

# Item 1: Short-term visitor accommodation activities - Impacts on the housing market and preliminary investigations into a local act

**SESSION TYPE:** Workshop

## **PURPOSE/DESIRED OUTCOME:**

The purpose of this workshop is to:

- a) provide Elected Members with an update on preliminary analysis undertaken on alternative tools (including the development of a local act) to manage the impacts of short-term visitor accommodation activities on the district's housing availability and affordability challenge, and
- b) seek feedback from Elected Members to guide possible next steps.

## **DATE/TIME:**

Tuesday, 18 June 2024 at 1.00pm.

## **TIME BREAKDOWN:**

Presentation: 30 minutes

Questions or Debate/Discussion: 30 minutes

### **Prepared by:**

**Name:** Luke Place

**Title:** Principal Policy Advisor



4 June 2024

**Name:** Emily Irwin

**Title:** Strategic Planner



### **Reviewed and Authorised by:**

**Name:** Michelle Morss

**Title:** General Manager, Strategy and Policy



4 June 2024

## **ATTACHMENTS:**

|   |   |
|---|---|
| A | A3 Queenstown Lakes Housing Story (for pre-reading)   |
| B | Workshop presentation - Short-term visitor accommodation activities, Impacts on the housing market, Preliminary investigations into a local act |

# The Housing Challenge in Queenstown Lakes

Attachment A: A3 Queenstown Lakes Housing Story

Jun 2024



## The Problem

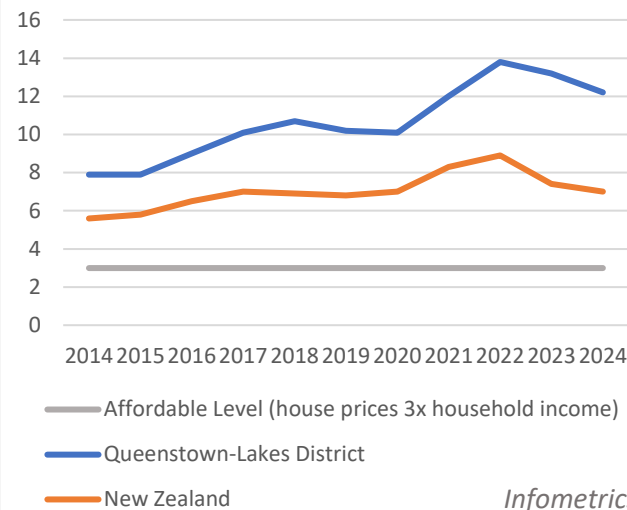
Housing is critical infrastructure, and fundamental to wellbeing, sustainable well-functioning urban areas, and development. Yet:

**1200**

1200 households are on the Queenstown Lakes Community Housing Trust waitlist (Apr-24)

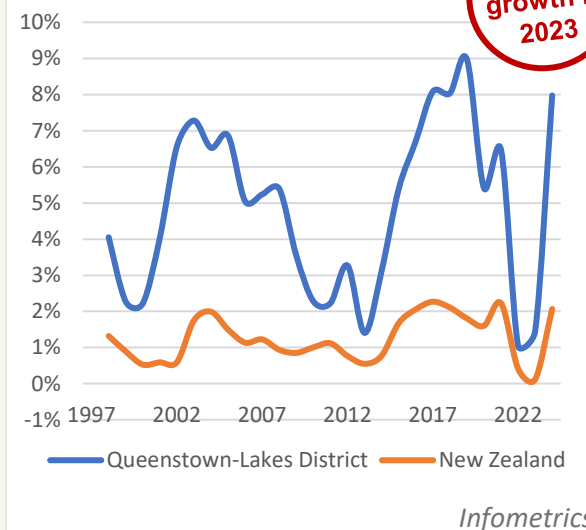
### Housing Affordability

Mean house value to mean household income ratio, March years

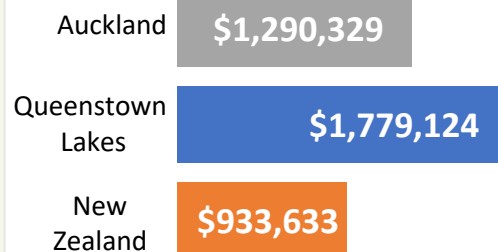


### Population Growth

Annual change, June years



### Average House Values Mar 2024



Infometrics

3.3 million unique visitor arrivals to the district (year ending June 2023), 63 visitors per resident, puts pressure on services funded by ratepayers



