

Auckland Council's Submission to the Productivity Commission's Draft Report on Housing Affordability

February 2012

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Executive Summary

Auckland Council welcomes the Productivity Commission's timely report on housing affordability. Housing affordability is a critical problem for Auckland, evident in widespread and persistent overcrowding and an escalating shortage of housing accessible for people on low and modest incomes. Twenty eight percent of all Auckland households pay more than 30% of gross household income on housing costs, a proportion widely recognised as unaffordable. More tellingly, of households with an income of less than \$50,000 per year, 51% pay more than 30% of their gross income on housing¹.

Housing affordability becomes an increasingly acute problem descending down the scale of household income. As is the case nationally, a persistent proportion of Aucklanders require some form of housing assistance across a spectrum of need, from the intermediate housing market which requires some form of accommodation supplement, through to those requiring state-provided social housing. The housing affordability problem is projected to increase with increasing demand for housing: DBH estimates that Auckland will have a shortfall of 90,000 homes by 2020 and around 10,000 homes a year are required to house Auckland's growing population.

While Auckland Council welcomes the Productivity Commission's report and endorses much of its analysis, it disputes the disproportionate weight given to the effect of local government policies. The Report concludes that regulation is unduly restricting land supply and development and accounting in large part for the unaffordability of New Zealand housing.

Council agrees that restrictions on land supply and lengthy consenting processes have contributed to increasing the cost of housing, and intends to address this issue through the Auckland Plan. However, housing affordability is a multifaceted and complex issue with drivers extending far beyond the remit of local government. The housing affordability crisis reflects the interplay of many factors which means that rising house prices have far outstripped the rise in household incomes. The Commission's focus on land supply is inadequate to address the scale and depth of Auckland's housing crises. A much broader definition of the problem is therefore needed to instigate the multi-party collaboration required to

¹ Stats NZ Household Economic Survey: 139,000 of the total of 488,600 households in Auckland are paying more than 30%, and 84,700 out of 164,900 households earning less than \$50,000 per year pay more than 30%.

address the question of housing affordability. Council suggests that the Commission broaden its inquiry into housing affordability from a focus on new home ownership, land supply and the cost of construction, to an assessment of the full cost of housing and the range of factors affecting housing affordability.

Urgent multi-sector action is required from central and local government and other agencies. The Auckland Plan provides the opportunity for Auckland Council to work with Central Government, the development sector, community housing sector, iwi and others to collaborate to take bold and innovative action to address the crisis. Auckland Council has some critical levers that can help to alleviate housing affordability and the Council has made an 'in principle' decision to consider different ways in which it might engage to improve housing outcomes in Auckland.

Recommendations

Council recommends that the Commission:

1. Provide a clear definition of housing affordability; by which the drivers of the existing situation can be clearly identified, the nature and scale of the problem measured, and solutions found to improve it.
2. Work with Central Government and Council to agree on a package of relevant, measurable indicators for housing affordability, that can be applied across Government and Council monitoring frameworks.
3. Encourage Central Government, Council, the development sector, community housing sector and other stakeholders to collaborate to identify and implement policy and regulatory tools to address the issue of housing affordability in Auckland.
4. Calculate the true social and public costs associated with land development to identify the right mix of peripheral development and intensification, so that transparent choices can be made, recognising the potential trade-off between the true cost of development and housing affordability.
5. Undertake more investigation of demand-side issues, including the extent to which the Accommodation Supplement has impacted on rent levels and the wider housing market; and options for more efficient and effective use of this funding to assist home ownership and secure, affordable renting.

6. Identify clearly supply side issues exacerbating the unaffordability of housing for households on low to moderate incomes and consider further scope to address the issues.
7. Further analyse issues and solutions for urban Maori land, papakainga and other housing for Maori on Maori and non-Maori land.
8. Develop specific proposals on creating an adequate supply of long-term secure, affordable rental housing in New Zealand.

1.0 Introduction

The Auckland Council congratulates the Productivity Commission on its Report and welcomes the opportunity to contribute. Council supports much of the analysis and many of the conclusions. In particular, Auckland Council agrees that:

- housing affordability is a significant issue for Auckland
- housing affordability is a complex and multi-faceted issue
- housing is important for family stability and social cohesion
- the rental sector is becoming more important in housing provision
- providing sufficient development capacity through land release approval is important
- land assembly will need a coordinated approach
- consenting processes could be further streamlined.

Endorsing LGNZ's submission to the Report, Auckland Council notes that the Commission attributes the problem and the solutions to land supply and new, owner-occupied housing. It identifies local government as the main barrier to affordable housing through regulatory constraints on the release of land for new housing development. This disguises the plethora of interrelated factors that together reduce the affordability of housing.

As LGNZ noted, "local government has a broad purpose, is about the long-term, intergenerational and integrated planning and decision-making. Housing affordability requires an integrated approach between central and local government policy" (LGNZ, 2012).

