


Manawatū District Council Housing Programme Establishment Report December 2020



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Executive Summary

The Manawatū District is experiencing increasing demand for housing and pressure on its public housing services. Historically, the Manawatū has been an affordable housing market based on good availability of housing in the Feilding urban area, whilst also offering a range of rural/lifestyle housing choices throughout the wider District. However, recent investment in the region, economic growth in the primary sector and population growth has led to an increasing demand for housing. This increasing demand has seen rapid growth in house prices and decreasing affordability.

To manage this demand, Manawatū District Council (Council) has committed to addressing housing as a key issue in the preparation of the Long-Term Plan (LTP)/10 Year Plan. This includes establishing the role that Council will play in increasing housing supply and encouraging affordable housing choices and identifying the tools and levers the Council can use to influence the housing market and prioritise areas for action.

Improving the affordability and availability of housing is consistent with the vision and direction of the Council to be *'connected, vibrant and thriving - the best rural lifestyle in New Zealand'* (MDC LTP 2015-2025).

Purpose of this assessment

The Property Group (TPG) has undertaken the following assessment to identify the key issues to be addressed and the tasks required to establish a housing programme of work by Council. The assessment provides a benchmark of current housing supply in the District and identifies current and potential future gaps to be addressed. It aims to give Council a broad understanding of its role in supporting affordable and public housing and to understand housing needs across the whole district.

Council has already embarked on several strategies that will begin to address housing affordability. This includes a review of the Residential and Rural Chapters of the District Plan and a review of the Development Contribution Policy. This assessment builds on from these existing strategies and recommends consideration of additional areas Council can intervene to provide a comprehensive housing programme.

The assessment has been prepared through a desktop review and comprehensive consultation with stakeholders including Council staff, community (and transitional) housing providers, Māori (through Council's Māori Partnerships Team), Central Government agencies, non-government organisations, some private developers, consultants and community groups.

Recommendations

For Council to continue to have a meaningful role in improving the affordability and quality of the housing in Manawatū a range of strategies across all of Council's functions will need to be employed in an integrated way. The assessment has identified the following priority areas the future housing programme will need to address and recommended actions to be considered:

- **Priority Area 1: Establishing a district wide Urban Development Framework**

To increase the supply of housing and improve affordability, it is critical that the areas available and suitable for urban development are identified and enabled alongside an assessment of whether these areas are adequate to meet the anticipated demand. This will need to include consideration of the balance to be achieved between the safeguarding of highly productive lands and meeting the needs of urban growth and also to ensure the level and type of development catered for adequately justifies the investment in infrastructure required. This should be incorporated into Council's current review of the District Plan.

- **Priority Area 2: Investigate ways to encourage medium density development**

To address a current unmet demand for medium density housing in both market housing and in the provision of social housing it is recommended that a review of the barriers to providing medium density housing is undertaken to identify the actions Council can take to support this type of development. This should be broader than just a review of the district plan provisions and include development feasibility analysis to understand market influences and land ownership constraints.

- **Priority Area 3: Identify partnership opportunities**

There are several different stakeholders that need to be involved in addressing the issues facing the housing sector in Manawatū. It is recommended that Council identify and work with these stakeholders as part of the development of a housing programme.

- **Priority Area 4: Identify mechanisms to supporting papakāinga housing**

It is recommended that Council engage with local iwi, Te Puni Kōkiri and The Māori Housing Network to determine how Council can support and enhance the capacity of Māori housing providers through opportunities for development partnerships on Māori-owned and other land. It is noted that the rural nature of much of the Māori-owned land will require careful consideration of the infrastructure requirements to realise these opportunities. This should be incorporated into the development of a district wide Urban Development Framework described in Priority Area 1.

- **Priority Area 5: Investigate ways to increase the supply and quality of public housing**

The housing programme should identify ways in which the Council can support an increase in public housing supply on either Council owned land or in partnership with the housing sector.

- **Priority Area 6: Incorporate a wellbeing approach to the development of a housing programme**

The housing programme should be developed in an integrated way which adopts a wellbeing approach to understanding housing needs. This would include ensuring areas identified for housing development are serviced by appropriate social and community infrastructure, the housing typologies encouraged meet the socio-cultural needs of the population profile and overall improvements to quality of housing is improved. This could be achieved through the preparation of a Housing and Community Needs assessment that feeds into the District Plan review and planning for community infrastructure.

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1. Introduction

Purpose

The Property Group Limited (TPG) has been engaged by the Manawatū District Council (Council) to undertake an assessment of housing in the Manawatū District. The assessment provides an analysis of current housing supply, including both market housing and public housing services, and reviews the likely demand into the future. It seeks to understand the opportunities for Council to influence the housing market and to identify the challenges and barriers to be addressed into the future.

The purpose of this work is to establish the next steps for Council to undertake to progress the development of a housing strategy. The assessment will assist Council to develop a broad understanding of its role in supporting market, affordable and public housing and to understand housing needs across the whole district. It will enable Council to identify and prioritise strategies to address the problems identified.

Context

In line with challenges faced by New Zealand as a whole, there has been considerable interest and concern about housing availability and affordability in the Manawatū District. Central Government has acknowledged that the demand for housing across New Zealand is growing and has generated a shortage of affordable housing by driving up house prices and rents (Ministry for Social Development, 2019). Recent policy changes signify a drive to address affordable housing as a national issue.

The Manawatū District is experiencing increasing demand for housing and pressure on public housing services. Historically, the Manawatū has been an affordable housing market based on good availability of housing in the Feilding urban area, whilst also offering a range of rural/lifestyle housing choices in the wider District. However, recent investment in the region along with population growth and internal migration has led to an increasing demand for housing.

The delicate balance of housing supply and safeguarding of agriculture/productive land is likely to come under increasing pressure as the links to the District and its desirability as a place to live and work improve. The affordability of housing is likely to further decrease as demand increases for housing without adequate new land supply, increased resourcing of the supply chain and strategic planning for growth. The impact will be greatest at the shallower end of the housing continuum, where there is already limited supply of public housing that will come under increasing pressure.

The Approach - Intervention Logic

TPG's approach to understanding the Manawatū District housing market is based upon an intervention logic technique (Treasury, New Zealand, 2019). This approach is used widely in New Zealand and Australia for strategic decision making.

Following the intervention logic technique, TPG's assessment has been undertaken in four key stages.

- Stage 1 - Problem definition: Complete a desktop review and targeted consultation to understand and highlight the relevant current and future market problems
- Stage 2 - Options analysis: Define each of the options for strategic intervention by Council to address the problems, including identifying the associated opportunities and risks with each option
- Stage 3 - Definition of outcomes: Analysing the potential outcomes or benefits associated with the strategic interventions
- Stage 4 – Reporting: Provide a report based on the findings of the above to inform the next steps for Council including establishing a housing programme.

Report Structure

Following this introduction, this report provides an overview of the results of the assessment in the following sections.

Part A – The Strategic Context: Puts the assessment into context by providing a review of relevant plans and policies and what they mean for the Manawatū Housing Programme.

Part B – The Manawatū Housing Market: Analyses population growth and trends in the residential market to establish current and future demand on the sector and housing affordability.

Part C – Developing a Housing Programme: Identifies the potential interventions Council could undertake to address the problems identified and makes recommendations for establishment of a housing programme.

Glossary

Due to the number of defined terms and abbreviations used in this document, a glossary is available at the rear of the report.

PART A - THE STRATEGIC CONTEXT

2. National Plans and Policies

The housing sector in New Zealand has been under increasing pressure to provide for a growing demand for housing. As a result, the Government has recently developed an array of policies, plans, programmes and funding mechanisms under the Urban Growth Agenda to address the need for housing delivery, both market and social housing, refer to figure 1. The following section provides a summary of the relevant plans and policies and what this means for the development of Council’s housing programme.



FIGURE 1: OVERVIEW OF THE HOUSING DELIVERY POLICY CONTEXT

National Policy Statement on Urban Development 2020

The recently released National Policy Statement on Urban Development 2020 (NPS-UD) sets out the objectives and policies for providing sufficient development capacity to meet the growing needs of New Zealand, including the provision of adequate and affordable housing. The NPS-UD directs local authorities to provide enough development capacity through its planning documents, supported by infrastructure, to meet demand for housing and business space.

In accordance with the NPS-UD the Manawatū District Council is a Tier 3 local authority. Whilst many of the reporting requirements set out by the by the NPS-UD do not apply to Tier 3 local authorities, Policy 2 requires that all local authorities provide at least sufficient development capacity to meet expected demand for housing and for business land over the short, medium, and long term.

In order to be sufficient to meet expected demand for housing, the development capacity must be:

- Plan-enabled
- Infrastructure-ready
- Feasible and reasonably expected to be realised.

As a Tier 3 local authority, Council is required to monitor, quarterly, the demand, supply, prices, rents and affordability of dwellings for each urban area and publish this annually. This requirement will need to be implemented through the housing programme.

The District is adjoined to the south by Palmerston North City, which is identified in the NPS-UD as a Tier 2 local authority. Tier 2 local authorities have greater obligations under the NPS-UD, particularly with regard to strategic planning for growth and capacity modelling. Council would be encouraged to work with Palmerston North City Council in meeting both Council's obligations under the NPS-UD, as it is likely that strategic planning for growth and capacity modelling will demonstrate the interdependencies between the District and Palmerston North City with regard to housing and employment.

Proposed National Policy Statement for Highly Productive Land

The proposed National Policy Statement on Highly Productive Land (NPS-HPL) is currently being finalised following notification of the draft in October 2019. It is relevant to consider the potential implications of the NPS-HPL in the context of housing in the District as there will be a balance to be achieved between allowing for urban development in greenfield/rural areas to meet housing needs and safeguarding these as highly productive lands.

The overall purpose of the NPS-HPL is to improve the way highly productive land is managed under the RMA to:

- Recognise the full range of values and benefits associated with its use for primary production
- Maintain its availability for primary production for future generations
- Protect it from inappropriate subdivision, use and development.

The impact of the NPS-HPL on the potential capacity for urban growth are considered in more detail in the Section 11 of this report.

Kāinga Ora and the Urban Development Act 2020

Kāinga Ora is a Crown entity established in 2019 and brings together the functions of the former KiwiBuild Unit, Housing New Zealand (HNZ) and its development subsidiary HLC. Kāinga Ora has two key roles:

- Being a public housing landlord
- Partnering with the development community, Māori, local and central government and others on urban development projects of all sizes. The Urban Development Act (UDA) came into effect on the 6th August 2020. Its purpose is to facilitate urban development that contributes to sustainable, inclusive and thriving communities. The UDA will grant Kāinga Ora, a new toolkit of statutory powers with which to undertake its urban development functions, including the provision of housing.

The UDA establishes a specified development project process (the SDP process), as a streamlined process for complex urban development projects to be undertaken by Kāinga Ora. The SDP process enables Kāinga Ora to modify, add to, or suspend provisions in RMA, regional or district plans or policy statements within the project area and to act as a resource consent authority and requiring authority under the Resource Management Act 1991 (RMA). Kāinga Ora will also have land acquisition powers. These powers will be largely equivalent to the existing powers in the Public Works Act 1981, however the UDA provides greater specificity around works Kāinga Ora can acquire land compulsorily for.

The UDA will empower Kāinga Ora to ensure land is developed for the 'right purposes' and a mixture of market, public and affordable – including public pensioner housing - could be enabled with this legislation.

Public Housing Plan 2018-2022

In 2018, the Government outlined in this plan its intention to secure 6,400 additional public housing places across New Zealand by June 2022. Most of these are currently being built, in the pipeline or delivered.

The Public Housing Plan (The Plan) is the Government's response to the increasing demand for public housing across New Zealand through to 2022. It provides a plan about where, and how many, additional public housing places are planned to June 2022. The Plan provides an overarching strategy that:

- Provides an overarching strategic partnering model to guide how MHUD works with other agencies and providers to meet the housing needs of New Zealanders
- Shifts away from a competitive and market-based approach to a more planned and collaborative approach
- Restricts capital funding that is now only available in limited circumstances
- Introduces higher operating subsidies (an operating supplement) available to Kāinga Ora and Community Housing Providers (CHPs) up to a maximum of 90% of market rent to support development of new supply
- Maintains the existing Income Related Rent Subsidies (IRRS) contract for 25 years for Kāinga Ora and CHP tenancies.

In May 2020, the Government announced its intention to deliver a further 8,000 new homes – 6,000 public homes and 2,000 transitional homes. These will be delivered by Kāinga Ora, CHPs and transitional housing providers and could include public pensioner housing. A new public housing purchasing intentions plan is intended to be released by Government by early 2021 and this will outline the delivery of these new homes.

Social Housing Reform Program 2013

In 2013, the Government announced its Social Housing Reform Programme (SHRP) providing several new initiatives aimed at improving social housing for vulnerable New Zealanders. The programme aims to increase the supply of social housing by providing a fair, efficient and effective social housing market that better supports people in greatest need.

The SHRP Act (2013) brought about a shift from how the Government delivers social housing. It now enables a multiple provider environment by extending access to IRRS to approved CHPs. Previously only HNZA (Housing New Zealand Corporation) was able to access IRRS.

