

TO THE NZ PROTECTIVE COMMISSION

SUBMISSION BY
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ON

HOUSING AFFORDABILITY

Summary version of draft report

DECEMBER 2011

HOUSING AFFORDABILITY
DRAFT REPORT DEC 2011

Introduction and General Remarks

I did not have the opportunity to contribute to the original document, hence these comments will be fairly concise. Please telephone me if further explanation is required. My background is in civil engineering and town planning and I am now retired.

I would note at the outset that affordable housing is not a new topic - it has been with us for at least the 60 years since the war. At various times rents were controlled by the Fair Rents Tribunal and a high (45%) income tax on rents, house prices were subject to determinations by the Land Sales Board. Later, mortgages were very difficult to obtain except for lower income households qualifying under State Advances criteria. When trading banks entered the mortgage market, loans were often subject to preconditions such as having a home loan savings

account. About 1990 mortgage interest rates increased to about 15% or more, again putting stress on lower and middle income households.

I believe that if housing is to be made more affordable, especially in Auckland, then two preconditions are necessary.

First, when new land is zoned for housing, the increase in value must be captured either by the Council or the Government.

Secondly, development should be by volume housebuilders who can bring the economies of mass production to the market.

To avoid speculators making a killing, some form of resale covenant may be necessary.

Finally, the Government should be pressed to implement a Population Policy with appropriate limits on immigration.

Specific Comments on Summary version of draft Report - December 2011

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2. Re N2 housing scene

Key point 7

Add further sentence

"It is also evident that many dwelling units lack adequate earthquake resistance"

comment.

The Christchurch earthquake has shown that the construction elements of many houses were not adequately tied together.

Also, under the Building Act, residential buildings of two or more stories containing four or more units are defined as being earthquake prone and councils are required to have policies in place to address this.

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Housing affordability: distribution and trends

Key point 5

Comment

It is not just New Zealand European who may be "well off". Higher priced housing in Auckland is increasingly being bought by Chinese and Korean immigrants who may pay up to 50% over the recently revised rating valuations.

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6. The role of taxation

Key point 2 line 6 (Second sub-paragraph)

keyword to read

" — the application of GST to the price of new housing and the cost of housing renovations for both rental and owner-occupied housing

Comment.

The existing wording is misleading as housing generally (i.e. second-hand sales and rents) is not subject to GST (unlike commercial buildings)

Key points 4 & 5

Comment — These are strongly endorsed

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R 6.1 - line 2

reword to read

" commercial properties and rental housing,
for evidence - - - - - "

comment

The removal of the depreciation allowance affects both rental commercial properties and rental housing. The revised wording clarifies this.

F 6.4 - 1st paragraph

reword to read

" The existing GST treatment of new housing with its exemption from the sale price of second hand housing and residential rents is appropriate "

comment

This clarifies the intention of the wording.

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P22 continued

F65 Point 1 line 1

for 'price of a house' read 'price of a new house'

comment

This clarifies the fact that the sale of a second-hand house (not used for business purposes!) does not attract GST.

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7. Urban planning and housing affordability.

Key point 3 line 4

for 'collaborative models'

lead 'collaborative models such as those involving some form of public-private-partnership for the process - - - - -'

Key point 3 line 5

keyword to lead

"releasing large scale tracts of land is essential if the price of a house plus land package is to be affordable"

Comment

Evidence* shows that developers will buy up land by an urban "fence" in the expectation of a windfall when the land is rezoned. The former manukau city council overcame this by buying up the raw land before rezoning so that they (the public) gained the windfall.

* including Australian evidence

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R7.1

reword as follows

" The Auckland Council should show in the final Auckland Plan where affordable housing would be best located; whether within the isthmus urban boundary, or by incremental extensions of this boundary or by encouraging the development of satellite centres such as Helensville and Pukekohe "

Comment

Unlike the UK with its council housing, affordable housing in NZ has generally been considered to be a function of central government. This is primarily because it usually involves a distribution of wealth - usually by way of subsidy or grant - which is a function of central government. This is even more so

how the Sections of the Local Government Act 1974 giving councils the power to build houses as flats etc (Part XXII Sections 549-575) were repealed by the Local Government Act 2002.

(Note however that section 189 of Local Government Act 2002 apparently gives a council the power to compulsorily acquire land for housing purposes.)

The elements of affordable housing which the council can influence are limited and include

- the appropriate zoning of land
- subdivisional standards
- provision of infrastructure
- costs of consents

Land for affordable housing should be flatish with little slope so as to minimize siteworks and cost of roading, with preferably no culverting.

This is a big ask for Auckland with its generally hilly terrain (and worse for Wellington)

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Second generation housing built on previously developed land cleared of buildings etc for the purpose (i.e. urban renewal) would not qualify unless it was multistorey development so as to spread the land preparation and purchase costs.

The Commission will no doubt be aware of the overseas literature on tower blocks housing low to middle income households and the adverse social effects arising therefrom.

(Note - The growth of Auckland by expanding satellite centres such as Pukekohe and Helensville was advocated by Professor Bumberland some 40-50 years ago. Also, it must be remembered that in Britain, much post-war development was accommodated in new towns.)

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R 7.2

comment Some degree of Council or
 government involvement would be necessary if
 land costs are to held down → see comment
 page 8 of this submission

R 7.3

add after 'tracts of land'
 " including public-private partnerships "

8. Charging for Infrastructure

Comment

It is understood that the construction of new high rise apartment blocks in central Auckland virtually ceased after the Council increased its development levies, although the demise of finance companies may also have been a factor.

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9 Building Regulations and Affordability

R 9.1 Point 1

add new sentence after 'stop the dock provision' to read

'The breakdown should distinguish between stand-alone dwellings, blocks of flats (walk-up) and multi-story apartment blocks

comment

The existing wording is too blunt for useful information to be obtained.

Multi-story blocks are more complex to process compared with single-unit housing.