In Auckland Council's view, the suite of possible solutions must be broadened to capture the range of drivers affecting housing affordability, and cover the spectrum from central government to local government, community housing agencies, iwi, and the private sector. The focus on regulatory constraints and the release of land is insufficient. In this regard, the Council would appreciate a better understanding of the Commission's modelling information and its assumptions, to better understand how the Commission reached its conclusions and recommendations.

Furthermore, Auckland Council agrees with the LGNZ conclusion that "the Commission's final report would benefit from a full consideration of affordability issues around all housing stock (so new and existing), all tenures (owner occupied and otherwise), and the range of drivers for housing affordability in different locations and different populations".

As this submission shows, the nature and scale of housing affordability in Auckland – both current and projected – is such that the development of new housing on released greenfield land is insufficient to address the general problem of housing affordability and particularly the need for affordable housing. The majority of households that confront problems of unaffordability, will not, at least in the short term, benefit from the release of land and subsequent increase on supply.

Households in Auckland earning below \$50,000 per year, which spend more than 30% of gross household income on housing, simply lack the income to meet the cost of Auckland housing. This and other analysis leads the Council to believe housing in Auckland, in terms of affordability, supply and quality, can be described as a ‘housing crisis’. The Report’s recommendations do not seem to appreciate the scale and nature of this problem in Auckland.

The unaffordability of Auckland’s housing can therefore not be addressed without considering the substantial proportion of households whose income is insufficient to afford appropriate housing. For this reason, Auckland Council’s submission focuses on the following specific areas as recommendations to the Productivity Commission:

- Defining and measuring affordability in Auckland
- The effect of releasing land on housing affordability
- Factors contributing to housing affordability
- The need for collaboration between key stakeholders
- Housing and Maori land.

2.0 Defining and measuring affordability

The Report provides a thorough discussion of why housing affordability matters, the different types of measures and their strengths and weaknesses, and notes that there is no agreed single best measure of housing affordability. Yet such a shared definition is urgently required to allow the quantum of housing demand to be adequately assessed.

Council considers that the internationally-accepted measure of 30% of household income spent on housing is a useful benchmark and starting point to define housing affordability²; in conjunction with the ‘housing needs spectrum’ outlined below.

² We assume, when there is discussion of housing prices (unless specifically defined), these include all types of dwellings and are not restricted to detached dwellings. Council would like more information on the measurements used in the Report.

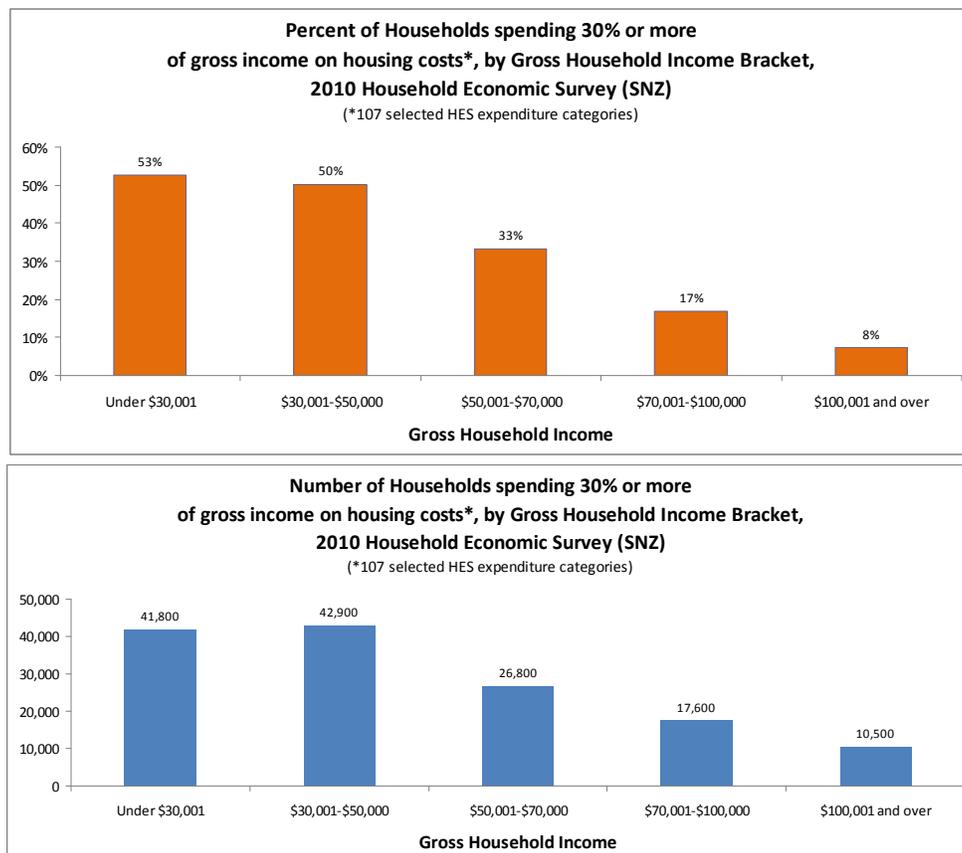
Furthermore, to address the problem, a clear distinction is required to differentiate ‘housing affordability’ from ‘affordable housing’. We propose the following definition:

- housing affordability: an aggregate term referring to the capacity of households to afford appropriate housing without difficulty.
- affordable housing: New Zealand has no legislative or regulatory definition of affordable housing, but the term is generally used to refer to low to moderate income households requiring some form of assistance (a subsidy or intervention).

