Marlborough District Council and the Annual Plan

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It is recommended that Marlborough District Council urgently acts to:

1. stimulate affordable housing provision;
2. ensures windfall increases in land prices associated with investment in infrastructure or zoning changes are:
   a. realized for the community good; and
   b. redirected to investing in community-based non-profit provision of affordable housing.
3. ensure residential covenants on its own developments are not exclusionary to the building of housing affordable to low and modest income households;
4. extend zone 1 residential rules to the Hospital land and to the area within Blenheim with 15 minutes walk to the Blenheim town centre in combination with 2-above;
5. identify under-utilised land in non-residential uses in Blenheim's current zone 1 and change zoning to allow for residential development in combination with 2-above;
6. facilitate mixed typology, mixed tenure master plan development of the hospital land to generate affordable housing for the modest and low income households;
7. identify council land suitable for residential purposes and facilitate its contribution to affordable housing development which will be retained as affordable housing for low and modest income households into the future;
8. work with the iwi, community housing providers, workforce planning and training agencies and industry sectors to develop an integrated workforce and housing strategy;
9. commit to council housing rents set at affordable rates – see additional note;

Rationale

Marlborough is not well positioned as a region in relation to its housing. There are issues related to housing affordability, stock diversity, and stock functionality. The previous proposals in the LTP and this annual plan do not address those adequately and understates the profound issue housing deficits present for the economic development and community well-being in the region.

There is an increasing and significant misalignment between household incomes, rents and house prices for households with median incomes and below. The misalignments are too great. Median household incomes in Marlborough increased 1996-2021 by 140% but median rents increased by 200% and the lowest quartile house price increased by 458%.

This misalignment will not be solved by any immediate housing adjustment in price or increased household incomes. Nor does the private expansion of the rental stock suppress rents. From 1991-2018:

- occupied stock numbers increased by 50% in Marlborough,
- but owner-occupied stock numbers increased by only 42%; and
- occupied stock numbers rented by property investors increased by 162%.

Despite the enormous growth in rental stock, affordable rent is limited. The median weekly rent in Marlborough was $149 in 1996, in 2018 it was $363 and in 2021, $448. Almost 63% of renter households cannot afford median rents.

In 2021, it is estimated that 60% of renter households and 17% of all Marlborough households were unable to affordably buy a dwelling at lower quartile house prices. Between 2018 and 2021, the intermediate housing market made up of renter households in employment in increased from 2,450 to 3,460 households. That is an increase of 41% in Marlborough compared to an increase of 25% in Tasman District and of 17% in Nelson City.

Marlborough is facing widespread housing stress with around 40% of all households renting in the private market in affordability stress paying excess of 30% of their household incomes in rent. 70.6% of Marlborough's private renter households with incomes of $30,001-$50,000 were paying unaffordable rents in 2018, up from 1.3% in 2001. Over a fifth of renter households in the private rental market are in severe housing stress paying out 50% or more of their household incomes in rent.

The proportion of median household income required to rent at the median market rent was only 25% in 2001 and rose to 32% in 2021. The mortgage costs for purchase at the lower quartile value was around 26% of income for median household incomes in 2001 and 46% of household income in 2021.

The number of households with members in employment but unable to enter owner occupation and trapped in high rent conditions is likely to either increase or they will leave Marlborough. 76% of private renter households can not afford owner occupation at 2021 prices at the lower quartile of sales.

Several industry sectors have already cited housing as a barrier to workforce expansion, recruitment and retention. These problems are exacerbated by limited stock diversity and typologies.

There are a wide range of potential partners around key worker housing as well as social housing which have yet to be tapped, but council must:

- address barriers in relation to land acquisition and development;
- facilitate and enable the diversification of housing stock, typologies;
- enable and promote lifetime design.

There is considerable undeveloped land accepted as potentially residential under the district planning regime. However, it is unlikely that such land will come to market at prices consistent with affordable housing builds. Much of it is already used for grape growing and transition to residential housing development will likely be associated with development in the upper quartiles of house prices. There is price pushing associated with residential covenants. There are no clear pathways for intensification of non-residential zones in the inner parts of Blenheim and the zone 1 boundary is narrow with consequent issues for affordable housing developments.

Providing for a wider range of opportunities allowing households to find the right fit for their needs is important. Size diversity needs to be aligned with a range of price points to ensure modest- and low- income households can realise their latent housing demand which are beyond expressed preference. Council needs to recognize the limitations of preference surveys and focus on settings conditions for stock diversification at affordable price points.

Unlike Europe, Australia, Canada, Japan, much of the United States and the United Kingdom, New Zealand's building legislation does not require residential housing to be accessible and functional to people whose mobility is compromised by age or disability. At the same time, New Zealand has in the LifeMark accreditation a world-renowned system for ensuring that new residential builds can accommodate households who have members or visitors with age or disability related problems. Lifemark standards reduce the costs of home adaptation and modifications.