The emphasis has moved away from the Government providing social housing solely through Kāinga Ora to an environment that encourages a wider range of approved CHPs. Notably, Council controlled organisations (CCOs) that are providing social housing are not deemed CHP's and are currently ineligible for funding through IRRS. This applies to the Manawatu Housing Trust which is a CCO set up in 2008 to own and manage the former Council elderly and disabled housing units.

Te Puni Kōkiri - Funding for Māori Land Development

Te Puni Kōkiri was established under the Māori Development Act 1991 to promote increases in the levels of achievement attained by Māori in several key sectors including housing. In terms of housing, Te Puni Kōkiri's goals for the next four years are that:

- More whānau live in safe, secure and affordable homes
- Housing investment is a vehicle for whānau enterprise and community development
- Iwi and Māori are partnering and investing in housing innovation and development.

Te Puni Kōkiri manages Government funding for Māori housing projects to support investments in the following focus areas:

- Repair homes owned and occupied by low income whānau Māori - usually multiple homes within a community
- Support the development of new houses for whānau, usually on papakāinga – papakāinga workshops, papakāinga planning, infrastructure, and construction of rental homes
- Build the capability of whānau, hapū, iwi and rōpū to respond to Māori housing aspirations.

3. Relevant Regional and District Council Plans

The planning framework provided for under the RMA and its ability to deliver housing has been the source of significant national debate in recent years. While resource management reform has been signalled by the Government in the short to medium term, for now and until legislative changes are enacted, the existing resource management plans affecting development in the District are still of relevance. The following section provides a summary of the relevant resource management plans and policies and what this means for the development of Council's housing programme.

One Plan – Horizons Regional Council

The One Plan was publicly notified in 2007 and is a combined Regional Policy Statement, Regional Plan and Regional Coastal Plan for the Manawatū-Whanganui Region, administered by Horizons Regional Council (Regional Council). Of particular relevance to the provision of housing, the One Plan seeks to ensure:

- The strategic integration of infrastructure with land use strategies to manage urban growth to ensure the efficient and effective provision of associated infrastructure
- Attention is given to the benefits of retaining Class I and II versatile soils for use as production land when providing for urban growth and rural-residential subdivision and
- Adverse effects of development of land affected by natural hazards are avoided or mitigated. In particular, the One Plan aims to discourage housing and infrastructure being located in areas likely to be inundated during a 1 in 200 year flood event.

With regard to flooding, which is an issue in the wider District, the One Plan only contains flood hazard policies, not rules. Similarly, with regard to contaminated land, the Regional Council administers a regional database of all potentially contaminated land, but the One Plan does not include rules with regard to the development of potentially contaminated land (which is managed under the National Environmental Standard for Contaminated Soil and administered by the District Council).

The Regional Council's role is to provide the Council with useful data to help with decision making around plan changes and subdivision development. This includes flood hazard information and floor level recommendations and information about site contamination. However, the final decision on any subdivision or building consent application for housing lies with the Council. In cases where flood hazards cannot be avoided, the Regional Council works with the Council to consider flood mitigation measures.

Manawatū District Plan

The Manawatū Operative District Plan (District Plan) is a first-generation plan which became operative in 2002. The RMA requires District Plans to be reviewed every 10 years, and the Council is undertaking a review of the existing District Plan in sections in order to lessen the administrative burden on the Council. To date the Council has reviewed parts of the heritage and business zone provisions, the entire Industrial Zone, new District Wide Rules and a partial review of the Designations within the District Plan. The Residential and Rural Chapters of the District Plan are currently being reviewed, taking into account the NPS-UD.

One of the key topics for review in the District Plan has been the provision for growth in Feilding, being the result of pressure for additional residential and industrial land. The philosophy of the Operative District Plan had previously been to enable growth beyond the extent of the existing Residential or Village Zone by considering new areas for rezoning on a case by case basis. This approach was based on a policy and assessment framework where individual urban growth proposals (either as a private plan change or resource consent application) were considered on their individual merits. This approach led to ad hoc subdivision and development and potential for inefficient urban form (e.g. road layouts, reticulated services, open space).

In addition, the approach created significant uncertainty for landowners, developers and Council on where and when residential development may or may not occur and created infrastructure planning issues and associated costs. In response to the uncertainty, Council undertook work and investigations to better understand Feilding’s urban growth potential, and the matters created by greater urban development. This was outlined in the Feilding Framework Plan adopted by Council in 2013. As a result of this work, Council confirmed the location and extent of areas for residential growth. To manage the urban form of these new growth areas and to achieve efficient and good quality urban areas, structure plans were developed for Growth Precincts in Feilding. These provide the anticipated form and development of the land within the structure plan areas. All residential areas recommended for residential growth to be rezoned under the Feilding Framework Plan have now been introduced into the District Plan through a series of plan changes. Figure 2 shows the recently adopted Precinct 4 Structure Plan.

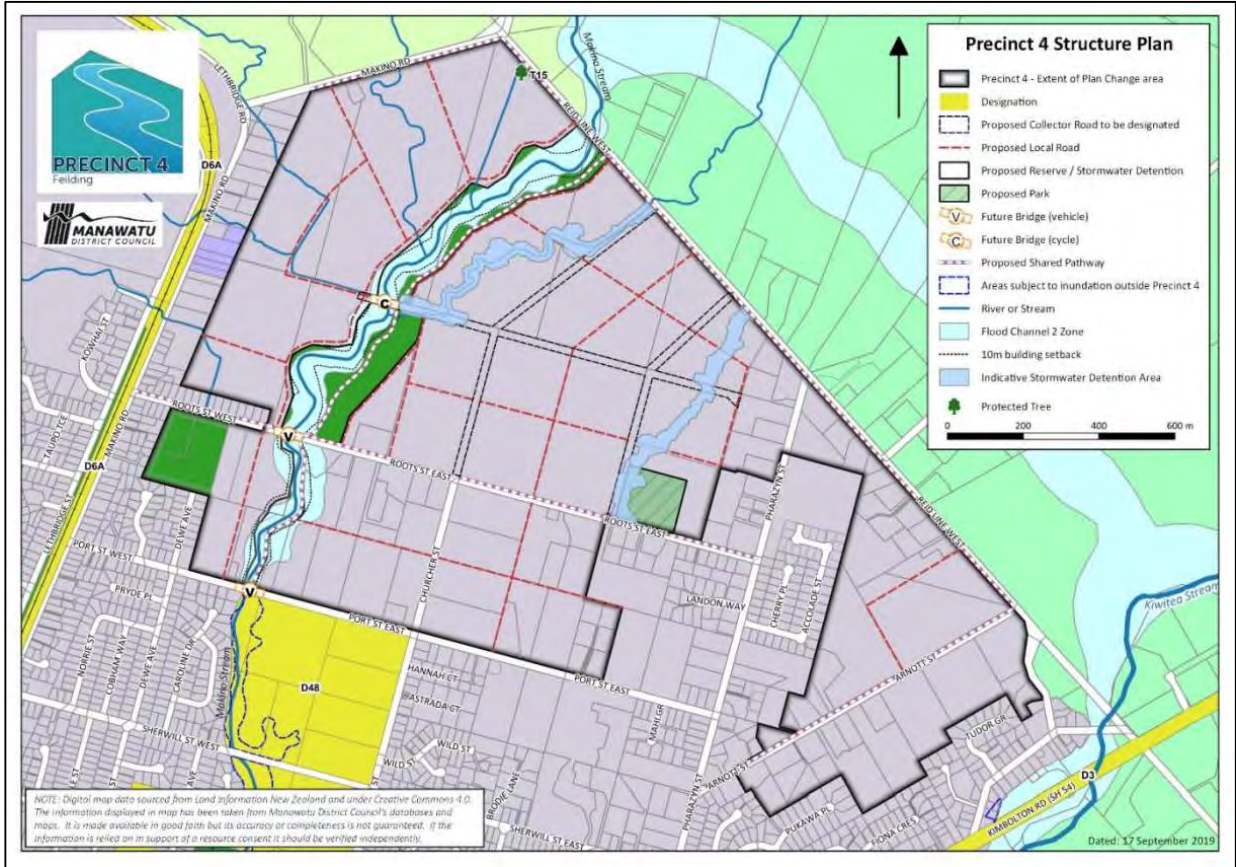


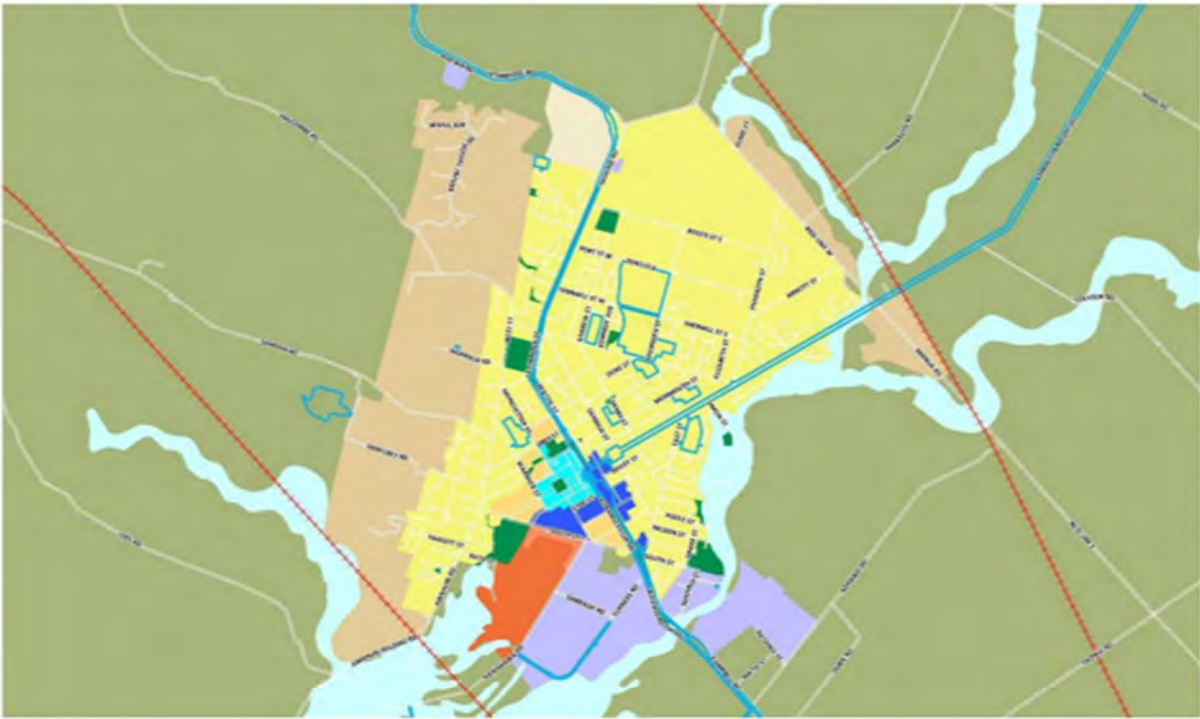
FIGURE 2: FEILDING PRECINCT 4 STRUCTURE PLAN (SOURCE: MDC PC51 HEARING DECISION, 2019)

Overall, the District Plan generally provides for housing in the following zones:

- Residential development of the upper floors of the Inner Business Zone
- Infill subdivision and development on sites within the existing Residential Area
- A minimum lot size of 500m² in the Village zone
- Multi-unit development in the Residential Growth Precinct 4 Area, provided an average lot size of 600m² is achieved
- Rural lifestyle block subdivision within the ‘Nodal’ Areas around main centres
- Subdivision within the wider Rural Area in accordance the subdivision entitlement provisions.

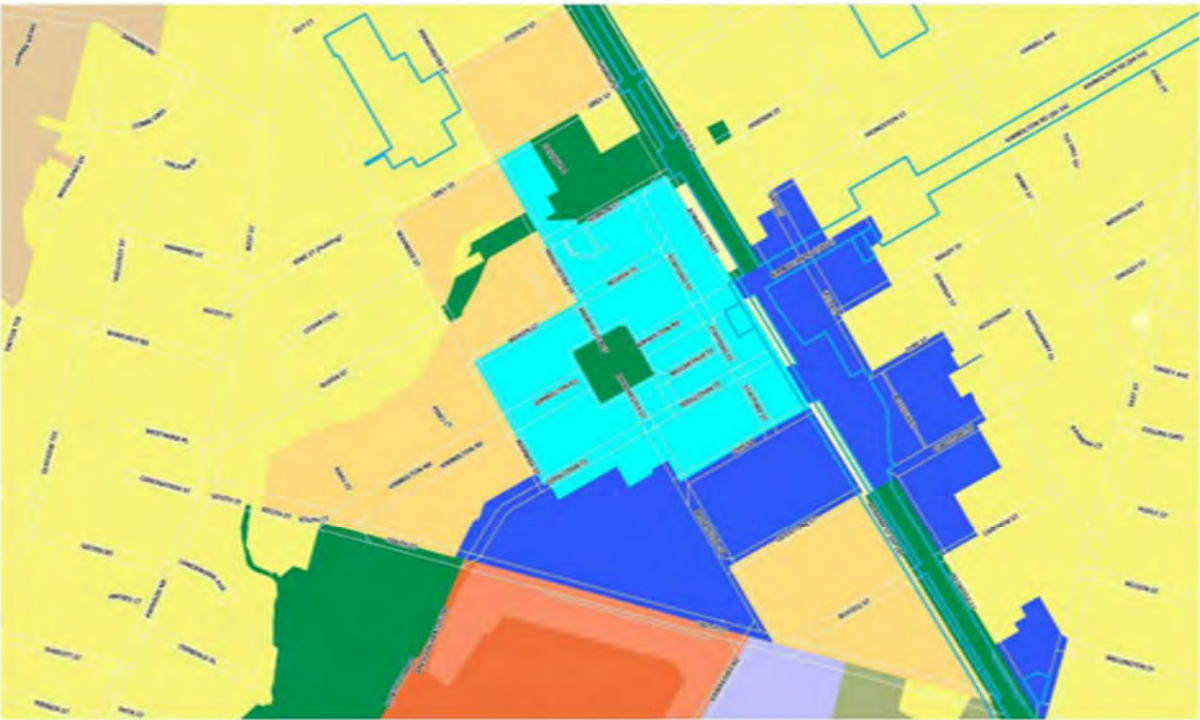
Almost half of residential development in the District in the last 5 years has been undertaken within the Rural Area, consuming the productive land resource. Current draft plan changes seek to focus growth within the next 15 years to approximately 60% urban and 40% rural areas. Draft Plan Change A (Rural) proposes to limit lifestyle subdivision to identified areas and establish a minimum lot size of 25ha. Draft Plan Change B (Residential) proposes a new Medium Density Zone near Feilding Town Centre that enables smaller lots (350m²), multi-unit development and apartment style housing, as shown in Figure 3.