By adopting a shared definition of affordability, and making the distinction between housing affordability and affordable housing, it becomes possible to understand the scale of the problem confronting Auckland and New Zealand.

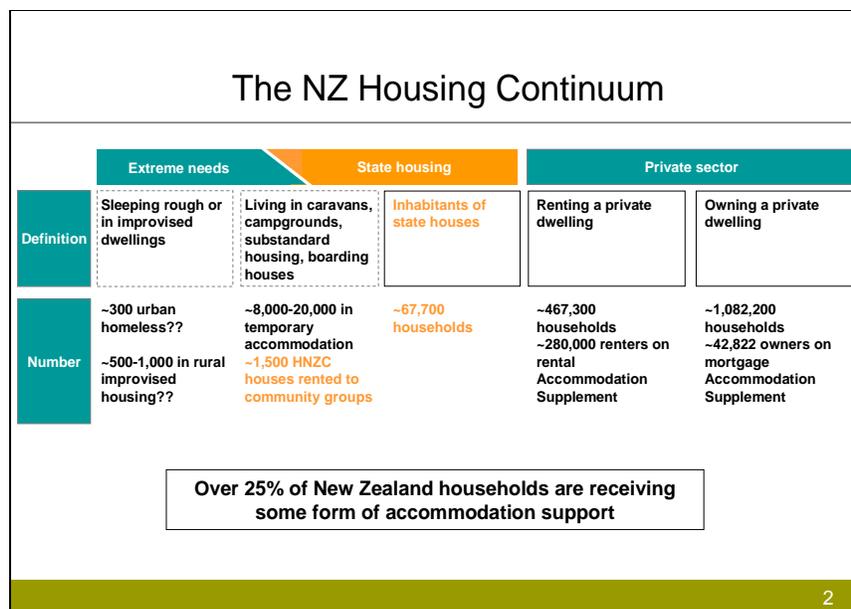
2.1 Applying the 30% of gross household income benchmark (Appendix 1)

In order to understand the magnitude of the housing affordability problem in Auckland, the Auckland Council has applied the 30% of gross household income measure to Auckland households. The figure below gives a sense of the scale of Auckland’s affordability problem.



From this, we can broadly conclude that 28% [check] of all Auckland households pay more than 30% of gross household income on housing costs, a proportion widely recognised as unaffordable. More tellingly, of households with an income of less than \$50,000 per year, 51% (84,700 households) pay more than 30% of their gross income on housing³.

A persistent pool of New Zealanders require assistance because they are unable to afford housing at a market rate, ranging from subsidies such as the accommodation supplement, through to the provision of social/state housing. Twenty five percent of New Zealanders currently receive some form of housing assistance. The ‘intermediate market’ includes key workers who are unable to earn enough to afford to live close to their place of employment.



Source: Alan Jackson, Chair, HNZ *Beyond Home and Housed: Social and Affordable Housing Forum, Sydney, May 2011.*

2.2 Applying the median multiple measure (Appendix 2 and 3)

Another way to assess the magnitude of the housing affordability ‘crisis’ is to use the ‘median multiple measure’. Auckland Council has applied this measure using 2006 Census data and Capital Values. The map (attached as Appendix 2) clearly shows that, in all areas, housing is unaffordable based on median incomes of the areas. Although there are areas where housing is less expensive, it is still very expensive for the median income household in the area.

³ Stats NZ Household Economic Survey: 139,000 of the total of 488,600 households in Auckland are paying more than 30%, and 84,700 out of 164,900 households earning less than \$50,000 per year pay more than 30%.

This measure can also be used to show that Auckland’s housing affordability crisis is likely to worsen. Analysis suggests that, if future households generally have a similar income profile to households in 2006, then of the 450,000 projected future households to 2051, only about 30% are likely to be able to afford a house over \$400,000 (in 2011 dollar terms). The median house price in Auckland is already \$450,000. There is another 30% who need a house in the \$275,000 to \$375,000 range. Finally, 40% will be unlikely to be able to afford to buy a house, and will need affordable rental accommodation.

Future households that need a house in the \$275,000- \$375,000 range	135,000
Future households who cannot buy and need affordable rental accommodation	180,000

This analysis provides a strong signal of the severity of the problem in Auckland, now and in the future. There is already a persistent shortage of housing in Auckland, and an additional 300,000 ‘affordable’ homes are likely to be required over the next 30 years, including rental housing and some social housing.