Destination Queenstown

## Drivers

- High demand from across NZ and overseas
- High building costs due to scale and location
- Infrastructure deficit: debt limits restrain investment needed to enable more housing
- Tension between protecting the character of the district and the landscape, and providing more and higher density homes
- Holiday homes/investment properties left empty when not in use
- Ease and profitability of short-term letting

In the year to March 2024, QLDC granted the highest number of building consents per 1000 residents of any territorial authority in the country (Statistics NZ). However, the market mostly delivers bigger, more expensive homes, and there are **not enough new affordable homes or rentals.**



Median rent in Feb 2024 was \$700p/w in Queenstown Lakes and \$600 in NZ overall

MBIE tenancy data



While the district has enough plan-enabled housing capacity, both short and long term (shown through the Spatial Plan), there is still insufficient capacity in the lower price bands

Queenstown Lakes District Housing Development Capacity Assessment 2021

## Impacts

Essential workers leave and businesses **struggle to attract and retain suitable staff**: the higher labour turnover rate is costing the local economy \$105m-\$200m a year (3-6% of QLD's GDP)

*Sense Partners 2022: The economic case for Inclusionary Zoning in QLDC*

When long term residents are **forced to leave** the district, it **separates friends and families** and disrupts social cohesion

Detrimental impacts on personal wellbeing, from **financial stress** and **inability to leave unsafe housing**

Migrants / ethnic communities report **discrimination** in the rental market

People are **living in cars** and campgrounds

Mana Whenua **struggle to house whanau** in the district and are unable to exercise their traditional practices e.g. mahinga kai

Some demographic groups can't afford to live here, impacting **diversity** and resilience

People are **forced to live further away**, creating car dependency, long commutes, more driving emissions, higher travel costs, and less safe roads

Employees who are **financially and housing stressed** are more **disengaged and less productive**, sometimes holding more than one job to make ends meet

# The Housing Challenge in Queenstown Lakes

Jun 2024



## Gaps in the data

**Public housing (subsidised by MSD):** anecdotal evidence suggests many more households are eligible than the housing register suggests

**Homelessness:** How many people, including longer term residents, are living in cars and campgrounds?

**Short-term letting:** How many houses are being used for short-term letting instead of as homes for locals?

**Empty homes:** census data is 5-yearly and imprecise. How many potential homes are vacant and why?

**Migrants:** QLD has a large migrant population. How many are struggling and ineligible for support?

**Relocation:** How many people are forced to leave because they can't find and retain suitable housing?

**Mana Whenua:** How big is the challenge to house whanau in the district?

## What we're doing

Implementing the **Joint Housing Action Plan:** Working with iwi, central government partners, and the local community, incl. on:

**Queenstown Lakes Spatial Plan:** ensuring our priority development areas are future proofed to get the best use

**Inclusionary Housing:** a proposal that new subdivisions and developments provide an affordable housing contribution to community housing providers

**Intensification and upzoning:** to enable more housing capacity, including a special purposes zone for Te Pūtahi Ladies Mile

**Supporting Community Housing Providers** like the Queenstown Lakes Community Housing Trust, with funding, land and other ways to provide affordable housing

**Advocacy and facilitating connections:** highlighting opportunities to address the causes and help build solutions

**Improving our data:** to build the case for new funding and policy support from central government and our community

## Short-term letting

Short-term letting supports our tourism industry and boosts local incomes

However, the shortage of homes for local residents is exacerbated by homes being used for short-term letting / holiday rentals

There are limits to what can be done to manage the impacts of short-term letting through existing legislation like the Resource Management Act

Our rules require everyone to register and require resource consents above a certain threshold, but it's difficult to monitor

There is insufficient data on who is letting out properties and whether they are following the rules

(see box below)

Legislative change would help us manage short-term letting

## Inclusionary Housing:

Inclusionary Housing provides a sustainable funding stream for retained affordable housing. Continued Government support and national enabling legislation could streamline this process considerably

## Private investment and community support:

- Local businesses have a role to play in supporting workers accommodation initiatives and/or directly providing housing for staff. 1 in 6 businesses who answered the March '24 Business Confidence survey already provide staff accommodation
- Community support (from individuals, community groups and businesses) is critical, e.g. for inclusionary housing and increased housing density, and everyone has a role to play in helping to address the housing challenge

## What else could help

### Updating Accommodation Supplement Boundaries:

- Using 1992 data costs some residents \$185 p/w

### Visitor Levy:

- 3.3 million unique visitor arrivals to the district (year ending Jun 2023) equals 63 visitors per resident
- In a 2019 referendum, over 80% of locals supported a 5% levy on visitor accommodation to help pay for services and infrastructure used by visitors

### Infrastructure for residents:

- To unlock housing supply, all stakeholders fund a pipeline of enabling infrastructure e.g. with GST, development contributions, a City Deal or the IFF Act