Also, of relevance to the provision of housing, Council is exploring a draft proposal for how to manage development in Sanson in the future, including where large-lot residential development should be located into the future.



Feilding

- | | | | | |
|--------------------------|---------------------------------|-----------------|--------------------------|-------------------------|
| Proposed Zoning | Large Lot Residential Zone | Zones | Outer Business Zone | Powerlines (Transpower) |
| General Residential Zone | Medium Density Residential Zone | Business Zone | Manfeld Park Zone | Designations |
| Rural Lifestyle Zone | Rural Production Zone | Industrial Zone | Special Development Zone | |



Feilding

- | | | | | |
|--------------------------|---------------------------------|---------------------|--------------------------|-------------------------|
| Proposed Zoning | Large Lot Residential Zone | Zones | Outer Business Zone | Powerlines (Transpower) |
| General Residential Zone | Medium Density Residential Zone | Business Zone | Manfeld Park Zone | Designations |
| Rural Lifestyle Zone | Rural Production Zone | Industrial Zone | Special Development Zone | |
| | | Inner Business Zone | Recreation Zone | |

FIGURE 3: DRAFT PLAN CHANGE B - FEILDING MEDIUM DENSITY AREA (SOURCE: MDC, 2020)

Development Contributions Policy

The Council's Development Contributions Policy sets out how development contributions are to be calculated and paid by developers where development requires the Council to provide new or upgraded infrastructure. It seeks to recover a fair, equitable and proportionate sum of the total cost of capital expenditure necessary to service growth over the long term.

A new allotment or dwelling is charged a fee of a Household Unit Equivalent, being a set fee adjusted annually in accordance with the price producer index. The Development Contributions Policy calculates the same fee for a stand-alone residential dwelling, regardless of the gross floor area of the dwelling. In 2020/2021, the development contribution fee was calculated at Feilding Residential: \$24,024; and, Rural and Villages: \$5,854. Multi-unit development or retirement villages are based on the maximum possible number of occupants on any given night divided by 2.5. This is based on the average number of occupants per dwelling in the Manawatū District (2013 Census).

A review of the Development Contribution Policy is currently underway by Council as part of the policy's 3-year review cycle. The review is exploring ways to provide discounts to the current policy in order to enable medium density development, affordable housing and public housing. Council is expecting to consult with the community of its new policy through the LTP process in the first half of 2021.

Community Plans

Council undertook a series of community engagement and planning workshops in communities in the District between 2012 and 2017, resulting in the development of a community plan for each community. The community plan records opportunities and ideas, with the intention of providing an overarching summary of the community's vision for the future and a list of specific actions that will help deliver this. The documents were created with the intention that they would be a 'living document' with actions being reviewed and updated on a regular basis. Although largely aspirational, the plans provide a high level overview of a community's appetite for future growth.

Community plans have been created for the following communities:

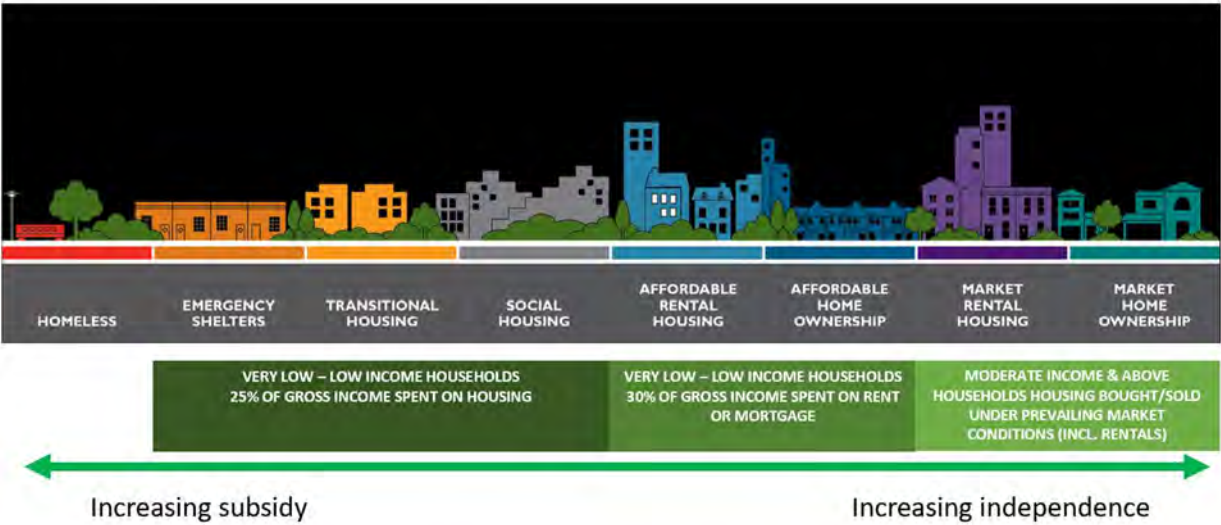
- Sanson Community Plan
- Pohangina Valley Community Action Plan
- Apiti: Our Community Plan
- Cheltenham Community Plan
- Halcombe Community Plan
- Himatangi Beach Community Plan
- Hiwinui Community Plan
- Kimbolton Community Plan
- Rangiwahia Community Plan
- Rongotea Community Plan
- Tangimoana Community Plan.

4. Defining housing typologies

The Housing Continuum

The housing sector uses the concept of a ‘housing continuum’ to identify the different housing categories that exist in the market. The housing continuum, shown in the following Figure 4, is a concept used by policy makers to consider the impact a policy has on different tenancies. It illustrates the various tenancies from homelessness and emergency shelters on the far left through assisted rental or assisted ownership, to private renting and ownership options in the market. Table 1 provides definitions for the housing categories shown in Figure 4.

It is a useful tool in understanding the differing areas where Council can focus its strategies to improve housing availability and affordability.



Adapted from: Canada Mortgage & Housing Corporation and Community Housing Aotearoa

FIGURE 4: THE HOUSING CONTINUUM

TABLE 1: DEFINING THE HOUSING CATEGORIES

| Housing Type | Definition |
|--------------|--|
| Homelessness | <p>Having no other options to acquire safe and secure housing. There are four categories of homelessness:</p> <ul style="list-style-type: none"> Without shelter – no shelter or makeshift shelter Temporary accommodation – overnight shelter in non-private dwellings not intended for long term living Sharing accommodation – temporary accommodation for people through sharing someone else’s private dwelling Uninhabitable housing – people living in dilapidated dwellings. |

| Housing Type | Definition |
|---|---|
| Emergency Housing | If there is no supply of transitional housing or they have limited needs the individual will be given the Emergency Housing Special Needs Grant (EHSNG). This allows them to stay in a non-contracted provider for a seven-day period. |
| Transitional Housing | Contracted short-term housing provided by HUD for people who urgently need a place to stay. Transitional housing provides warm, dry and safe short-term accommodation as well as tailored services to support a transition to long-term housing options. |
| Public Housing (previously social housing) | Public housing is rental housing subsidised by Central or Local Government, CHPs or other community housing organisations (CHOs) e.g. trusts or iwi groups - for individuals and families whose housing needs or circumstances are not adequately provided for by the private sector. |
| Affordable Housing | Affordable housing is housing which is deemed affordable to those with a median household income or below. |
| Market Housing | Housing that is brought and sold under prevailing market conditions. |

PART B - THE MANAWATŪ HOUSING MARKET

Demand for housing in the Manawatū District has continued to increase in recent years, with a relatively limited supply of new listings and steady population growth. This has resulted in increasing property prices and rising housing affordability issues. Increasing demand has been driven by the following key factors:

- Lower average prices when compared with other parts of New Zealand, attracting increased demand from out of town purchasers and high investor activity. The average sale price for residential property in Feilding in 2020 is \$518,000 compared with an average of \$764,000 across New Zealand (REINZ, 2020)
- A sustained low interest rate environment, encouraging property investment
- Strength of the surrounding agricultural and construction industries driving population growth in Feilding and surrounding small rural areas. Economic growth in the District sits at 4.0% per annum over the last 10 years compared with an average of 2.5% pa in the national economy
- Recent and planned infrastructure upgrades and investment in the region including the KiwiRail freight hub in Palmerston North and the expanding RNZAF Ohakea Base

The following section of this report provides a desktop analysis of the impact of this increasing demand and the factors affecting housing affordability and availability in the District. In summary the key issues identified from the market evidence include the following:

- **Increasing house prices** - Whilst the average house prices in the district are currently lower than the national average, they are rising faster. The average annual price growth increased at a rate of 18.6% year on year to June 2020. This is significantly higher than the increase of 7.4% experienced by New Zealand as a whole
- **Decreasing affordability** – over 70% of first home buyers are spending more than 30% of income on housing costs in line with affordable issues experienced across New Zealand
- **Limited supply** - Despite a steady increase in building and subdivision consents issued, residential sale volumes across the District have remained relatively consistent with the 10-year average and there have been fewer average listings demonstrating a shortfall in supply
- **Limited supply of medium density** - Most residential sales in the District comprise three bedrooms dwellings, followed by four-bedroom dwellings in both Feilding and the villages/rural catchments. Whilst average household sizes and demand for social housing points to increasing demand for dwellings with two bedroom or less
- **Creation of new lots in rural catchments** - In recent years there have been a greater number of section sales in the villages and rural catchments combined, compared with Feilding.

Without strategic intervention these issues are likely to continue to put increasing pressure on the housing sector and further reduce housing affordability.

5. Housing Supply

Existing supply of dwellings within the District is provided mostly within the main urban centre of Feilding and more recently in the growth of smaller settlements along State Highway 3, west of Palmerston North, including Sanson and Ohakea and south towards the coast at Himatangi Beach. The remaining residential dwellings are provided within the rural villages located throughout the north of the District.

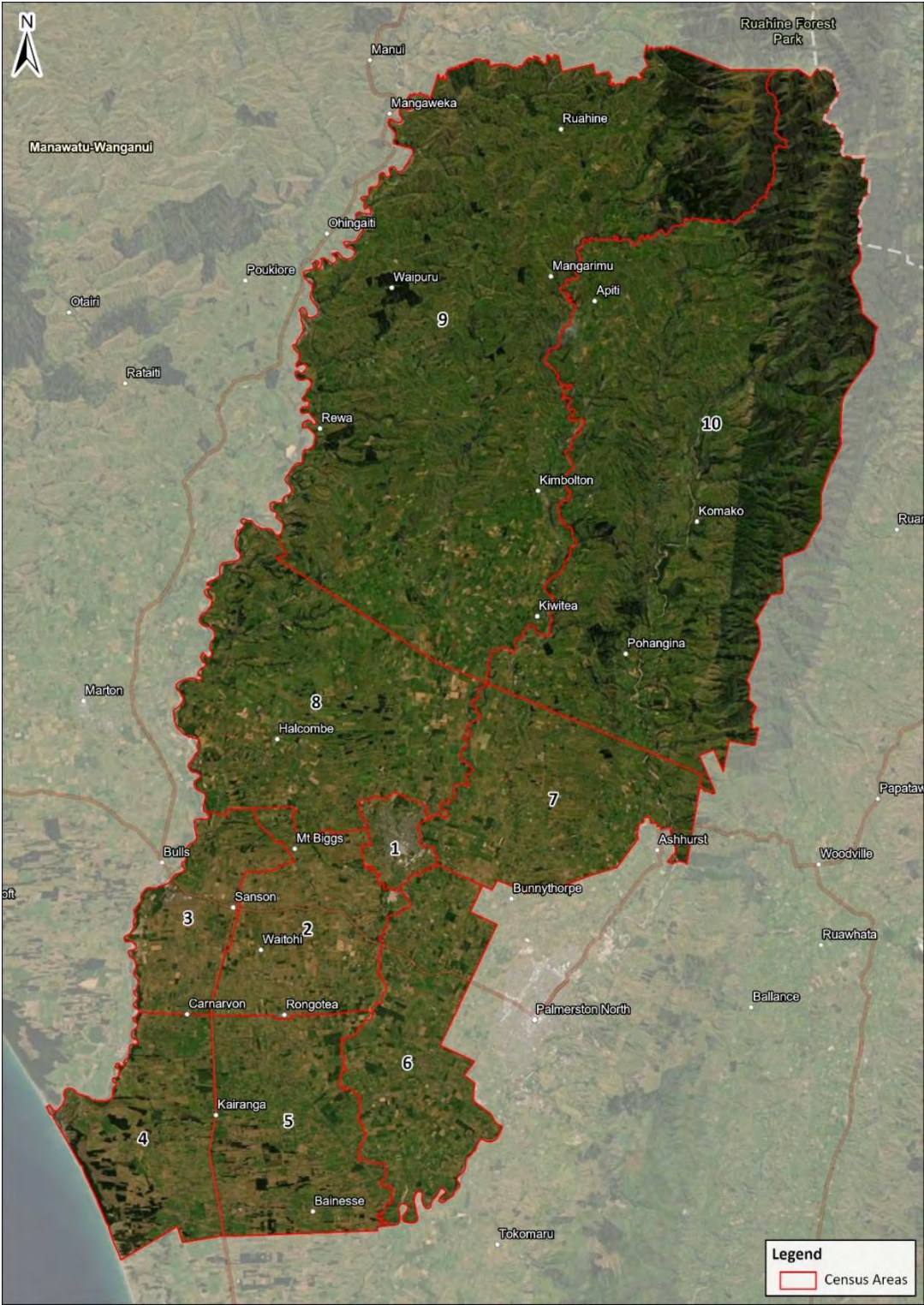


FIGURE 5: MANAWATŪ RESIDENTIAL AREAS (SOURCE: TPG, 2020)

