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3 August 2015

Dear Mr Bailey,

Thank you for providing the opportunity to make a submission on the Productivity Commission's *Using Land for Housing* draft paper. Please find attached Habitat for Humanity Christchurch's submission.

The affordability and supply of land are key components to being able to provide affordable housing in New Zealand and Habitat for Humanity Christchurch applauds the Productivity Commission's inquiry and its focus on the relationship between land supply and the need for affordable housing.

We are happy to further discuss any comments made in the submission. If you wish to get in contact with the organisation regarding the submission, please contact myself.

Yours sincerely

Peter Taylor
General Manager

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Building Homes, Building Hope.

www.habitat.org.nz

About Habitat for Humanity

Habitat for Humanity is an advocate for affordable housing. The organisation believes that everyone deserves a decent place to live and within New Zealand we work with low income families to give them a hand up to owning their own affordable home. Providing affordable housing and the benefits a warm, safe, affordable home brings to a family is key to our mission. Since being founded in 1994, Habitat for Humanity Christchurch (HFH CHCH), has built or has under construction 31 affordable houses. Our nationwide network of Habitat affiliated charitable companies has built over 400 homes. The organisation considers itself a thought-leader and advocate for affordable housing in New Zealand. The organisation has direct contact with people in need of affordable housing and therefore has a good understanding of their needs. Every individual and family whose life is enhanced by improved housing helps build the foundation for a better New Zealand.

Summary of this submission

The traditional approach of low-density large houses is not providing sufficient numbers or diversity of affordable homes, therefore a new approach is required to meet the needs of homeowners and renters.

The location of development is essential to the affordability of housing as affordability does not simply stop at the initial selling price, it involves the affordability of living in the house including: the need to purchase a car; walkability to amenities, public transport options and work; and the cost to run the house etc. HFH CHCH would like to see diverse affordable housing which are well serviced by public transport and amenities which aid the long-term affordability of living in the property. Intensification may be key to this approach which may further promote a diverse range of housing including apartments and terraced housing which cater for a wider range of occupants and would likely to be cheaper to purchase and run. One of the Commission's concluding points states that *'increasing the supply of land for housing is an integral component of addressing housing affordability concerns'*. Although HFH CHCH would not necessarily argue with this statement, we do stress that it is the location of this land which is essential to the long-term affordability of the dwellings. Therefore it is a combination of increasing land supply in the right place with intensification, rather than just new greenfield developments on the outskirts of cities, that may be the best approach to promoting affordable housing. Encouraging intensification could be seen through such mechanisms as removing restrictive and costly district plan rules that restrict or discourage infill, as the report suggests.

HFH CHCH endorses the Productivity Commission's acknowledgement that the need for affordable housing and the diversity of affordable housing are not currently being met.

HFH CHCH recommends that the Productivity Commission:

1. Endorse a holistic approach to land supply and development that considers walkability and access to amenities and public transport as priorities that inform the location of land made available for development. This aids the long-term affordability of the home.

2. Promote intensification and provision of a more diverse affordable housing stock. This includes recommending that urban territorial authorities remove/revise rules that increase the costs or other barriers to building such homes.
3. Explore the application of incentive-based inclusionary housing policies to support wider planning systems and incentivise developers to provide increased numbers and diversity of affordable homes.

Key points of the submission

The current environment

New Zealand traditionally consists of low-density settlements, a good example of which can be found in Christchurch. This may have been suitable historically but as the report acknowledges, New Zealand's major cities are growing significantly and are under significant housing pressures, as seen in Auckland. This traditional low-density approach has seen subdivisions emerge on the outskirts of town on predominantly greenfield sites. These sites are frequently not supported by public transport or amenities. This often results in the most 'affordable' houses being a considerable distance from the occupants' workplace and schools and would demand the purchase of a car. This not only has economic impacts on the occupants but also social as they spend more time travelling to and from work.

HFH CHCH endorses the Commission's acknowledgment that the current housing supply is not meeting the strong population growth which has manifested in high property prices and that this needs to change, with emphasis on a choice of housing type and price required.

HFH CHCH endorses the Productivity Commission's acknowledgement that the need for affordable housing and the diversity of affordable housing not currently being met.

1. Land supply and development priorities

HFH CHCH agrees with the Commission's comment that accommodating residential growth requires public transport and social and community infrastructure. Housing requires a holistic approach, particularly regarding affordable housing because it is not only about the initial house price but the affordability of living in the house, for example, requirement of a car versus being able to walk to work and amenities. The Commission's below quote emphasises the importance of location in providing affordable housing:

'A recent report considering global housing affordability issues concludes that "unlocking land supply at the right location is the most critical step in providing affordable housing".'

