



Office of Hon Chris Carter
MP for Te Atatu
Minister of Conservation
Minister of Housing
Minister for Ethnic Affairs

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Mr Hugh Pavletich
18 Jane Deans Close
Mona Vale
Christchurch

Dear Hugh

Thank you for your email of 10 August 2006 and your congratulations for my efforts in leading work to resolve some of the issues around housing supply in New Zealand.

I also appreciated the copy of your letter to the Editor of North & South magazine.

As I have said previously, the growth of interest in affordable housing and issues of housing supply has, in large part, been driven by deteriorating housing affordability, especially in the Auckland region and high growth in areas such as Nelson and Queenstown.

Over the last decade or so, demand-side measures – the Accommodation Supplement and Income-related rents – have dominated the approach to improving the affordability of housing for low-income households. Essentially, this form of housing assistance constitutes income support. While we still feel there is scope to improve demand-side measures I do believe it wise to be shifting our attention to supply-side processes and the scope for interventions that can contribute to stabilising housing costs.

I currently have six streams of work underway, developed through Area 1 of the New Zealand Housing Strategy, to deepen understanding of housing supply response during times of significant cost increases. This work will provide me with information on the steps that will dominate the sustainable housing supply work for the next 6 months. To me this is a sensible and strategic approach to the issues.

I am also broadening the housing supply work to include coverage of options where government can work with regional bodies to stimulate redevelopment efforts, particularly in Auckland, to bring about significant, positive urban change. A lofty objective, but one I think worth pursuing.

I agree that readily available land together with an efficient home building industry can help to moderate house price inflation and assist affordability during a housing boom. The need for affordable housing in Auckland and some other 'hot spots' in regional New Zealand extends well beyond those who qualify for state or community housing support (*i.e.* 'social housing'). At the top of the recent house price cycle, an increasing number of households typical of traditional first-time buyers could not afford to buy a 'starter' home in Auckland.

Land accounts for an increasing proportion of the price of a typical 'land and house' package purchased by New Zealanders. By keeping pace with population driven housing demand, an efficient land supply and home building sector can help to dampen house price inflation. Increasing yields per unit of land, or living at higher densities, is another way of making housing more affordable for families on modest incomes.

It's interesting though that of all the new dwelling stock built in Auckland between 2000-2005, while 30% has been in multi-unit developments, very little has been in an affordable price range for first home buyers.

A legal opinion on the ability of local government to promote the inclusion of some affordable housing in new housing developments indicates that legislative change would be required to support initiatives like inclusionary zoning. Further work will assess the desirability of local government encouraging the provision of affordable housing through legislative mechanisms.

The other policy 'levers' with the potential to boost the supply of affordable housing include the strategic use of planning mechanisms and the promotion of third sector partnerships. These approaches, which could go some way to meeting future needs for affordable housing in those communities with high land and housing costs, will be covered in a paper on housing supply interventions that I intend to submit to my Cabinet colleagues in the future.

Thanks again for your kind words of support and rest assured that under the auspices of the New Zealand Housing Strategy Steering Committee, Housing New Zealand Corporation and the Department of Building and Housing are working closely with a range of Ministries and Local Government on housing supply issues.

Yours sincerely

Hon Chris Carter MP
Minister of Housing