Providing housing on this scale is no mean feat: the construction of over 10,000 houses per year in Auckland is substantial when only around 24,000 are built nationally per annum, and in the context of the Christchurch rebuild, will require public intervention. At present only 5,000 new houses are consented per year in Auckland, and these are not necessarily built.

Appropriately, the private sector undertakes the vast majority of housing development in Auckland. However, given the figures above, it is clear that public intervention in the market will be required to assist the development sector and others to build affordable homes within mixed- income communities.

It should be noted, this analysis does not include the current urgent need for housing for the most vulnerable, including emergency housing, housing for homeless people and those with special needs. Council considers this a serious issue, requiring multi-agency collaboration and is a partner in the Auckland Homeless Action Plan; and the Draft Auckland Plan includes the target “*End rough sleeping (primary homelessness) in Auckland by 2020*”. However, we understand that this particular issue is not within the scope of the Commission’s terms of reference.

This analysis also focuses on the price of a dwelling and its affordability to households. It does not address the issue of ‘affordable living’ (see section 3 below), which is likely to increase the severity of Auckland’s affordability ‘crises’.

3. Land supply and housing affordability

Having described the magnitude and reach of Auckland’s housing affordability problem, we turn to the question of land supply. The Report suggests that restrictions on land supply by local government are a primary factor contributing to the unaffordability of housing. In this section we explain why we disagree with the Commission’s conclusions in this regard.

Council agrees with the Report’s premise that increasing land supply will place downward pressure on the aggregate housing market. Urban intensification or redevelopment (brownfield development) would also have the same effect of increasing housing supply. It is therefore important to look at land supply in terms of both green and brownfield development – both will place downward pressure on house prices.

It is important to note that Australian research confirms that low density peripheral developments are often subsidised by other development because they are not paying the true public cost associated with unregulated peripheral greenfield development.⁴ A study conducted by the Centre for International Economics for Sydney (2010) calculated a value on some of these additional public costs for peripheral urban property development, showing that in per dwelling terms, property development in greenfield areas incurred net costs of \$11,000 per dwelling. The same figure for urban renewal focused development was approximately \$1,700 per dwelling.

A further Australian study by Parsons Brinckerhoff concluded with similar findings showing that the true cost of peripheral development is far higher than the market price faced by the private individual. In effect, a set of government policies were subsidising peripheral urban development. Essentially, if left to the market, peripheral development will look relatively more attractive than what is socially efficient.

⁴ Council is aware of at least two other Australian studies which show that a more compact development model results in lower capital, operation, maintenance and replacement costs. *Costing mechanisms to facilitate sustainable community planning*; Trubka, Newman, Bilsborough, *Assessing the Costs of Alternative Development Paths in Australian Cities*, Parsons Brinckerhoff Australia. A Sydney based assessment demonstrated substantial cost differences between development models. Testing of a scenario focused on expansive greenfield development had net costs of \$5.0 billion relative to the 2005 Metropolitan Strategy base case, whereas a scenario focused on urban renewal had net benefits of \$0.8 relative to the base case (Centre for International Economics Canberra and Sydney (2010) *The benefits and costs of alternative growth paths for Sydney*).

The key point that Council wishes to emphasise is that, whilst the release of greenfield land may place a downward pressure on house prices, possibly to the advantage of some individual households, it comes at a higher cost to society – including local and central government. This does raise one of the trade-offs that must be considered; charging for the true cost of development versus housing affordability.

Land costs

Related to the above, the Report asserts that land costs in Auckland comprise 60% of a new dwelling. Council disputes this generic figure for two reasons. First, the proportion that land costs comprise of the price of a dwelling depends on the type development: for example, whether standalone houses, infill houses or multi-unit dwellings. Secondly, land values vary considerably across the region, which makes the use of averages very deceptive. Further, it is unclear in the Report whether 'land costs' refers to raw land or serviced land.

Infrastructure costs

Recommendation 7.2 of the Report calls for significant tracts of greenfield and brownfield land to be brought on to the market – with at least 20 years' worth under preparation for development. Although "preparation for development" is not defined, if the intent is that infrastructure capacity would be available for 20 years worth of land for development, then the cost implications could be huge. This could lead to significant amounts of serviced land lying unused for many years.

We note that 20 years' supply is projected to be 220,000 – 260,000 dwellings. We request that the Report clarify this issue, and ensure that its recommendations do not lead to significant infrastructure cost increases that are not appropriately capitalised into the housing market and paid for by private individuals.

The Auckland Plan will include measures similar to those proposed in Chapter 7 of the Report including:

- staged release of large tracts of greenfields land within the rural urban boundary, and brownfield land
- 20 years forward capacity in the planning pipeline, of which 10 years will be "ready to go" zoned and serviced with infrastructure
- collaborating with the private sector on the identification, assembling and releasing large tracts of land

- promoting competition between developers/land owners for the right to develop land, which could lower land costs.

