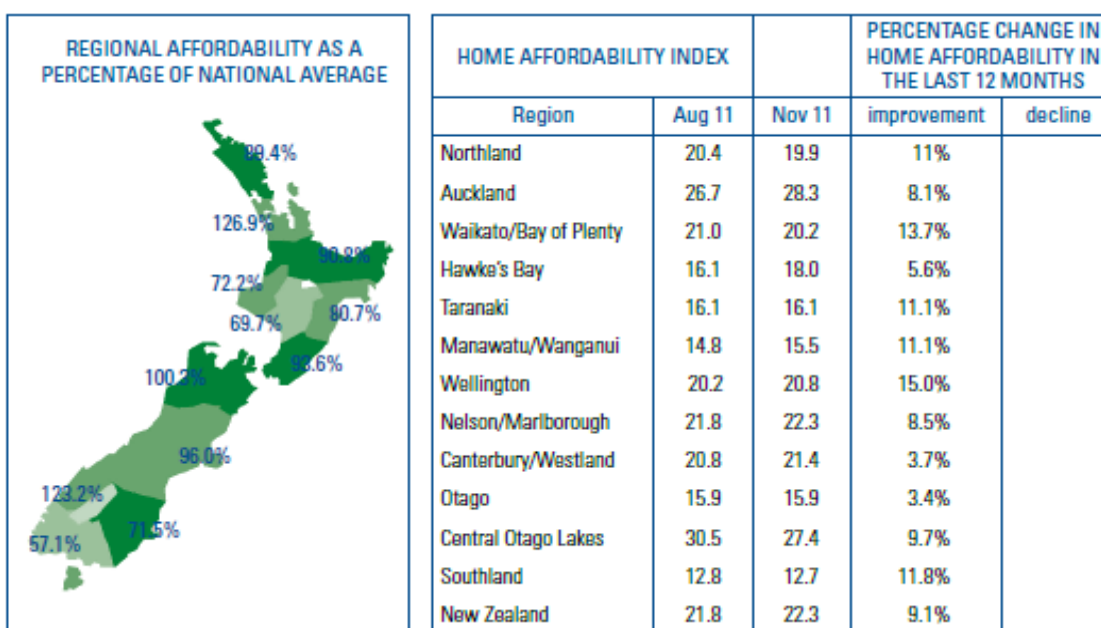
The Draft Housing Affordability Report was released in December 2011. The Productivity Commission is seeking submissions on the report by February 10 2012.

4. Discussion

Housing Affordability

House prices are significantly higher than a decade ago, in the case of Wellington median prices have increased from \$195,250 in December 2001 to \$387,000 in December 2011, an increase of 98 percent. House prices in Wellington have held at around the same level since 2007.

The Massey Home Affordability Index shows housing affordability improving since 2007 and now back at levels seen in 1998. This is mainly due to incomes increasing while house prices remain static, and to cheap borrowing rates. According to Massey Wellington is more affordable than the national average.



Source: Massey

The average weekly rent in Wellington for November 2011 was \$398, rents have held around this level since 2008. This compares to a National average of \$333. Over the period of significant house price increases in the 2000's rents generally trended with inflation.

The Council provides more than 2,300 social housing rental units targeted to people with low incomes and special housing needs. Through the District Plan the Council seeks to ensure there is a mix of housing types, providing residents with choices about where they live – in apartments, townhouses or traditional stand-alone dwellings. In 2006 separate homes made up 57.7%, medium density 25.3%, high density 6.7%, and Unknown 4.4%.

Productivity Commission Report

In response to the recommendations within the Productivity Commission Report, it is recommended that the Council makes the following key points in its submission:

- The Council agrees with the Commission finding that real house prices in New Zealand are markedly higher than they were a decade ago. The Council notes that Affordability has come back down to the 20 year average but is vulnerable to increases in the cost of borrowing. Wellington is more affordable than the national average according to Massey.
- The Commission identified that the performance of the Building Industry was a large factor in the increase in the cost of houses. The Council considers that the report should have more recommendations focused on addressing the price of building, and the performance of the building industry.
- The Council agrees with the Productivity Commission that urban containment policies affect the release, availability and cost of residential property. However, it is important that this increased cost is not considered in isolation from the benefits that urban containment policies can deliver.
- The Council has long practised a policy of general containment within the existing urban area, and this is regarded as one of the contributing elements to the high level of activity in the central city and the success of the city's public transport network. Other benefits of urban containment can include greater housing choice; better integration of land use and infrastructure; better accessibility of services; and more efficient use of infrastructure.
- Development contributions, while placing an additional cost on new developments, are not considered to have more than a marginal impact on housing affordability. In Wellington residential development contributions are generally between \$5,000 and \$8,000 with two catchments around the \$10,000 mark. These charges relate to the cost of providing infrastructure for growth with the largest components being water and roading services. If Development Contributions were not charged then rates would have to be increased, creating affordability issues for a different section of the community.
- The Council supports the introduction of development contribution best practice guidelines. Best practice guidelines should help improve the calculation and application of infrastructure charges so that they are more efficient, equitable, and transparent.
- The Productivity Commission should look at the role of Councils in the provision of housing by the third sector. There may be opportunities for councils to identify sites, bring interested parties together, and assist in consent applications.

4.1 Consultation and Engagement

Consultation has included representatives from planning, policy, consents, housing, and development, the positions taken in the submission reflect points

raised during this engagement. No public consultation has been undertaken in the preparation of the draft submission.

4.2 Financial Considerations

There are no financial considerations

4.3 Climate Change Impacts and Considerations

There are no climate change impacts and considerations

4.4 Long-Term Council Community Plan Considerations

There are no Long Term Plan considerations

5. Conclusion

The Productivity Commission has called for submissions from interested parties. Approval is sought for the draft submission attached.

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Attached: Draft Council Submission
Summary Productivity Commission Report

Supporting Information

1) Strategic Fit / Strategic Outcome

The submission is responding to a topic that has a significant impact on the liveability of Wellington. The submission also responds to recommendations that affect the way the Council operates.

2) LTCCP/Annual Plan reference and long term financial impact

The submission does not raise LTP issues or financial issues. It is possible that recommendations by Productivity Commission and subsequent Government decisions will have implications for future LTPs

3) Treaty of Waitangi considerations

The submission does not raise Treaty of Waitangi considerations

4) Decision-Making

This is not a significant decision. The submission seeks to influence the decisions of a report by a Commission set up by the Government to provide independent advice on productivity-related matters

5) Consultation

a) General Consultation

All areas of the council that could be affected by recommendations in the report have been consulted.

b) Consultation with Maori

No specific consultation with Maori has been undertaken.

6) Legal Implications

The draft submission raises no legal issues.

7) Consistency with existing policy

The draft submission is consistent with existing policies