TABLE 2: EXISTING DWELLING COUNT FOR THE MANAWATŪ DISTRICT (ADAPTED FROM THE 2018 CENSUS)

| Map ref | Area | Occupied dwelling | Unoccupied dwelling | Dwelling under construction | Total |
|-----------------------|---|-------------------|---------------------|-----------------------------|---------------|
| 1 | Feilding central | 5,964 | 303 | 42 | 6,363 |
| 2 | Rongotea | 750 | 60 | 6 | 816 |
| 3 | Sanson and Ohakea | 477 | 27 | 3 | 510 |
| 4 | Himatangi Beach, Tangimoana and Oroua Downs | 546 | 285 | 3 | 834 |
| 5 | Himatangi | 468 | 36 | 0 | 540 |
| 6 | Arahuai and Newbury | 669 | 69 | 3 | 735 |
| 7 | Colyton | 567 | 36 | 3 | 609 |
| 8 | Halcombe and Makino | 744 | 51 | 6 | 801 |
| 9 | Cheltenham, Kimbolton, and Rangiwahia | 528 | 111 | 0 | 642 |
| 10 | Awahou South, Komako and Apiti | 462 | 72 | 6 | 540 |
| District total | | 11,232 | 1,053 | 69 | 12,351 |

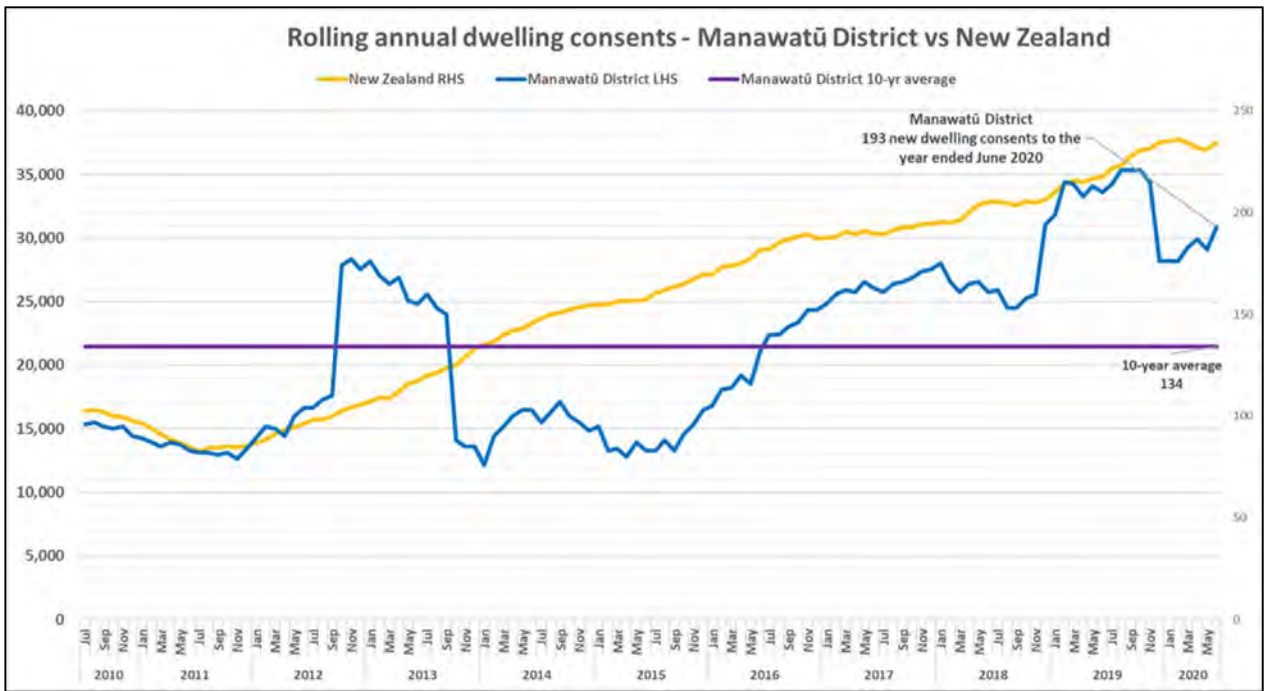


FIGURE 7: ROLLING ANNUAL NEW DWELLING CONSENTS (SOURCE: MDC, 2020)

Residential Sales Volumes

Despite the steady increase in building consents, residential sale volumes across the District have remained relatively consistent with the 10-year average sales volume. Figure 8 below details the average residential dwelling sales volumes over the last 10 years.

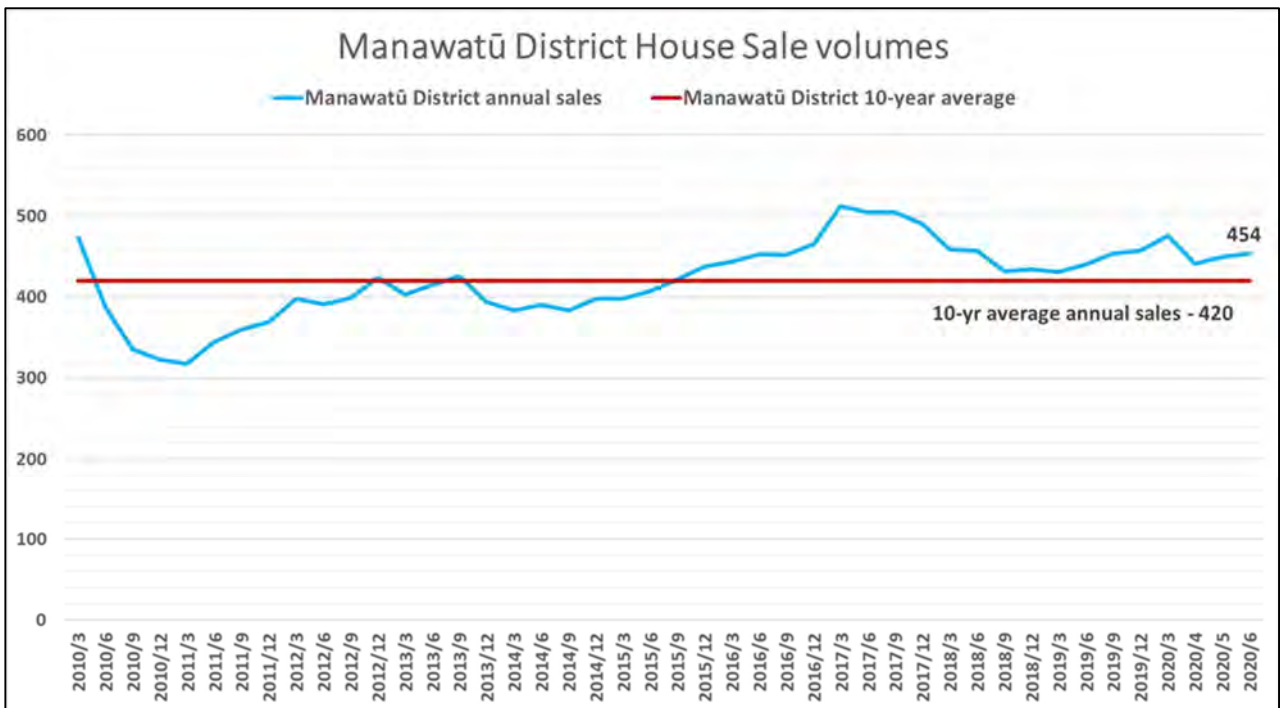


FIGURE 8: MANAWATŪ DISTRICT SALES VOLUMES (SOURCE: MDC, 2020)

The table below outlines the volumes of sale of each residential typology over the last three years in both Feilding and other villages/rural catchments in the District.

It is noted that the most recent sales for 2020 have not been captured in the below data, and those sales where the typology is not recorded have also not been included.

TABLE 3: RESIDENTIAL SALES VOLUMES (SOURCE: PROPERTYGURU, 2020)

| Feilding | 1Bed | 2Bed | 3Bed | 4Bed | 5Bed+ | Vacant | Total |
|--------------------------------------|-------------|-------------|-------------|-------------|--------------|---------------|--------------|
| 2020 | 1 | 41 | 168 | 65 | 7 | 10 | 292 |
| 2019 | 0 | 52 | 230 | 110 | 23 | 19 | 434 |
| 2018 | 1 | 50 | 230 | 125 | 19 | 12 | 437 |
| Villages and Rural Catchments | 1Bed | 2Bed | 3Bed | 4Bed | 5Bed+ | Vacant | Total |
| 2020 | 3 | 16 | 47 | 20 | 4 | 30 | 120 |
| 2019 | 4 | 22 | 52 | 22 | 3 | 39 | 142 |
| 2018 | 3 | 23 | 69 | 35 | 8 | 20 | 158 |

The table above indicates that the majority of residential sales in the District comprise three bedrooms dwellings, followed by four-bedroom dwellings in both Feilding and the villages/rural catchments. In recent years there have been a greater number of section sales in the villages and rural catchments combined, compared with Feilding.

6. House Prices

The Manawatū District has experienced double digit house price growth in recent times. The District's relative affordability, compared with many other parts of New Zealand, has made it an attractive investment for out of town purchasers. Investors are active in this market, largely as a result of the development of Palmerston North as a distribution hub for the central and lower North Island.

The strength of the surrounding agricultural sector with improved returns in recent years has resulted in population growth and increased housing demand in smaller rural communities such as the villages and rural catchments that comprise the District.

The figure below outlines the change in average house price in the District from 2013 through to June 2020. The figure also compares the average annual house price growth in the Manawatū District to that of the whole of New Zealand over this period.

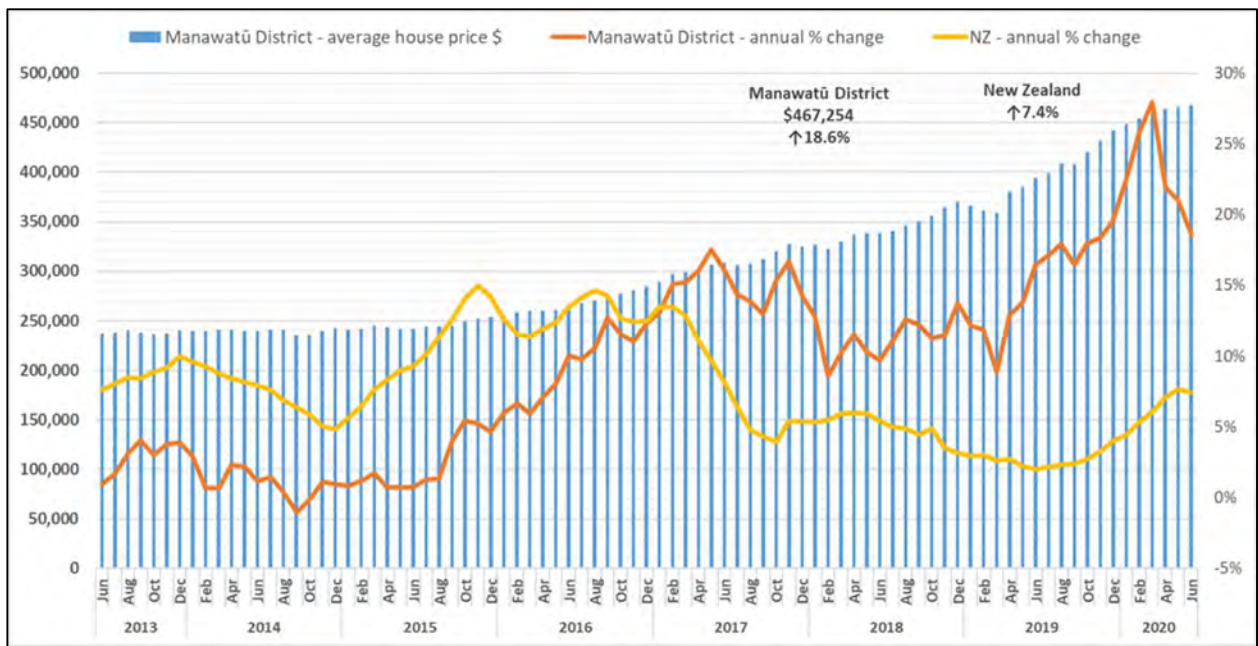


FIGURE 9: AVERAGE ANNUAL HOUSE PRICE AND HOUSE PRICE GROWTH IN THE MANAWATŪ (SOURCE: MDC, 2020)

The average annual price growth peaked pre-lockdown in February 2020 but has continued to increase at a rate of 18.6% year on year to June 2020. This is significantly higher than the increase of 7.4% experienced by New Zealand as a whole.