In addition to the points raised above, the concept of affordable living is central to the issue of housing affordability. The Council welcomes the Report's endorsement of a "holistic" approach to housing affordability which *encompasses the costs of accessibility to work, schools, friends and family – recreation, both by way of the trade-offs households might have to make between dwelling location and transport costs and in terms of the total demands housing and transport jointly make on household incomes* (Report, 2011, p.7).

However, Council considers that the Report's limited discussion of the concept of affordable living, the significant gap between household incomes and housing costs and the trade-offs people have to make when choosing their housing must be expanded. Council is investigating tools to improve the affordability of living for low income households. This wider approach should receive greater consideration in the Commission's recommendations.

In summary, Auckland Council agrees with the need to release land (both green and brownfield) to enable a greater supply of housing, and that this will, over time, place downward pressure on house prices. However, given the expected continued demand for housing in Auckland, the Council considers the effect of this downward pressure to be overestimated and insufficient to address affordability at the lower and even mid-household incomes bands. This is further exacerbated when considering housing in the context of 'living affordability', rather than the narrower 'housing affordability'.

For these reasons, Auckland Council considers it imperative that the Commission places equal emphasis on the many other barriers to affordability that exist; and the suite of other interventions that are required to improve the affordability of housing for those on low incomes, and particularly those on the housing needs continuum.

4. Factors contributing to the housing affordability problem

Auckland Council agrees with the suite of factors identified in the Report contributing to the affordability problem. However, the Report stops short of providing recommendations for dealing with each factor. Auckland Council considers that further analysis and subsequent recommendations of each

issue are required to identify any further scope for improving housing affordability in general, and for those on lower incomes specifically. For example:

- Supply side factors affecting housing affordability:
 - cost of building materials
 - construction costs
 - the limited capacity of the building and construction industry to produce sufficient housing
 - the economics of housing development of different types in different locations
- Demand side factors affecting housing affordability:
 - increasing household incomes through skill development and economic improvement
 - restricted access to debt finance
 - an accommodation supplement that has not kept up with housing costs.

In teasing out each of these issues, it emerges that many stakeholders have critical roles in improving the affordability of housing in New Zealand, including Central Government, local government, the development sector and community housing sector, iwi and others.

5. Addressing housing affordability: the need for collaboration between key stakeholders

5.1 Central Government

Central Government has a range of options including land and policy that affect housing affordability. Examples include:

- WINZ – administration of the Accommodation Supplement
- DBH and Social Housing Unit
- HNZA – landholdings.

Housing New Zealand Corporation is a significant landlord. The state housing portfolio is the Government's second largest asset, with a value of \$15 billion⁵. Over the next 5 years, HNZA intends to buy, lease, and sell properties in areas of high demand and reduce the concentration of state housing in areas of lower demand. Auckland, particularly the South, is acknowledged as an area of high demand. HNZA states its intention to add up to 1,400 new state homes in Auckland in the next 5 years. This is welcomed; however, given the current and future scale of the housing crisis in Auckland, and that there

⁵ HNZA Briefing for the Minister of Housing December 2011

are already 950 priority applicants on the Auckland waiting list (September 2011), this increase is insufficient to meet the demand for affordable housing.

Council welcomes this opportunity to work with HNZC, private sector, community housing sector, iwi organisations, and others to redevelop Corporation land. The Tamaki Transformation Programme, a joint initiative between Government and Council, for urban regeneration integrated with economic and social development, is a potential exemplar for other areas that may be marginally attractive to the market without intervention.

The Report provides a very good discussion of the growing need for long-term, affordable rental housing and the barriers to this in New Zealand in a context of declining home ownership, but offers no solutions. There is a growing demand for secure, long-term rental, and specific proposals to create an adequate supply should be a priority for the Commission.

In addition, other countries use different types of public subsidy to guarantee and maintain affordable housing, such as shared equity schemes. The Commission should consider such options in the New Zealand context.

5.2 Urban development authorities and land agencies

Council agrees with the Report's recommendation to consider collaborative models for the process of identifying, assembling and releasing large tracts of land (Report, p.105). The complexity of amalgamating sufficient land will require a significant institutional response as pointed out in the Report (p.105).

Several international examples illustrate the significant impact that can be made using urban development authorities and land agencies. The Grattan Institute has evaluated several examples of agencies which have successfully encouraged private development in areas of urban renewal in Australia, which may also be relevant to Auckland⁶. This involves both central and local government.

5.3 Growing the third sector/community housing sector

⁶ The City Futures Research Centre compared the seven land agencies in Australia. They concluded that aside from needing adequate resources and legislative powers to address the scale of the problem, a land agency would need an explicit role in facilitating the provision of affordable housing and improving housing affordability to address low to moderate income earners. It also recommends further investigation of the Wohnfond model in Vienna, Austria, which is now able to self-finance⁶. The Wohnfond's involvement in land procurement and project development resulted in the construction of about 51,400 new, subsidised flats since 1984.