HFH CHCH believes that location is vital in terms of providing affordable housing and sees development needing to occur within areas supplied by good public transport and amenities, providing many benefits including economic, time and lifestyle. Placing affordable housing on the outskirts of cities in subdivisions unsupported by amenities and

public transport is requiring low income people to purchase cars and spend unnecessarily on fuel. One of the Commission's concluding points states that *'increasing the supply of land for housing is an integral component of addressing housing affordability concerns'*. Although HFH CHCH would not necessarily argue with this statement, we do stress that it is the location of this land which is essential to the long-term affordability of the dwellings.

HFH CHCH does not believe that releasing greenfield land is necessarily the answer to making housing more affordable, with intensification being more suitable and benefitting from existing services, therefore more likely to not require the occupants to purchase cars.

HFH CHCH agrees with the Commission's below finding and recommendation:

'F6.2 Most inquiry participants suggested that higher-density urban developments are less costly to service with infrastructure, particularly when existing infrastructure assets have not yet reached capacity. International research examining the relationship between urban form and infrastructure costs generally supports this proposition.'

'R6.2 Councils should identify areas where there is existing infrastructure capacity and ensure that planning rules do not prevent intensification from occurring in these areas.'

HFH CHCH recommends that the Productivity Commission endorses a holistic approach to land supply and development that considers walkability and access to amenities and public transport as priorities that inform the location of land made available for development. This aids the long-term affordability of the home.

2. Need for a diverse housing stock and urban regulations

The Commission recognises the average number of occupants per household is decreasing. We believe this requires the need to promote smaller houses and more diversity in the housing stock. The traditional large single storey detached houses require more land and are therefore less affordable. With more money spent on land, it results in less money being spent on the quality of the houses which can have detrimental effects on the affordability of running the homes.

HFH CHCH is concerned with the Commission's finding in its issues paper that the average floor size has increased from 110m² in 1970 to close to 200m², one of the largest in the world. Having such large houses naturally increases the costs of building and the purchase prices, along with being expensive to run – all contributing to unaffordable homes. It is also important to recognise that affordable homes are not only required by large families but also by single occupants and couples. Therefore the promotion of smaller houses and a more diverse housing stock will not only be more suitable to the decreasing household numbers but also promote more affordable homes. With regards to this inquiry, this can be achieved by such actions as the release of smaller plots, reducing the need for unnecessary car parking rules and the promotion of intensification, all discussed in this submission.

HFH CHCH supports the Commission identifying District Plan rules that increase costs of building homes and its recommendation that urban territorial authorities should look at removing/changing certain rules to reduce the costs with the hope that the savings will be

passed on to future home owners. For example, the organisation supports the removal of minimum parking requirements as they result in more land being required, increasing costs. Such rules also contribute to low density settlements which has its own effects on affordable housing as it results in car dependent communities, requiring households to have cars they possibly cannot afford. HFH CHCH's views are represented in the Commission's following findings and recommendation:

'F5.3 Minimum parking requirements create land use inefficiencies and higher construction costs, contributing to increased housing costs. In addition, they represent an effective subsidy to car users, encouraging excessive use.'

'F5.4 Building height limits contribute to housing shortages and higher house prices, and force cities to move outwards, increasing transport costs for some members of the community. They weigh against objectives of increasing urban density and using city land more efficiently.'

'R5.3 Urban territorial authorities should remove District Plan minimum parking requirements, and make more use of traffic demand management techniques.'

HFH CHCH recommends that the Productivity Commission promotes intensification and provision of a more diverse affordable housing stock. This includes recommending that urban territorial authorities remove/revise rules that increase the costs or other barriers to building such homes.

3. Incentive-based inclusionary housing policies

HFH CHCH agrees with the concept of incentive-based inclusionary housing policies as seen abroad and agrees with the Commission that New Zealand is more suited to incentive-based policies. The organisation however does acknowledge that it does not always work and is dependent on market conditions but agrees with the intention of working with developers to promote affordable housing.

Along with more affordable housing, other benefits can result from this type of policy setting, such as mixed tenure/occupancy housing which has flow-on social benefits. The concept could also incentivise developers to work with organisations which are focussed on and have experience in providing affordable housing, such as HFH CHCH.

HFH CHCH recommends that the Productivity Commission explores the application of incentive-based inclusionary housing policies to support wider planning systems and incentivise developers to provide increased numbers and diversity of affordable homes.

Conclusion

In conclusion, Habitat for Humanity Christchurch applauds the Productivity Commission's inquiry and its focus on the relationship between land supply and the need for affordable housing. We hope that our submission can be a supportive force in ensuring that New Zealand can drastically increase the number and diversity of affordable housing stock available to homeowners and renters in New Zealand.