

Shamubeel Equb for QLDC: Summary of Evidence, Inclusionary Housing Variation

Economics

1. I have been involved with the Inclusionary Housing Variation proposal being considered by QLDC since 2020. I prepared economic evidence on the local housing context, the policy tool, and its likely effects.
2. I found that Queenstown Lakes District has very unaffordable housing to own and rent. This is because of a shortage of housing relative to demand from those living, working, and holidaying there. That is demand is much higher than experienced in other parts of New Zealand, which also have unaffordable housing. This demand did not disappear even during the Covid-19 pandemic, which caused a deep tourism and economic downturn in the district. I do not consider tools to dampen demand in short term accommodation would lead to sustained improvement in the supply of affordable housing.
3. The rate of house building compared to the size of the local population in Queenstown Lakes District was the highest of all Territorial Authorities in 2023 and has been persistently so. That is, housing supply is running at a much faster pace compared to other parts of New Zealand. This fast pace of supply over a sustained period has not been sufficient to meet demand and unaffordable prices reflect that.
4. This means that more supply is important, but demand is so vast, that waiting for this demand to be satiated first through more general supply will mean an extremely long wait before meeting housing needs of moderate and low income households (those in the needier end of the housing continuum). This is the reason I consider it important to address both overall housing supply and targeted supply of affordable housing, a stock of which is built up progressively over time. Without progressive accumulation of retained affordable housing stock, the status quo will continue, and likely worsen.
5. The consequences of poor housing are almost always in hidden costs, often social or in other areas of cost such as mental and physical health, education outcomes, and other factors discussed in the 2018 report I co-authored for the

then incoming Housing Minister: A Stocktake of New Zealand's Housing, which are also addressed in the Social Impact Assessment.

6. Inclusionary Housing policy requires choices between well-defined beneficiaries, but less certain costs, which may be mitigated through other efforts. With Inclusionary Housing policy, we know the target group who will receive housing and benefit from the affordable housing. But we do not know for sure if house prices and rents for other groups will be higher or lower with the policy. The alternative in the status quo is that a high level of supply still leads to worsening housing affordability.
7. I believe Inclusionary Housing is the most economically efficient way to gradually increasing stock of affordable housing. Inclusionary Housing is a single mechanism for proportionate affordable housing levied on those who receive or have received planning windfall gains, within a wider set of tools to enable supply.
8. Rates is a general tool, levied on every resident, for which there are many competing uses. I would note that local authorities around the country are experiencing significant increases in rates to keep up with delivery of existing services and commitments, without adding even more demands on it.
9. In relation to the key outstanding matters of disagreement between myself and submitters who have filed evidence, the following key matters remain in contention:
 - (a) That increasing housing supply without inclusionary housing will reliably increase affordable housing stock in the district. QLDC housing supply relative to population has been persistently one of the highest in the country for decades, but has not exhausted demand yet, I do not see any compelling reason to believe this will change in the foreseeable future.

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- (b) That the benefits of the policy are outweighed by the costs. I found that the narrow economic costs and benefits favour inclusionary housing. (There were specific disagreements on the cost of labour turnover to the local economy, but I note that local businesses are beginning to invest in worker accommodation for this very reason.) The wider social and economic benefits are difficult to quantify, but the Social Impact Assessment qualified those benefits, and international studies which have quantified these benefits were substantial. Further, any costs should also be considered in the wider context of planning windfall gains, which are substantial.
- (c) That the international evidence does not support inclusionary housing. However, my considered opinion is that the literature shows conditions when inclusionary housing can be successful: when they are widely and consistently applied, long term in nature, and accompanied by wider policy settings to improve housing supply.