Residential Sale Prices

Residential and lifestyle properties within the District have a wide range of values given the size and location of the various townships. Feilding is the largest town in the District in terms of the total number of residential housing stock.

Residential housing in Feilding made up of approximately 89% residential housing, 2% residential investment housing and 9% lifestyle properties.

An overview of the average sale price for residential and lifestyle properties in 2020 in both Feilding and the balance of the District’s villages and rural catchments is summarised in the table as follows:

TABLE 4: AVERAGE SALE PRICE 2020 (SOURCE: PROPERTYGURU, 2020)

| Location | Residential Property | Lifestyle Property |
|-------------------------------|----------------------|--------------------|
| Feilding | \$518,000 | \$744,000 |
| Villages and Rural Catchments | \$466,000 | \$741,000 |

The following table outlines the average sale price for vacant residential and lifestyle properties in 2020 in both Feilding and the balance of the District’s villages and rural catchments.

TABLE 5: AVERAGE SALE PRICE OF VACANT PROPERTY (SOURCE: PROPERTYGURU, 2020)

| Location | Vacant Residential Property | Vacant Lifestyle Property |
|-------------------------------|-----------------------------|---------------------------|
| Feilding | \$232,000 | \$280,000 |
| Villages and Rural Catchments | \$195,000 | \$282,000 |

Residential Sales Prices by Typology

The table below outlines the average sale price per typology for residential property sales in both Feilding and the balance of the District throughout 2020.

TABLE 6: CAPITAL VALUES PER TYPOLOGY (SOURCE: PROPERTYGURU, 2020)

| Average Sale Price | 1-Bed | 2-Bed | 3-Bed | 4-Bed | 5-Bed+ |
|-------------------------------|-----------|-----------|-----------|-----------|-----------|
| Feilding | \$200,000 | \$431,000 | \$496,000 | \$621,000 | \$679,000 |
| Villages and Rural Catchments | \$313,000 | \$333,000 | \$426,000 | \$653,000 | \$578,000 |

We note that the above figures are estimates only, and there are low volumes of sales for several of the typologies which misrepresents the overall average. However, it is noted that generally sale prices in Feilding exceed those for similar typologies in the balance of the District's villages and rural catchments.

Residential Rental Market

The market for residential rentals in the Manawatū District is strong, with substantial year on year rental growth. The shortage of available housing, along with the growing number of people moving to the District has meant that competition for rental properties has been high in recent years. Another strong driver of the rental market is the defence personnel hub – with the Linton and Ohakea training camps both nearby - making up a solid proportion of the rental market.

The figure below outlines the average monthly rent in the District since 2015, along with the average weekly rental increases year on year.

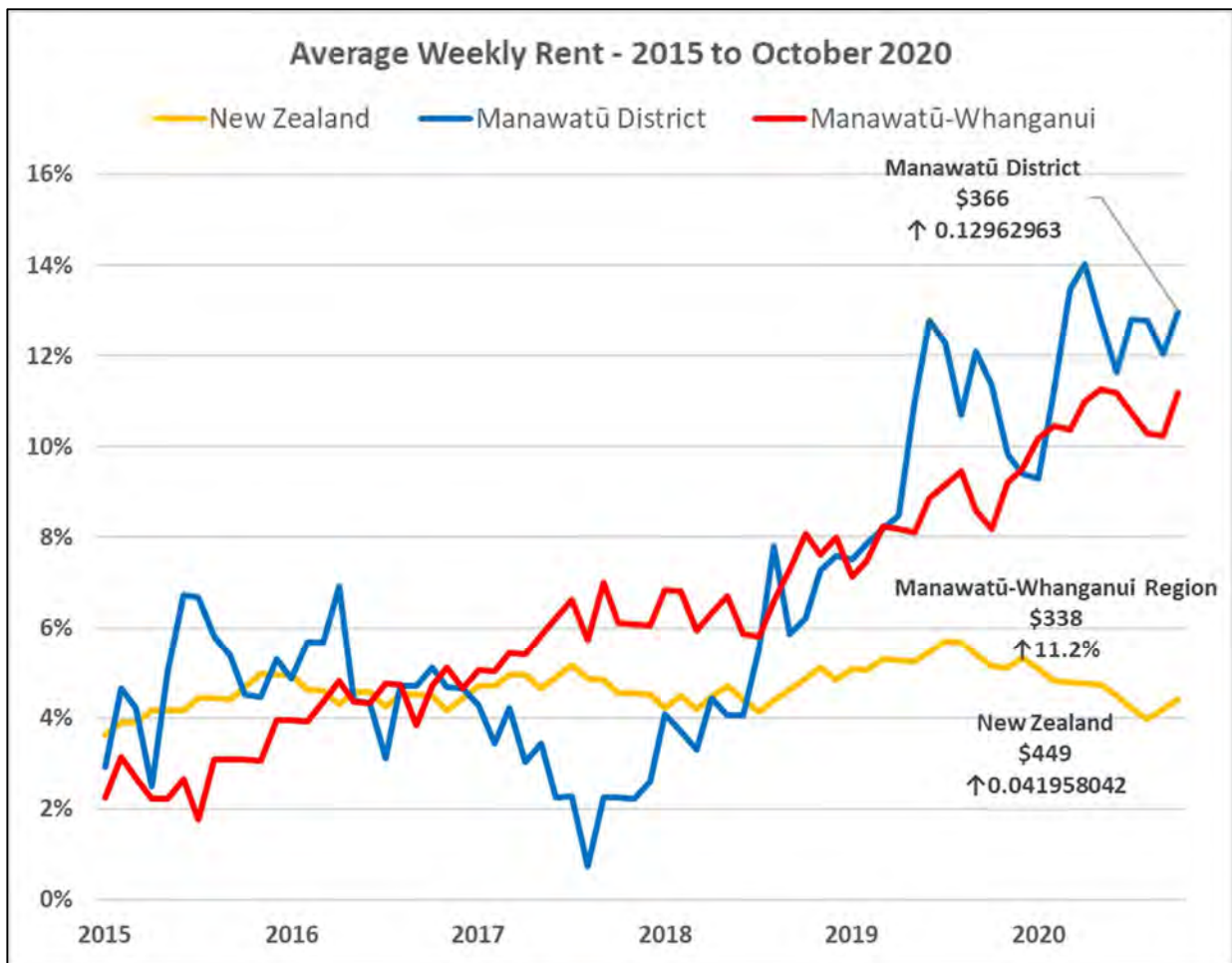


FIGURE 10: AVERAGE WEEKLY RENTAL RATES IN THE DISTRICT (SOURCE: MDC, 2020)

7. Housing Affordability

The affordability of housing in the District is likely to decrease as demand increases for housing without increased resourcing of the housing sector and strategic planning for growth. The impact will be greatest at the shallower end of the housing continuum, where there is already limited supply of public and affordable housing that will come under increasing pressure.

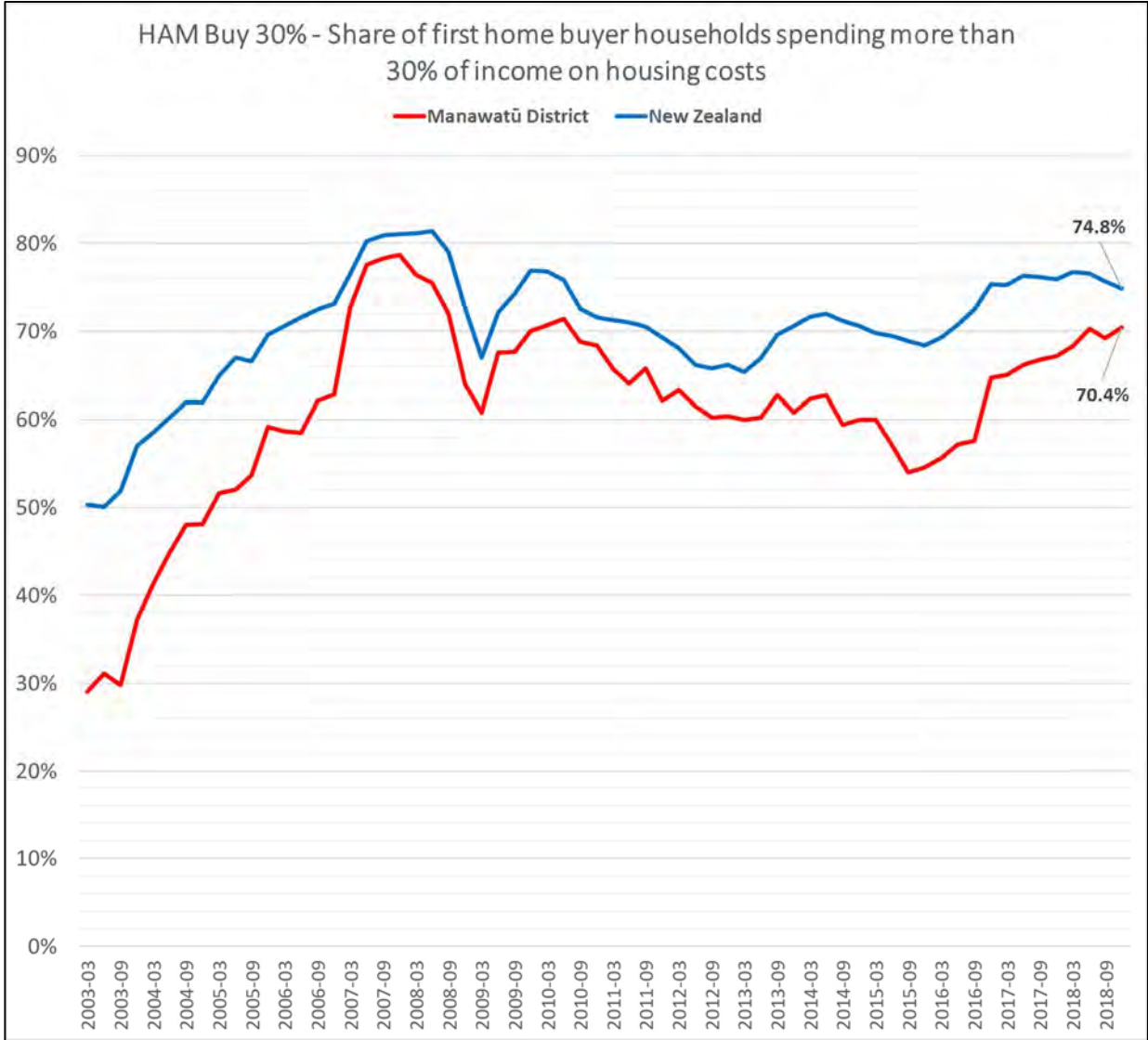


FIGURE 11: PERCENTAGE OF INCOME SPENT ON HOUSING COSTS (SOURCE: MDC 2020)

The graph above shows that housing affordability in the District is following the nationwide trends towards decreasing affordability. This raises the likelihood of increased demand for public and affordable housing in the District.

8. Provision of subsidised housing

Public Housing

Public housing in the District is currently provided by both government (Kāinga Ora) and the Manawātū Community Trust (MCT), which is a CCO. There are currently no CHP's providing social housing in the district. Land owned by the Salvation Army, who often operates as a CHP, in Feilding is currently not used for housing. The housing provided by the MCT includes 205 housing units for the elderly and disabled that were previously owned and managed by the Council. Currently there is an estimated 359 existing public housing units within the District. The location of these properties is shown on the following maps and summarised in Table 7.