The Report provides a very good discussion of the third sector/community housing sector and the need for adequate resourcing, but it has not recommended a “game changer” in this regard. As the Report points out, the community housing sector had to focus on the households which Housing NZ Corporation cannot accommodate. Even with the substantial increase in the Social Housing Fund recommended, the scale of intervention required will have to be extensive to meet the need.

There are many models overseas of shared equity schemes and other forms of assisted home ownership; and the New Zealand Housing Foundation has a successful social enterprise initiative making housing accessible for low-median income households in a sustainable way. The SHU is developing a Social Housing Investment Plan: this should include consideration of transferring financially viable HNZC stock to community housing providers.

5.4 Local Government

LGNZ has submitted on issues relating to local government generically, while the Auckland Council submission focuses on the specific role of Auckland Council.

Auckland Council’s contribution

Auckland Council has two principal tools at its disposal to improve the affordability of home ownership: land and policy. While it is unlikely to directly invest further in affordable housing beyond its existing commitments, it acts in an enabling role to create sustainable communities.

Land

The Council (including its CCOs), has significant land holdings across Auckland which can be leveraged in different ways to improve affordability. Auckland Council already directly provides 1,480 units of social housing for low income older people, and considers that increasing affordable housing in various ways – whether directly or indirectly - to be part of its mandate. Auckland Council and its Property CCO – Auckland Council Property Ltd (ACPL) - are exploring how it can use land and other assets as a catalyst for partnerships that increase the supply and choice of affordable housing. Some of the options being considered are:

- leverage of Council-owned land
- gifting of land
- leasing
- selling

- partnerships and joint ventures
- Council-led development.

Policy

Council also has a range of policy instruments at its disposal which are being examined in terms of the impact they have on housing affordability. In addition to increasing land supply, these include:

- reviewing regulatory processes to provide a simplified, speedier and less costly consent process
- requiring the provision of housing choice and diversity through the Unitary Plan and at the local level through Local Area Plans to provide a mix of dwelling sizes and types
- fast tracking developments and/or mitigating development contributions and consent fees for developments that increase supply of a particular type of housing or ease overcrowding in targeted areas
- providing density bonuses as an incentive for affordable housing to ensure the economies of higher densities were clearly passed on to the house buyer
- auctioning tools which could be used to reduce the uncertainty associated with development, and therefore reduce overall costs, as well as creating a mechanism for an ordered release of land. There is precedence for land auctioning in the RMA where Part VII of the Act details a coastal tendering process for the release of coastal land for development
- considering other options such as betterment levies which capture for the community a proportion of the uplift in value that accrues to individual developers as a result of a change of use or development. Local or Central Government could choose to assign a proportion or all of the revenue collected to subsidise affordable housing; in the same way it could decide to assign the revenue raised to another community good. Council could explicitly link the revenue raised from the betterment levy to affordable housing for lower income households. This support could be in the form of a subsidy to a third party developer. Council would have to define eligibility criteria for the affordable housing, and ensure ongoing affordability e.g. through covenants so that the housing is only sold to households who meet the same criteria.

Council has committed to urgently develop a Housing Strategic Action Plan to deliver the high-level directions on housing in the Auckland Plan. The Council will actively explore all the mechanisms within its statutory mandate that will contribute to increasing the supply of affordable housing and improve housing affordability. This will require collaboration with Central Government, the development sector, the community housing sector, iwi and others to develop practical solutions.

6.0 Housing and Maori Land

The Report focuses solely on rural Maori housing. This is important for the rural areas of Auckland. However, a number of Maori land owners in Auckland find their land is now in an urban or peri-urban area (see Map 2.1 in Draft Auckland Plan). The discussion of affordability is equally applicable to these landowners.

The Report assumes that Maori housing is limited to development on Maori land. This does not accurately reflect the aspirations of landowners, iwi, hapu and whanau. The Draft Auckland Plan states that *“While papakainga have traditionally been associated with Maori lands, there is an opportunity for papakainga to be established on other lands as a means of enhancing Maori well-being and providing an alternative model for urban development” (p.56)*

The Report notes that only 10% of the funding available through the Social Housing Fund is targeted towards Maori. The Commission may want to consider whether more money may be required from the Department of Building and Housing as the principal central government organisation responsible for Maori housing. Auckland Council intends to work collaboratively with all agencies responsible for Maori housing.

Council also notes that the papakainga model does not only comprise housing. The Report focuses on maintaining or building houses within rural communities, but does not consider the affordability of building or maintaining critical social and community infrastructure, such as kohanga reo and marae, to make those communities sustainable. The Draft Auckland Plan notes that papakainga *“...present an opportunity to have an integrated approach to community or village development” (p.56) and that “Marae are often the desired site for papakainga developments” (p.57).*

Within the *Rural Maori Housing* chapter, the Report concentrates on increasing affordability by making it easier for owners of Maori land to borrow against their land. The Report does not discuss opportunities for developers of Maori housing to reduce the costs of development through installing communal infrastructure or facilities, or working with local government to reduce the costs of consent.

