

# RESTORING HOUSING AFFORDABILITY

## POLICY ANNOUNCEMENT

**August 2016**

# PHIL GOFF FOR A BETTER AUCKLAND

The Kiwi dream of owning our home is slipping out of the reach of more and more Aucklanders and rents are becoming less affordable. Auckland is now one of the world's least affordable cities.

Housing affordability affects us, our children and grandchildren. Increasing numbers of people are being locked out of the Auckland housing market. As well as affecting families and communities, it impacts on the availability of the workforce Auckland businesses rely on.

Auckland's housing crisis means different things for different people. For first-home buyers, it is the huge obstacle to purchasing as house prices continue to rise by \$2000 to \$3000 a week. For renters, it means rents increasing by six times the overall rate of inflation, creating affordability problems and undermining their ability to save for a home of their own. For the most disadvantaged it means homelessness – living in a garage, sharing a house with other families or sleeping in a car.

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- ✓ **INCREASE HOUSING SUPPLY BY GOING 'UP AND OUT'**
  - ✓ **INFRASTRUCTURE BONDS AND FUNDING TO FINANCE THE COSTS OF DEVELOPMENT**
  - ✓ **INSTITUTE IMMEDIATE REVIEW OF CONSENTING PROCESS TO GET IT IN LINE WITH BEST PRACTICE**
  - ✓ **MORE AFFORDABLE HOUSING PROJECTS**
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The problems are firstly on the supply side. Auckland is not building enough new homes. With population growing by 750,000 over the next 25 years, we need around 17,000 new houses a year. Availability of land ready for development is crucial. Land now makes up nearly 60 percent of the cost of a home in Auckland. Restrictions on building up and out have contributed to the problem.

There are also 'demand-side' reasons for a housing crisis. There are record numbers of people coming to the city, with Auckland growing by 825 people a week, two thirds of whom are new migrants. Cyclically low interest rates are currently encouraging people to borrow more and more. Nearly half of all houses in Auckland are being purchased by property investors, foreign and local, some of whom are flipping properties quickly to make speculative profits fuelling house price inflation and making the crisis worse.

A shock to the international economic system, a sharp rise in interest rates or an economic downturn could result in the housing bubble bursting. A steep fall negating the meteoric rise in housing prices would leave relatively recent home buyers heavily exposed with negative equity and severely damage the wider economy.

The solutions are multifaceted, and involves central government, the Auckland Council, the private sector and developers, iwi and NGOs. They involve land availability, infrastructure and finance, migration flows, macroeconomic settings, and regulatory issues.

There are ways to bring supply and demand in housing back into balance and Auckland's Mayor should be strongly advocating for those solutions and leading changes at Council.

As Mayor I will:

- ✓ Support the thrust of the Unitary Plan by allowing the city to move up and out so that land supply constraints do not contribute to pushing up land and housing prices. The answer is not endless sprawl, nor is it the destruction of heritage housing and leafy suburbs. We need more intensive housing with high-rise in the city centre and key city hubs, contributing to Auckland's vibrancy, colour and excitement. Higher density housing should be developed along arterial transport hubs and routes.
- ✓ Set clear preconditions for going higher. They are good urban design, ample public and green open space and supporting transport infrastructure. Well-designed low rise apartments can produce a better aesthetic effect than packing in two storey houses side by side.
- ✓ Institute an immediate review to determine how the consenting process can be faster, cheaper and in line with best practice. Resource and building consents need to be timely and cost effective. Unnecessary delays in Council consents slow housing construction and cost the consumer more. We need best practice in this area.
- ✓ Work with central government on tools to help local government meet the high costs of supplying infrastructure for new development. Infrastructure bonds are an option. The Government's Housing Infrastructure Fund is a step in the right direction but too limited to have a meaningful impact. It needs to be significantly expanded.
- ✓ Develop disincentives to land-banking. Put time limits – a 'use it or lose it' clause - on approvals and consents.
- ✓ Work with central government, developers, landowners, iwi and community housing agencies to develop solutions that give the building industry confidence and certainty to gear up for construction.
- ✓ Put Auckland Council support behind more affordable housing schemes, such as at Waimahia.
- ✓ Ensure Auckland Council will play a coordinating role, working with Government, NGOs and the private sector, to seek to eliminate chronic homelessness. The policy will be based on the principle of housing first. This first places a homeless person in housing and then provides wrap around services to address the cause of their homelessness. This is a proven successful model internationally and in New Zealand. It will reduce and seek to eliminate the growing number of homeless people sleeping rough in the CBD and around Auckland.

As Mayor, I will advocate for policy changes at central government which promote the interests of home buyers:

- ✓ Property speculation is a problem when supply and demand of housing are not in balance and housing price rises are extreme. Balancing supply and demand for housing is the best way to stop speculation. Interim measures are however needed to reduce rampant speculation. This could include further increasing deposits required by investors to borrow from the banks,

extending the bright line test requiring tax to be paid on capital gains from two years to five years and eliminating negative gearing.

- ✓ Require foreign investors to build new units rather than buying existing ones.
- ✓ Ease record migration levels to allow infrastructure development to catch up with growth in population. This can be achieved by slowing the issuing of temporary work visas currently running at over 209,000 a year or by lifting the threshold for permanent residency. Immigration is good for New Zealand – it brings skills and energy – but it needs to be at a rate transport and housing infrastructure can cope with.
- ✓ Work with Government to address constraints in the supply of material and skills and explore alternative building methods to ensure that the numbers of houses and apartments needed can be built.
- ✓ Government has had a traditional role in kick-starting the private sector by building affordable homes and providing social houses for those who need them. As part of the Mayor's role to advocate on behalf of the city, I will highlight its needs and press for government to be an active participant in solving the crisis by expanding both affordable and social housing.

Housing provision is in crisis but there are solutions. We need Auckland Council and central government not to indulge in a blame game but to work together to put those solutions in place. Urgent and bold action is needed to stop the worsening housing crisis and restore the affordability and availability of housing.



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For a Better Auckland