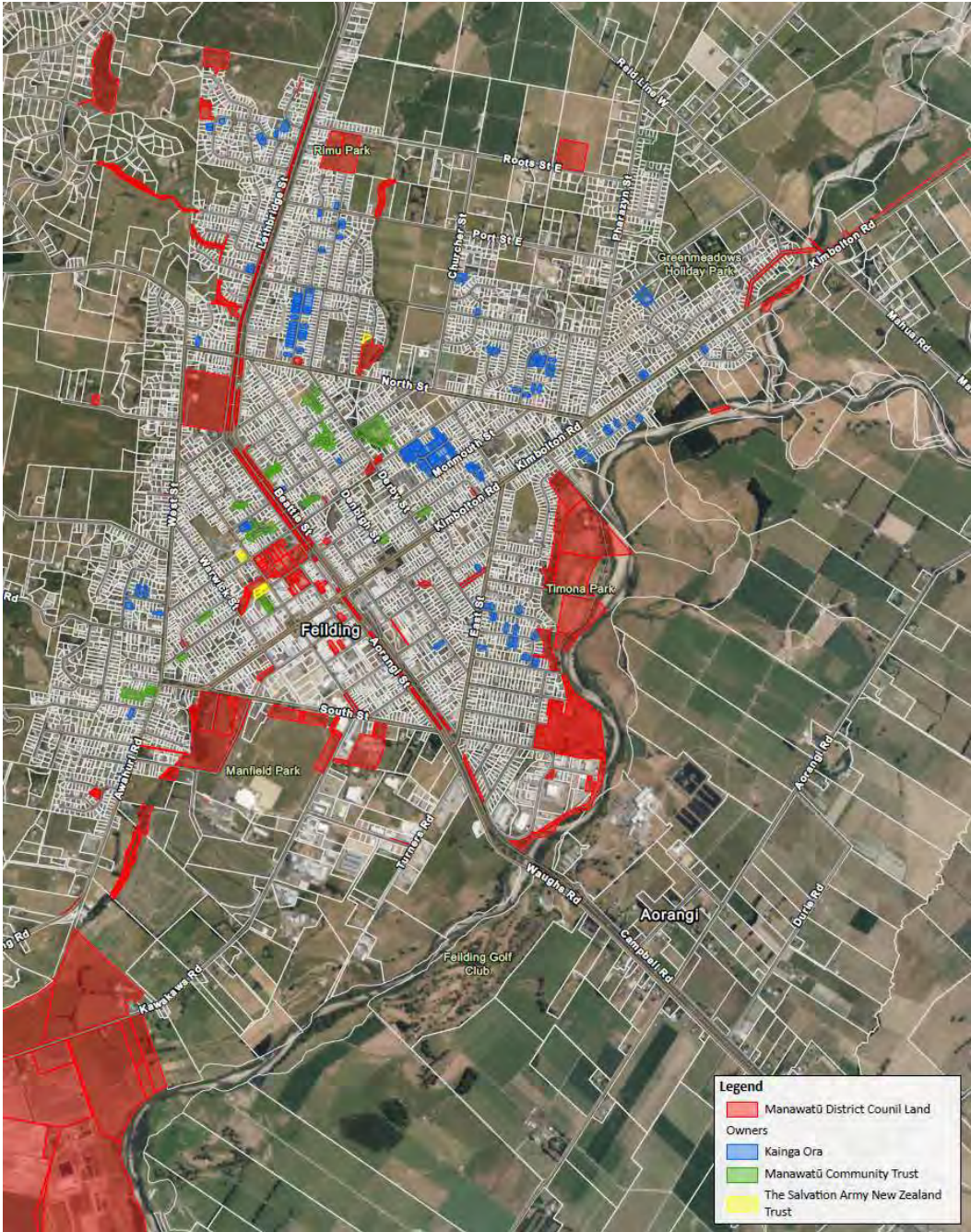


FIGURE 12: LOCATION OF SOCIAL HOUSING IN FEILDING



FIGURE 13: LOCATION OF SOCIAL HOUSING IN RONGOTEA



FIGURE 14: LOCATION OF SOCIAL HOUSING IN SANSON

TABLE 7: SOCIAL HOUSING PROVISION

| Provider | Number of units |
|--------------------------------|--|
| Kāinga Ora | 160 dwellings ¹ |
| Manawatū Community Trust (MCT) | 205 x 1 bedroom units for the elderly (Feilding, Rongotea, Sanson) |

The MCT is a Council Controlled Organisation and therefore not eligible to be a registered Community Housing Regulatory Authority (CHRA). This means that MCT is currently not able to access government subsidies, including the Income Related Rental Subsidy (IRRS) for providing social housing and therefore there is limited funding available to upgrade the existing units which are all dated due to their construction in the 1960s and 1970s.

Council may wish to explore examples of other Councils who have structured their public housing portfolios to be a registered CHRA, for example Nelson City Council and Christchurch City Council.

Transitional Housing

Transitional housing is currently limited to only 16 contracted ‘places’ across the District². A ‘place’ is a dwelling that is occupied by a household for an average of 12 weeks or more while they are helped to find more permanent housing. It is intended that at the end of the cycle, the household will move into public or affordable housing.

The transitional housing programme is led by HUD in collaboration with Kāinga Ora, transitional housing providers, the Ministry of Social Development and the wider housing sector.

Housing First

HUD’s flagship housing programme, Housing First, targets the chronic street homeless. It is currently not established, or signalled to be established, in the Manawatū District.

¹ Ministry of Housing and Urban Development, Housing – Regional Factsheets, September 2020

² Ibid.



9. Increasing Housing Demand

Population Growth

An assessment of the Manawatū District's current and future population and households is a critical input to understanding the future need for housing, alongside an understanding of regional trends.

Manawatū District Council LTP population forecasts (2018-2028) estimate the population of Feilding will increase by 5,340 (31.7 percent) to 2038. It is noted that the population projection of 1.7 percent per year over the period 2016 to 2018 was exceeded by actual population growth. The latest StatsNZ 'high' population projections for the District have been scaled upwards to reflect significantly higher growth expectations, averaging 1.1% growth in population per year to 2043 (MDC, Feilding Structure Plan Report, 2018)

The steady population growth anticipated in the District will further exacerbate the housing affordability issues identified without strategic intervention. One of the key recommendations of this report is an analysis of the growth projections to ensure that the capacity for residential development meets the needs of the future population.

Demand for Public Housing

In August 2018, the Ministry of Social Development (MSD) through the release of its Public Housing Plan confirmed demand for housing across New Zealand was growing and more people were experiencing severe and immediate needs for shelter. MSD acknowledged this demand was generated by a shortage of affordable housing driving up house prices and rents. People on low incomes are most affected by rising housing costs and many seek financial help through MSD and HUD.

The District has experienced significant increases in applicants on the MSD's Housing Register from 9 applicants in March 2016 to 76 applicants in September 2020. This increase is shown in Figure 15.

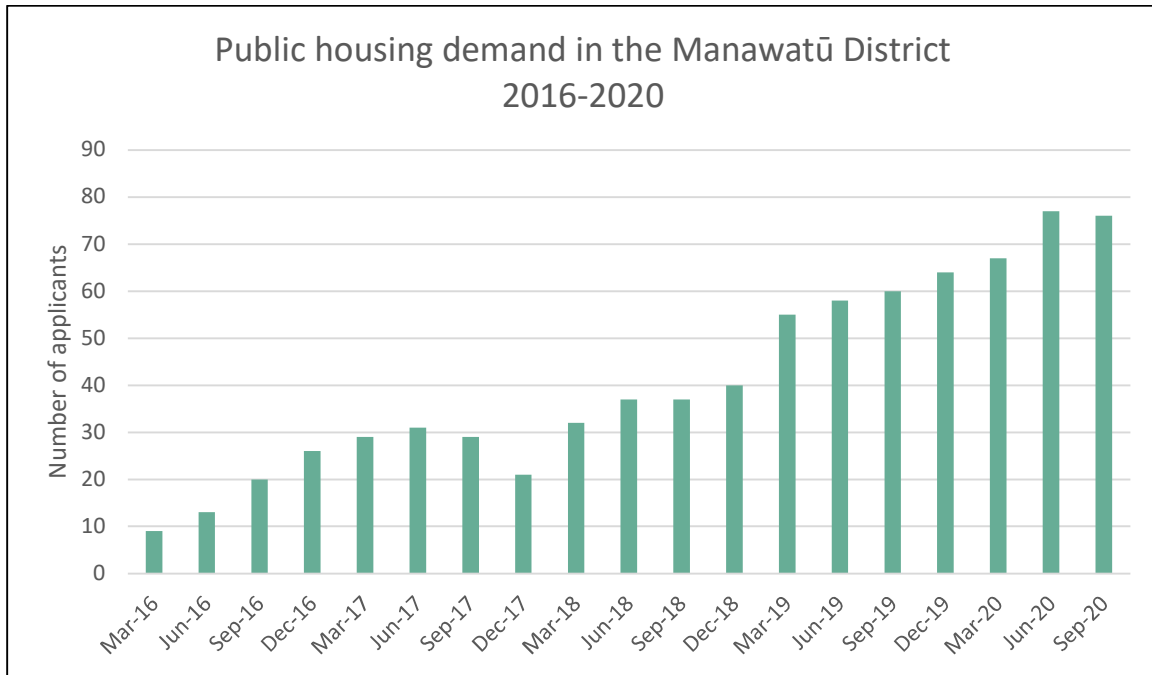


FIGURE 15: PUBLIC HOUSING REGISTER IN THE MANAWATŪ DISTRICT (SOURCE: MSD 2020)

10. Housing Supply

Capacity for Residential Growth

Feilding Urban Growth Framework Plan

In 2013, Council developed the Feilding Urban Growth Framework Plan (Framework Plan), which informed the subsequent growth precinct plan changes that have provided for enhanced residential growth in Feilding.

TABLE 8: RESIDENTIAL LAND BANK - 2011 (SOURCE: FEILDING URBAN GROWTH FRAMEWORK PLAN)

| Residential Use | Area (hectares) | Number of additional dwellings – potential or proposed (assuming 1 dwelling per lot) |
|----------------------------|-----------------|--|
| Vacant land | 52.2 | 418 |
| Consented land | 71 | 289 |
| Lots > 5,000m ² | 68.9 | 549 |

| | | |
|-------|-------|-------|
| Total | 192.1 | 1,256 |
|-------|-------|-------|

The Framework Plan stated that in 2013 there was a total estimated residential land bank of 192.1ha, or 1,256 dwellings. This estimate was based on an average gross density of 8 dwellings per hectare across the vacant land parcels. This land bank was acknowledged as being theoretical as the fact that the land is zoned residential and currently under-utilised, does not mean it is available for development. It is important to note that the land bank does not take into account any potential for infill or medium density housing on a single lot, therefore the actual capacity for growth could be much greater if working on the basis of more than 1 dwelling on some or all lots.

Precinct 4 Plan Change

As part of the plan change process associated with the establishment of Precinct 4 in Feilding, Property Economics prepared an assessment of the residential demand and capacity of the Feilding Urban Area and the balance of the Manawatū-Whanganui Region³. It notes that Precinct 4 encompasses 256ha of land, of which an estimated 227ha is for residential use. The assessment of residential capacity is detailed in Table 10 below, with the Precinct 4 capacity based on a maximum density of 600m² per lot.

TABLE 9: FEILDING RESIDENTIAL CAPACITY 2018 (SOURCE: PROPERTY ECONOMICS 2018)

| Residential Capacity | Hectares | Dwellings |
|----------------------|----------|-----------|
| Existing | 115 | 690 |
| Precinct 4 | 256 | 1,788 |
| Total Capacity | 371 | 2,478 |

There is no recent residential capacity modelling available for areas of the District outside Feilding. While Council is seeking feedback on proposed rezoning of the area around Sanson, however it is unclear

³ Property Economics: 'Feilding Residential Growth Update – Precinct 4', February 2018

if capacity modelling has been undertaken in advance of this. It is recommended that district wide residential capacity analysis forms part of the District Plan review currently underway.

Impact of the National Policy Statement – Highly Productive Soils

As outlined in Section 2 of this report, the proposed NPS-HPL will require a balance to be achieved between allowing for urban development in greenfield/rural areas to meet housing needs and safeguarding these as highly productive lands. When considering future capacity for growth it will be important to determine the impact of this policy on areas available for urban development.

As shown in the following Figure 16, when the highly productive soils within the vicinity of Feilding are mapped there is limited capacity for expansion of the urban area. Further growth in Feilding required to meet increasing demand will therefore need to be focused on increasing densities or capacity within the existing urban area.