Marlborough's Community Housing Provider, the Marlborough Sustainable Housing Trust has ensured that its homes are accredited LifeMark. There appears to be otherwise low recognition and accreditation (rather than universal design 'wash') in Marlborough including in council housing.

A number of other councils have actively attempted to incentivize universal design through Lifemark accreditation. Those include:

- Hauraki District Council which provides for additional site coverage for Lifemark accredited minor dwellings or Accessory Dwelling Units (ADUs).
- Thames-Coromandel District Council, responding to the high proportion of seniors in their population forecasts, established in 2016 slight extensions of site coverage for independently accredited universal design new builds.
- Palmerston North City Council's new social housing built over four years is accredited as Lifemark 4.
- Hamilton City Council has just incentivized developers to achieve Lifemark accreditation for residential development in the central city by reductions in development contributions for Lifemark accredited residential developers in the centre.

Housing and the housing stock are at the heart of the region's social and economic wellbeing as well as the wellbeing of individuals. Unaffordable housing is a particular problem for any region that wants to expand its economy and retain or grow a productive population into the future. From an economic perspective, unaffordable housing:

i. Acts as brake on and increases the costs of recruitment and retention of key workers including professionals necessary to the expansion of leading-edge industries and to support the delivery of core services.
ii. Exacerbates Marlborough's rapidly ageing demographic structure by failing to provide affordable housing to young people and young families that allows them to:
    a. save for owner occupation when in the rental market; or
    b. find affordable home ownership that stabilizes their housing futures and commits them to Marlborough.

From a social wellbeing perspective, under-supply of housing affordable to low- and middle- income households press down on the capacity of vulnerable households to find secure housing and contributes to homelessness and unmet demand for public housing. Responding to the latter without dealing with households who can be described as the 'missing middle' has risks for the social and economic well-being of communities as well as vulnerable individuals.

In addition, where problems of unaffordability arise in tandem with a residential property sector that builds a persistently homogenous stock, there is a limit on the ability of Marlborough to cater for seniors, for people with disabilities, or for people that want to be in multigenerational households, shared living or even living alone.

From an environmental perspective, lack of affordable housing is frequently associated with pressure to expand greenfields, often ecologically fragile, sites as well as sites exposed to adverse natural events. Low density extensions outside current built environments can:

- attenuate costly infrastructure and generate problems of resilience;
- consume limited fertile soils and compromise food security;
- promote high carbon private transport reliance; and
- compromise age friendly built environments and towns where an ageing population structure will see an increasing number of seniors unable to drive.

There are a myriad of actors that impact on housing outcomes including central government, council itself, the finance sector, households, landowners and the construction sector. The council itself has multiple roles which directly impact on housing. Some of those relate to legislated functions including but not only the Local Government Act, the Building Act, and the RMA. Some relate to its own ownership of resources including land and housing.

As a landowner, particularly within residential zones and within current settlements, Council could potentially release land for affordable residential builds (including opportunities to intensify under-utilised land associated with its own housing stock and other properties).

A number of councils elsewhere are involved in initiatives which retain the land in community hands, while providing opportunities for affordable housing builds by way of intermediate tenures financed by households, central government and community housing providers. These include the Waikato Community Land Trust (which is cross-council), Queenstown Lakes District Council, and, potentially, the Nelson Housing Reserve.

Council has focused very heavily on the council's role in encouraging landowners (particularly land-banking developers) to release land for new builds. There are a number of barriers to this, including the current use of greenfields land for grapes and associated land values. Infrastructure development may increase land release for new builds. This will depend on financial streams for landowners as well as other factors which define the size and speed of bringing dwellings to market. In addition to infrastructure provision by council, zoning rules also have an impact.

Changing zones and providing infrastructure effectively give landowners windfall gains in relation to land values and exacerbates unaffordability. A public organization, expending the funds of the community, generates a value that becomes appropriated by the landowner without any investment from the landowner to generate that value uplift. Some landowners developing land for residential use, generate further value uplift by way of restrictive and exclusionary covenants. Indeed, the council has itself pursued that path with some of its developments in the past. Value uplift is a problem when the community can not realise a proportion of that value despite its representative, the council, being the mechanism by which it was created.

Queenstown Lakes has successfully realised a proportion of windfall gains from value uplift by transferring a proportion of value uplift to a non-profit Community Housing Provider (CHP). The CHP and the council have leveraged those funds. For every dollar of government or council contributed funds, the CHP has been able to generate almost $3 dollars of housing. That is, $22.78m was transformed into $67m of affordable houses. Realising a share of the value uplift that the council's activities have generated and re-investing that directly in housing recognizes that the housing stock is a long-term asset, arguably infrastructure, for the region.