Council recommends that the Commission further investigates solutions for urban Maori land, papakainga and other housing for Maori on Maori and non-Maori land.

7.0 Conclusion

In conclusion, Council welcomes the Report's thorough discussion of many of the key issues in housing affordability. However, the Report fails to recognise or address the scale, nature and urgency of the housing crisis in Auckland and the need for a specific Auckland-wide response, particularly for low to moderate income households and the critical lack of housing for the most vulnerable people in the city.

The Report provides a good analysis of the aggregate housing situation in Auckland. Clearly, housing supply needs to increase to accommodate future population growth and to place downward pressure on the aggregate housing market, both through the release of greenfield land and through urban intensification – with the aim to increase supply, choice and provide opportunities for affordable housing. Moreover, the true costs of peripheral development (through congestion, environmental and infrastructure costs) are not accurately priced in the market. Further work into the true social and public costs associated with land development is needed to identify the right mix of peripheral development and intensification.

The Report fails to distinguish aggregate housing “affordability” from “affordable housing”. For the low to middle income households in Auckland, an aggregate response in the form of an increase in housing supply will only be part of the solution. Interventions required for these groups, including demand-side policies, and are not adequately discussed in the Report.

The Report also does not fully acknowledge the key leadership role of Central Government, as well as its role in providing policy, funding and programmes, along with redevelopment of HNZC housing, to help address the Auckland problem.

Auckland Council recommends the Commission encourages Central Government, Council and other stakeholders to undertake immediate, further investigation of the possible housing development vehicles and range of policy and regulatory tools that could address the scale of the problem in Auckland.

Appendix 1

Gross household income ⁽¹⁾ and **Tenure by housing costs** as a proportion of **gross household income** ⁽¹⁾
Auckland Region Households (Percent and Number) ⁽³⁾

Year Ended June 2010

Gross Household Income	Tenure	Housing Costs as Proportion of Gross Income		
		Less than 30%	30% or more	Total Specified
		Number of Households		
Under \$30,001	Rent paid	9,900	33,900	43,800
	Owned/Held in Family Trust with mortgage	..S	6,100	9,400
	Owned/Held in Family Trust without mortgage	24,300	..S	26,100
	Other	..S	..S	..S
	All Tenures	37,500	41,800	79,400
\$30,001-\$50,000	Rent paid	16,000	39,000	55,000
	Owned/Held in Family Trust with mortgage	4,200	3,900	8,100
	Owned/Held in Family Trust without mortgage	21,100	..S	21,100
	Other	..S	..S	..S
	All Tenures	42,600	42,900	85,500
\$50,001-\$70,000	Rent paid	21,900	10,700	32,500
	Owned/Held in Family Trust with mortgage	10,200	15,100	25,300
	Owned/Held in Family Trust without mortgage	21,700	..S	22,700
	Other	..S	..S	..S
	All Tenures	53,700	26,800	80,500
\$70,001-\$100,000	Rent paid	36,500	4,700	41,200
	Owned/Held in Family Trust with mortgage	30,900	13,000	43,900
	Owned/Held in Family Trust without mortgage	18,000	..S	18,000
	Other	..S	..S	..S
	All Tenures	86,600	17,600	104,300
\$100,001 and over	Rent paid	29,700	..S	32,200
	Owned/Held in Family Trust with mortgage	67,600	6,800	74,400
	Owned/Held in Family Trust without mortgage	29,700	..S	30,900
	Other	..S	..S	..S
	All Tenures	128,500	10,500	139,000
Total	Rent paid	114,000	90,700	204,700
	Owned/Held in Family Trust with mortgage	116,200	44,900	161,100
	Owned/Held in Family Trust without mortgage	114,900	4,000	118,800
	Other	3,900	..S	3,900
	All Tenures	349,000	139,600	488,600
	Percentages	71%	29%	100%

Notes:

(1) Total Regular and Recurring Income

(2) A detailed list of the items that comprise this option are annexed.

(3) To be counted, households must both report expenditure in the option, and have income.