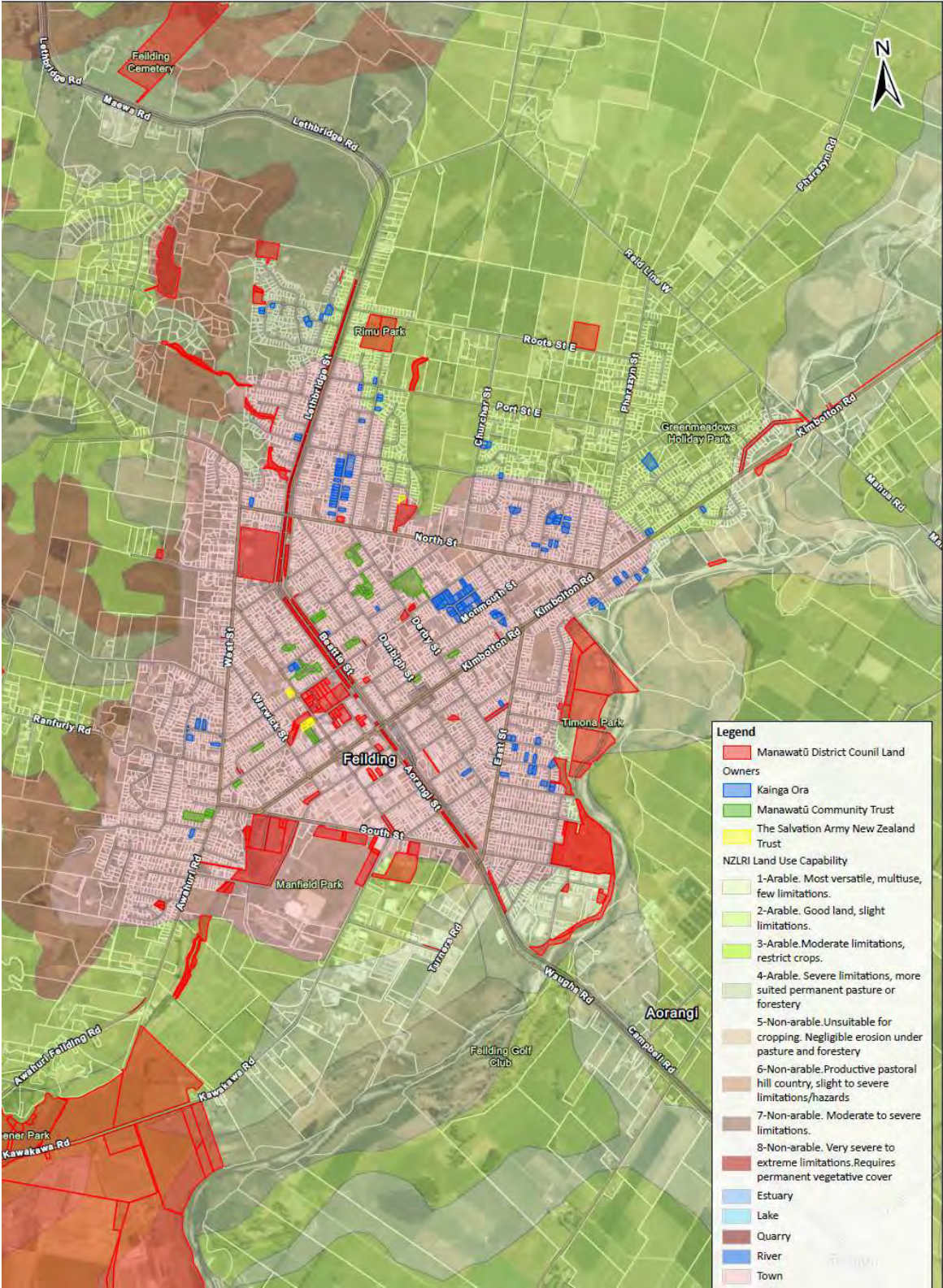


FIGURE 16: FEILDING HIGHLY PRODUCTIVE SOILS

Public Housing Pipeline

The future public housing pipeline planned under the Public Housing Plan (2018) for the District is only an additional 15 dwellings, comprising 10 one-bedroom units and 5 four-bedroom units by 2022.

Kāinga Ora has recently obtained resource consent for 8 x one-bedroom units in Feilding, which are under construction and understood to address in part some of MHUD's purchasing intentions outlined in the PHP new supply pipeline.

A resource consent was also granted earlier this year for the conversion of a rest home facility in Feilding to transitional housing, providing a maximum occupancy of 24 tenants on the site. Once renovations are completed, this will significantly increase the transitional housing offering in the District to 40 places.

Registered CHPs have indicated their appetite to deliver additional supply in the District. However, a key barrier for CHPs to bring on more housing supply is the lack of up-front capital funding from MHUD to de-risk their development projects and enable favourable mortgages to be secured.

11. Stakeholder engagement

To gain further understanding of the broad range of issues facing the housing sector in the District and to ground truth the results of desktop analysis, TPG has engaged with a range of stakeholders during the preparation of this report.

Stakeholder engagement included 19 individual meetings with 52 stakeholders. Groups included selected key council staff and elected officials, Central Government agencies, CHPs, Transitional Housing Providers (THPs), and Maori Engagement, non-government organisations and community groups (NGOs), selected property developers and consultants.

Stakeholder engagement included a presentation of the initial findings from the housing assessment, review of interventions and addressing key questions associated with factors enabling and constraining housing in the District.

This section provides a review of the key issues raised and themes emerging through this consultation. A high level summary of the key opportunities and constraints identified by stakeholders affecting current and future housing provision in the District is provided below. Further detailed records of the engagement are located in Appendix 2.

Opportunities

- Infrastructure in the District has good capacity and is considered above average compared to neighbouring districts
- Council is in the process of revising the Development Contributions Policy, which presents an opportunity to provide rebates to incentivise affordable and medium density housing
- Developers are considering medium density and mixed-use development in central Feilding
- Significant demand for 1 and 2 bedroom typologies, despite current supply being predominantly 3 or 4 bedroom typologies

- Calls for Council to investigate ways to work more collaboratively with the development sector, such as using key account managers for larger developers/developments
- There is some Council land that has been identified that could be explored for future infill and greenfield housing development, for example obsolete playing fields and Council golf course respectively.

Constraints/weaknesses

- Existing housing supply in the District is not meeting demand
- There is a lack of papakāinga and affordable rental housing in the District
- There is a lack of suitable urban land for all housing typologies. Precinct 4 adjacent to Feilding is likely to be a market housing development with limited opportunities for the delivery of affordable or other housing typologies
- Development contributions are high compared to surrounding Districts and urban areas, which creates challenges for the financial viability of development
- The resource consent process is complex, time consuming and risky
- Poor quality resource consent applications are submitted to Council and there is a reliance from the market to use the process to lift the quality of applications, translating into increased time and cost risks
- Public transport system between Feilding and Palmerston North is limited. As a result, higher density development in the District needs to be centred around local amenities and health facilities
- Northern Manawatū and some other areas of the District have not had adequate infrastructure investment in recent years, with investment focused on the growth associated with Precinct 4.

PART C - DEVELOPING A HOUSING PROGRAMME

The following section outlines the priority areas that have been identified through the assessment and also interventions that Council could consider adopting to work towards achieving improvements in the housing sector. It is recommended that these form the framework for the development of a housing programme for the Manawatū District.

12. Priority Areas

The outcomes of TPG's assessment, as provided in earlier sections of this report, have identified the following priority areas that should be focused on to address the housing issues currently facing the District.

Priority Area 1: A District Wide Urban Development Framework – growth plan

In order to increase the supply of housing, it is critical that the areas available and suitable for urban development are identified alongside an assessment of whether these areas are adequate to meet the anticipated demand. Whilst there has been assessment of the capacity for growth in Feilding resulting in the rezoning of Precinct 4, further assessment of capacity in the rural settlements is also required to give a District wide approach to planning for growth. This should be incorporated as part of the District Plan review currently underway.

The housing assessment has identified that there is currently evidence of increasing large lot subdivision and the sale of vacant properties occurring in the rural areas of the district. A more planned and co-ordinated approach to how these areas are released for development is required to ensure appropriate infrastructure can be provided and highly productive soils are preserved.

As outlined in Section 2 of this report, the recently released NPS-UD requires high to medium growth councils to undertake detailed planning and reporting to determine that there is sufficient development capacity, that is infrastructure enabled and feasible, to meet the needs of New Zealand's growing population. Whilst the Manawatū is not identified as a Priority 1 or 2 district in the NPS-UD, the Council's decision to meet the requirements of a Priority 2 Council is supported to ensure there is a comprehensive plan for growth in the district.

It is recommended that Council work with Palmerston North City Council in meeting both Council's obligations under the NPS-UD, as it is likely that strategic planning for growth and capacity modelling will demonstrate the interdependencies between the District and Palmerston North City with regard to housing and employment.

Building on the existing workstreams by Council's District Planning team, it is recommended that consideration is given to developing an integrated and district wide urban development framework that builds on from the capacity and growth analysis undertaken for Feilding and encompasses the following key elements:

- Analysis of the future housing needs of the district based on both population growth and likely economic drivers, including identification of areas where demand is likely to be focused and where it should be focused to encourage sustainable growth. For example, key worker housing

- Identification of land suitable for urban development taking into consideration the need to preserve highly productive soils
- A review of the infrastructure requirements to facilitate the growth areas identified and those areas where growth should be focused to maximise the investment in infrastructure. In addition to utilities and transport infrastructure, this should include consideration of the broader the social infrastructure required to support growing populations, such as open space, community facilities and public transport. Many of these elements have been identified as being sought by communities in the engagement undertaken previously in the development of Community Plans for many communities in the District.

Priority Area 2: Investigate ways to encourage medium density development

As identified in the market assessment, there is currently unmet demand for medium density housing (1-2-bedroom dwellings) in both market housing and in the provision of social housing. The need for higher density forms of housing in existing urban areas is also important within the context of preserving rural lands for food production.

It is recommended that a review of the barriers to providing medium density housing is undertaken to identify the actions Council can take to support this type of development. In addition to the review of the development contributions currently underway, this should include:

- A review of the suitability of the planning framework to support medium density
- Analysis of development feasibility to identify the conditions required for the market to deliver medium density housing, including the current review of Council's Development Contributions Policy
- Identification of the areas suitable for medium density development.

Priority Area 3: Identify partnership opportunities

As outlined in this assessment there are a number of different stakeholders that need to be involved in addressing the issues facing the housing sector in Manawatū. It is recommended that Council identify and work with these stakeholders as part of the development of a housing strategy. This could include:

- Working in collaboration with the Horizons Regional Council, Waka Kotahi and neighbouring Council's to identify and prioritise critical infrastructure required to unlock development potential and growth
- Working in collaboration with MCT and also other potential CHP's for the district, such as The Salvation Army, to explore opportunities for improving the community housing provision and consideration of alternative management arrangements. Noting that currently MCT, as a CCO is not eligible for the IRRS subsidy
- Working in partnership with Māori to explore opportunities to enhance Papakāinga housing (refer to Priority Area 4 below).

Continue to work with the development community and landowners to understand and address current issues in providing quality and suitable housing developments.

Priority Area 4: Identify mechanisms to supporting Papakāinga Housing

As identified through stakeholder engagement there is a need to support the provision of Papakāinga Housing in the District. It is recommended that Council build on its current Māori partnership model and engage with local iwi, Te Puni Kōkiri (The Maori Housing Network) and MHUD's Māori Housing Unit – Te Kāhui Kāinga Ora to determine how Council can support and enhance the capacity of Māori housing providers through opportunities for development partnerships on Māori-owned and other land.

Priority Area 5: Investigate ways to increase the supply and quality of public housing

This assessment has identified a significant increase in demand for public housing in the District and no meaningful additional supply to address the gap. The housing programme will need to identify ways in which the Council can support an increase in public housing supply on either Council owned land or in partnership with the housing sector. This could include the following:

- Undertaking an audit of Council owned land to identify any properties that could support community housing developments
- Investigate potential for long term strategic acquisitions to expand the opportunity for Council to undertake or enable housing development projects
- Identify opportunities for Council, either through partnership with a CHP or Māori, to create an example of quality, medium density, public and affordable homes that are well-connected to transport, employment and other essential facilities and services
- Establish a working group with Kāinga Ora, HUD, Māori and CHPs to support this sector to provide quality housing.

Priority Area 6: Incorporate a wellbeing approach to the development of a housing programme

It is recommended the housing programme be developed in an integrated way which adopts a wellbeing approach to understanding housing needs. This would include ensuring areas identified for housing development are serviced by appropriate social and community infrastructure, the housing typologies encouraged meet the socio-cultural needs of the population profile and overall improvements to quality of housing is improved to achieve improvements in health and wellbeing. This could be achieved through the preparation of an integrated Housing and Community Needs assessment that feeds into the District Plan review and planning for community infrastructure (refer to Appendix B for an example of this approach).

13. Strategic Responses – Defining the role Council can play

The following section provides an overview of the recommended strategic responses (or actions) that could be employed to address the priority areas identified above. In order to address the key issues identified it is important to establish what role Council can play and the range of interventions or tools that Council could consider. It is recommended that the following framework is used as a guide to identify and confirm the key actions to employ and/or leverage upon existing initiatives in the preparation of a housing strategy.

| | Interventions | Policy and strategy development | Approvals process | Property development and management | Infrastructure investment | Stakeholder engagement and facilitation |
|----------|--|---|--|--|---|---|
| Outcomes | Increasing supply of housing | Enabling new housing areas and increased density through District Plan changes Housing Policy Development | Establishing efficiencies in consent approval processes | Investigating the use of council land for social housing development and expanding offering under a CCO structure | Identifying and enabling infrastructure investment to realise development potential | Working with industry stakeholders to understand the barriers to housing development |
| | Providing capacity for future needs | Undertaking demand and capacity analysis as required by NPS_UD Identification where capacity is best located to ensure feasible and sustainable outcomes | Providing support to housing developers/providers navigating the approvals process | Council investment in areas that could accommodate future growth needs | Undertaking infrastructure analysis as required by NPS_UD Ensuring the renewal of Council assets to support growth | Provide on-going support to CHP's and other agencies that deliver housing, including potential partnerships with Kāinga Ora |
| | Improving affordability | Mandating polices that incentivise provision of affordable housing in areas of need | Reviewing development contribution policies and rates Considering 'global consents' for prefabricated housing | Investigate how council could develop or manage affordable housing Explore partnership models | Consider how the cost of infrastructure provision can be managed without impacting house prices | Working with industry stakeholders to establish joint strategies to address affordability |
| | Mana whenua outcomes | Mandating polices that support Māori housing outcomes Taking a <i>te ao</i> Māori worldview within policy development | Provide support to Māori navigating the approvals process | Investigate partnerships with Māori to deliver housing outcomes Supporting treaty obligations and growing iwi asset bases | Identifying and enabling infrastructure investment to realise development potential on Māori land | Engage with Māori to better understand housing needs |
| | Well being outcomes | Mandating polices that require high quality living environments Using a place based approach | Set a high standard through the approval process for the delivery of quality homes | Manage community facilities in a way that supports the needs of increasing populations/densities | Invest in adequate community and social infrastructure to support the needs of increasing populations/densities | Engage with the community to better understand housing needs |

FIGURE 17: IDENTIFICATION OF INTERVENTIONS THAT COULD BE EMPLOYED BY COUNCIL

14. Recommendations and next steps

For Council to have a meaningful role in improving the affordability and quality of the housing in the Manawatū, a housing programme should be established that outlines and endorses a range of strategies across all of Council's functions.

Development of a housing programme should include an integrated approach that not only seeks to increase the supply of housing but also applies a wellbeing focus to the provision of housing, ensuring that new homes are supported by adequate infrastructure and meet the needs of the community.

The next steps in developing a housing programme include:

1. Confirming the role that Council will play in increasing housing supply and in encouraging affordable housing choices. Noting that stakeholder engagement indicates the wider community sees Council's role as an enabler in the supply of housing, including affordable and social housing
2. Confirming and workshopping the key objectives/outcomes that the programme will seek to achieve. Based on the analysis provided in this report key outcomes that should be considered include:
 - a. A clear urban development framework that plans for the delivery of sufficient residential land supply to support the anticipated demand whilst ensuring the retention of highly productive soils and adequate provision of infrastructure
 - b. Overall improvements to housing affordability
 - c. Supporting and enhancing the capacity of Māori housing providers through opportunities for development partnerships on Māori-owned and other land.
 - d. Delivery of housing that meets the needs of the community and enhances community wellbeing
 - e. Advocate and support increasing the supply of public, emergency and transitional housing for vulnerable members of the community
 - f. Alignment and integration of housing, Māori, social/community infrastructure provision and well-being outcomes.
3. Identification of the range of interventions, tools and levers the Council will use to influence the housing market and prioritise areas for action.

GLOSSARY

| Term | Definition |
|--------------------------------------|---|
| Accommodation Supplement | MSD payment to low income individuals and families who have high housing costs. The payment currently subsidises the housing costs of around 11% of the total population. |
| Affordable housing | A resident household spends no more than 30% of its gross income on housing costs, whether rent or mortgage. |
| Alternative housing | Housing that is not public housing e.g. housing in the private market. |
| Base | Current number of public housing IRRS places e.g. 67,228 as at 30 June 2018. |
| Buy-in | Purchase of an existing or newly-developed property by a housing provider for the purposes of increasing the public housing supply. |
| CHP | Community Housing Provider – a housing provider (other than Housing New Zealand) that provides community rental housing and/or affordable rental housing. |
| Chronically homeless | Homeless for longer than 1 year, or Experienced 4 or more episodes of homelessness within the last 3 years and the combined duration equals a year or more. |
| Community Housing Organisation (CHO) | A housing provider not registered with the CHRA. Example: <i>Accessible Properties</i> , which is New Zealand’s largest nongovernment - community housing provider, owning and operating almost 2000 units - across New Zealand. |
| Community Housing Provider (CHP) | A housing provider (other than Kāinga Ora) that provides community rental housing and/or affordable rental housing. Registered by CHRA. |

| Term | Definition |
|---|--|
| Community Housing Regulatory Authority (CHRA) | <p>CHRA works with CHPs who wish to provide quality community and/or affordable rental housing for those in need. Our role includes registering CHPs as well as engaging with registered providers to monitor their performance and intervene if required. Read more about what we do.</p> <p>Assessing CHPs who meet the prescribed eligibility criteria.</p> <p>Registering CHPs who meet the eligibility criteria and who demonstrate the capacity to meet the Performance Standards.</p> <p>Maintaining an up to date register of registered CHPs which is accessible to CHPs, tenants and the public.</p> <p>Note: Regulatory framework for the community housing sector was introduced in April 2014. Needs assessments and associated functions were transferred from HNZ to MSD.</p> |
| Emergency Housing SNG (EHSNG) | <p>The purpose of the EHSNG is to help individuals and families with the cost of staying in short-term emergency accommodation (motels, hostels, campsites etc) if they are temporarily unable to access of MSD's contracted transitional housing places.</p> |
| Homes. Land. Community (HLC) | <p>Now part of the new government entity Kāinga Ora, Homes and Communities, HLC (formerly Hobsonville Land Company) was responsible for management of the development of integrated urban communities. The company was established in 2006 to develop the former Hobsonville Air Force base into a new township.</p> |
| Housing First | <p>The Homeless Hub (Canada) defines Housing First' as a recovery-oriented approach to ending homelessness that centres on quickly moving people experiencing homelessness into independent and permanent housing and then providing additional supports and services as needed.</p> |
| Housing Support Products (HSPs) | <p>A range of individual products designed to assist people to achieve or sustain accommodation in the private housing market by addressing barriers to access. Delivered by MSD to help people move from public into alternative housing; to meet needs not covered by other forms of assistance.</p> |

| Term | Definition |
|---|--|
| Housing and Business Land Capacity Assessment (HBA) | The National Policy Statement on Urban Development Capacity (NPS-UDC) requires local authorities with a high- or medium growth-urban area in their jurisdiction to complete a housing and business development capacity assessment (HBA) at least once every three years. The HBA is to provide a clear picture of the current state of demand and capacity for housing and business land. |
| Housing New Zealand (HNZ) | Now part of the new government entity Kāinga Ora - Homes and Communities, Housing New Zealand was responsible for the provision and upkeep of New Zealand's public housing. |
| Income Related Rent (IRR) | IRR is calculated based on a client's assessable income and their household type. Public housing providers (HNZC and CHPs) then charge this rate as rent to the client (market rent = IRR + IRRS). If the calculated rate of IRR is higher than the market rent for the property, the housing provider will charge no more than the market rate as rent for the property. |
| Income Related Rent Subsidy (IRRS) | A top-up payment to housing providers (HNZ and CHPS) to bridge the difference between client's income-related rent calculation and the market rent of the property. Market Rent = IRR + IRRS. |
| Insecure housing | Living in dwellings or shelters not necessarily designed for human habitation but which are occupied. |
| Kāinga Ora - Homes and Communities (Kāinga Ora) | Formed in 2019, Kāinga Ora incorporates the functions of the former Kiwi Build Unit, Housing New Zealand and its development subsidiary HLC. It works with other government departments (MHUD and MSD) deliver public housing and undertakes government led urban development projects. |
| Longer-term housing | Accommodation solution which is longer than three months and is sustainable for the client. |
| Ministry of Housing and Urban Development (MHUD) | The Ministry of Housing and Urban Development plays a lead role in helping individuals, family and whānau have healthy, secure and affordable homes that meet their needs. |

| Term | Definition |
|--------------------------------------|---|
| Ministry of Social Development (MSD) | Ministry of Social Development (MSD), manages all applications for public housing, assesses housing need, administers income-related rents for public housing tenants, delivers other social services, and provides accommodation support to people in need living in the private sector. |
| Social Housing Register | <p>The Social Housing Register represents the unmet need of people known to be eligible for public housing but cannot be placed. The Register includes applicants assessed as eligible for public housing who are ready to be matched to a suitable property. Applicants are assessed as <i>Priority A</i> or <i>Priority B</i>:</p> <p>A = People who are considered ‘at risk’ and includes households with a severe and persistent housing need that must be addressed immediately. The household is unable to access and/or sustain suitable, adequate and affordable alternative housing.</p> <p>B = People who have a ‘serious housing need’ and includes households with a significant and persistent need. The household is unable to access and/or sustain suitable, adequate and affordable alternative housing.</p> <p>Some definitions include a requirement that <i>public housing</i> is owned by Central or Local Government, but this is not necessarily the case. Most often, public housing does receive direct subsidies from government to meet operating expenses or capital costs, or even both.</p> |
| Social Allocation System | Needs assessment tool used by MSD to assess housing need and eligibility for public housing. |
| Social housing | <p>Social housing is rental housing subsidised by Central or Local Government, Community Housing Providers (CHPs) or other community housing organisations (CHOs) e.g. trusts or iwi groups - for individuals and families whose housing needs or circumstances are not adequately provided for by the private sector. Social housing is allocated based on need via the Social Housing Register (MSD). The provision of assistance with housing to those who cannot otherwise meet their own housing needs, prioritised mostly to those with the greatest unmet housing need.</p> <p>Public housing</p> <p>Public housing refers to social housing provided by any sector, including private – but subsidised in some way by the Government (HUD uses the</p> |

| Term | Definition |
|---------------------------|--|
| State housing | <p>term 'public' housing). They may be paying income- related rent or market rent.</p> <p>Note: MSD uses the term 'public' as excluding government-subsidised private rentals e.g. private tenants receiving the AS.</p> <p>State housing refers to public housing owned and managed by HNZ. State housing is allocated based on need via the Social Housing Register (MSD).</p> <p>Most tenants in state/public housing pay Income-Related Rent (IRR).</p> <p>Dispute over the use of the term 'social housing' in lieu of 'State housing' (or 'public housing') is, in part, an ideological dispute around what those involved consider an appropriate role of the State in housing markets.</p> |
| Special Needs Grant (SNG) | <p>Is a grant to help individuals and families with the cost of staying in short-term accommodation (motels, hotels, campgrounds) if they are temporarily unable to access one of the Ministry's contracted transitional housing places.</p> |

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Draft Wellington Region Housing and Business Land Capacity Assessment

Appendix 1: Feedback from Stakeholder Engagement



Opportunities

Water, wastewater and stormwater services and infrastructure in both Feilding and surrounding townships would be considered above average with good capacity.

Council have begun revising their development contribution fees, with a possible rebate to incentivise affordable and medium density housing development being considered.

Papakāinga housing is provided for within the District Plan, with Council's current key area of concern is whether the applicant is providing for onsite services.

Kāinga Ora has expressed interest in land located centrally within Feilding for development to consider medium density housing.

Availability of Council owned land that has been identified as possible greenfield development.

Option to collaborate with developers, through discounted development contributions if land is made available to the Manawatū Community Trust.

Developers are considering medium density and mixed-use development within Central Feilding although this is currently high risk as there is limited market evidence of demand. It is also financially risky because of the current cost of development contributions.

Significant demand for 1- and 2-bedroom typologies, with current supply being predominantly 3- or 4-bedroom typologies being constructed.

Investigation of ways Council could work more collaboratively with the development sector. For example, establishing an internal key account manager to be a single point of contact to assist with larger developments.

Constraints

Housing supply is not meeting demand. There is also a lack of Papakāinga and affordable rental housing in the District.

There is a lack of urban land for all housing typologies. Precinct 4 in Feilding has enabled growth potential for traditional housing typologies; however, this area would not be considered affordable.

Development contributions are disproportionately high in the District compared with surrounding districts. This has been a limiting factor to development.

Delays in consent processing times, has historically meant that holding costs for developers throughout this phase have been a substantial cost. The planning process has been described as complex, time consuming and risky. Conversely, there have been poor quality resource consent applications.

Local consultants and planners have limited knowledge of medium density and affordable housing developments and, as a result, developers are looking outside of the region for support.

The public transport system between Feilding and Palmerston North is somewhat restrictive, and as a result higher density development needs to be centred around local amenities and health facilities.

Investment in new infrastructure has been focused on Growth Precinct 4 in Feilding, with other parts of Feilding and the Manawatū having had less focus in recent times. Northern Manawatū is of particular concern with limited infrastructure spend.

Appendix 2: Example of an integrated approach to a Housing and Community Needs Assessment



Housing needs assessment

The purpose of the Housing Needs Assessment is to identify current and emerging housing issues in the Manawatu District (District) to establish a robust information base to support future discussions and enable planning by Council and stakeholders to address the gaps in supply across the housing continuum.

- What is the current pipeline/capacity to supply new housing?
- Is there capacity to meet anticipated population growth?
- What are the gaps in supply across the housing continuum?
- Where are the areas of residential growth located?

Integrating Social Impact Analysis

What are the housing needs based on the community/demographic profile, for example:

- Culturally appropriate housing typologies (e.g. allowing for intergenerational or co-housing options)
- Age/life stage appropriate housing mix (e.g. allowing for downsizing and aging in place)
- What are the housing solutions for the mobile population? (e.g. holiday homes etc)
- How can provision of housing start to address levels of housing stress?

Community infrastructure needs assessment

What are the community infrastructure needs required to support the future housing needs? For example, where there is a shift towards smaller households and smaller more compact housing typologies, these should be located in proximity to adequate services, open space and education infrastructure in order to be successful.

- Is there adequate community infrastructure in areas identified to supply new housing?

Integrating Social Impact Analysis

What are the community infrastructure needs to support the future direction of housing provision, for example:

- What is the impact of moving to denser living environments and smaller housing types? (e.g. reduction in private open space)
- How can these impacts be addressed through housing design and infrastructure provision? (e.g. access to improved public open space).