Suppression:

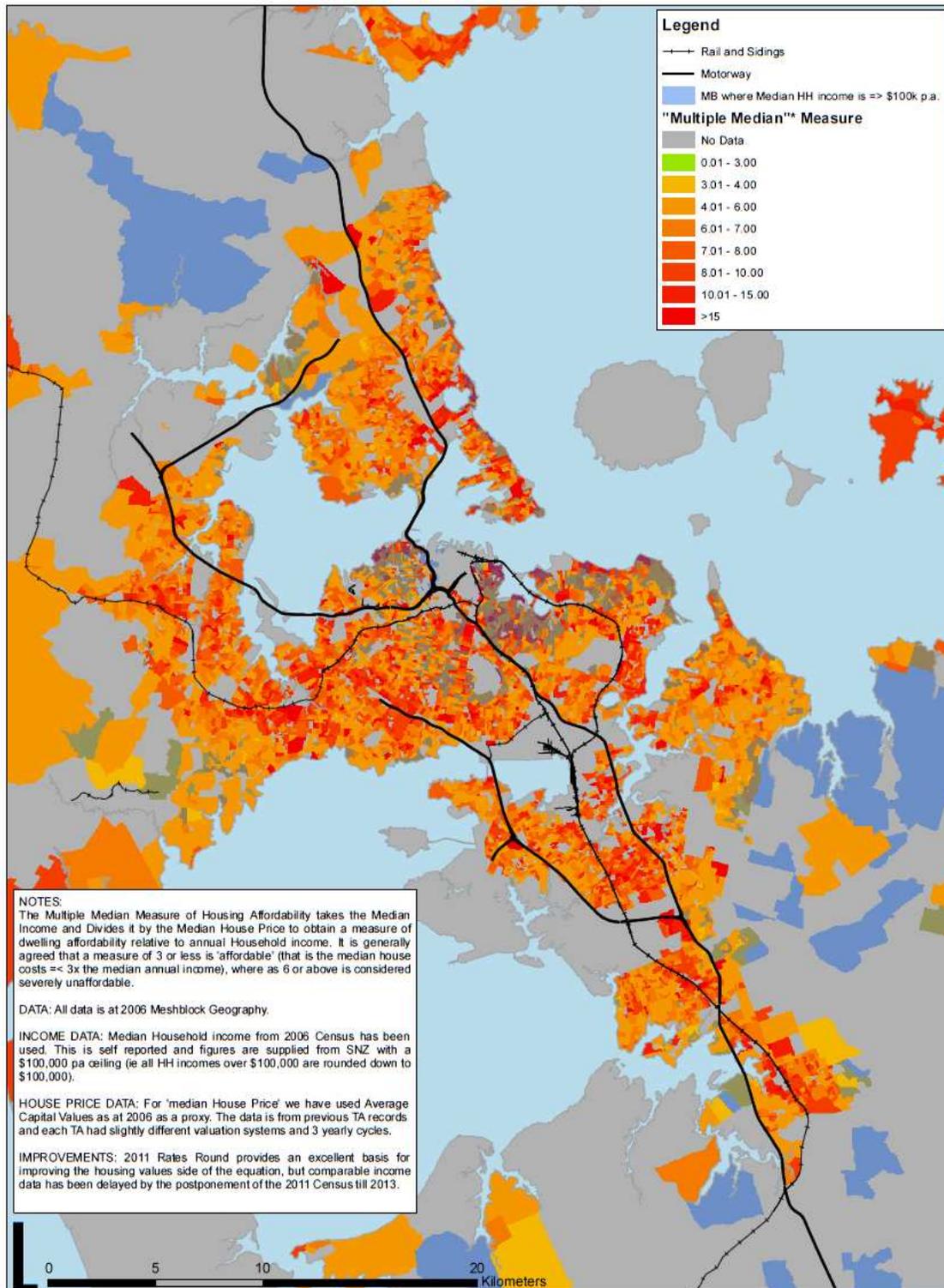
The symbol ..S indicates that less than 5 households reported in that category.

Source: Statistics New Zealand

Housing costs include rent, mortgage, rates, interest payments and maintenance

Household Economic Survey

Appendix 2



Housing Affordability - Median HH Income (2006 Census)

Map created by K Balderston, Spatial Strategy Unit, 2 Feb 2012. Please Note data limitations.
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Appendix 3

The table below estimates the various income bands in Auckland. It then compares these bands with the price of a house that these households can afford. This information is based on an income to house price ratio of four. The first column is 2006 data from the census. The second column is the 2006 income data updated approximately to 2010 figures. The third column is the per cent of households in each band, as per 2006 distribution of households. The final column is the maximum house price that the various household bands could buy at a house price to income ratio of four (normally three is the cut off for affordability), based on the 2010 income figures.

Table: Incomes and housing affordability for the Auckland Region – using median multiple measure

Income band (2006) Households	Assumed income mid point (2010)	Share of households	House price to income ratio of 4
20,000 or Less	\$ 16,500	14%	\$ 66,000
\$20,001 - \$30,000	\$ 27,500	10%	\$ 110,000
\$30,001 - \$50,000	\$ 44,000	17%	\$ 176,000
\$50,001 - \$70,000	\$ 66,000	15%	\$ 264,000
\$70,001 - \$100,000	\$ 93,500	17%	\$ 374,000
\$100,001 or More	\$ 143,000	28%	\$ 572,000

(Source – Towards a Compact Form Technical paper DAP)
Current median priced homes are in the order of \$450,000.