### New legislation with stronger short-term letting controls:

To manage the impacts on housing availability and monitor compliance with the rules, it should:

- Enable new options to monitor and mitigate the impacts, e.g. data sharing, restrictions or levies
- Improve compliance by working with online platforms with stronger enforcement mechanisms
- Improve consistency in regulations, e.g. healthy homes compliance for all visitor accommodation

**Investigate higher rates/levies for underutilised land, short-term letting, or empty homes:** to boost housing supply and help fund housing initiatives

# Short-term visitor accommodation activities

## Impacts on the housing market

### Preliminary investigations into a local act



# Workshop purpose and overview

**Providing an update and seeking feedback on alternative tools to manage the impacts of short-term visitor accommodation (VA)**

- What is short-term VA?
- The impacts of short-term VA
- The RMA mechanism
- Other possible tools
- A 'Local Act' as a new tool?
- Next steps

# What are short-term VA activities

## Residential Visitor Accommodation

Use of a whole house  
(including a flat)

Paying guests staying  
for less than 90 days

Not occupied by  
residents

## Homestay

Use of a house or flat

Paying guests staying  
for less than 90 days

Also occupied by  
residents

## Visitor Accommodation

Commercial VA  
operations

Camp grounds,  
hotels, motels,  
backpackers etc

# Many interrelated factors impact housing in QLD

- Population and **tourism growth**
- High construction costs (in part due to scale/location)
- Cultural/social preference for investing in property and **holiday homes**
- Interest rates, wages, and wider NZ/global economic performance
- **Tax settings** (e.g. interest deductibility, bright line test, GST)
- **Regulatory settings (e.g. healthy homes)**, residential tenancies, zoning)
- Land prices (tension between supply and protecting character and landscapes)
- Debt limits restraining infrastructure investment

# The impacts of short-term VA

- Pros:
  - Increases visitor capacity supporting our main industry of tourism
  - Higher incomes, helps pay the mortgage
  - Diversifying incomes for many locals (improves resilience)
- Cons:
  - Like holiday homes, can impact neighbourhood cohesion
  - Reduces availability of houses for owner-occupiers and renters (but by how much?)
- If homes are not used for short-term VA, will they be ...
  - Left empty for capital gains?
  - Left empty for occasional use as holiday home?
  - Sold?
  - Rented out long-term instead?



# Latest Quality of Life Data (non-residents)

Why don't you rent [your property] out to long term tenants?

|   |     |
|---|-----|
| I need it available for myself          | 76% |
| I don't want to be locked into a tenant | 26% |
| It doesn't meet healthy homes           | 4%  |
| Short-term is more lucrative            | 4%  |
| Other                                   | 23% |

# Changing Context

- New legislation is making long-term letting more attractive:
  - Ability to evict tenants and provide fixed term tenancies will reduce risk and enable landlords greater use of their property
  - Interest deductability improves profitability for long-term tenancies
  - New GST laws impose additional costs on some short-term VA type letting
- However, uncertain impact on house prices and long-term rental market at this stage

# What QLDC is doing to manage the impacts of short-term VA activities

# Managing short-term VA through the RMA

## Implementation

2017 plan change and mediated outcome

Consents continue to be granted

Registrations continue to be recorded



# Collaborating across Council, our partners and the community

- Working with central govt, ORC, Kai Tahu and the QLCHT on the JHAP, including advocating for legislative change
- Continuing to monitor and enforce the current rules
  - incl. meeting community stakeholders like the Queenstown Housing Initiative
- Ongoing communications to improve compliance, and to encourage longer-term rentals
  - incl. on our website, emails, adverts in local media, social media posts, and in Let's Talk - Kōrero Mai
- Working with Airbnb to encourage host compliance

# Investigating alternative tools

| Tool   | Description   |
|--|---|
| Rates  | <ul style="list-style-type: none"><li>• Different rating approach already applies</li><li>• Uncertain outcomes - watch-and-see Rotorua, Christchurch</li><li>• Legal considerations - rates are not intended to disincentivise activities</li></ul>                                   |
| Bylaws   | <ul style="list-style-type: none"><li>• Outside LGA purpose for bylaws</li></ul>  |
| Increase resourcing for monitoring and enforcement | <ul style="list-style-type: none"><li>• Not practicable to 'check in on' every listing on each website/platform</li><li>• Limited visibility of unlawful activity (e.g., when people exceed thresholds)</li><li>• High compliance costs, limited impact on housing outcomes</li></ul> |
| City and Regional Deals                            | <ul style="list-style-type: none"><li>• Uncertain framework and scope</li><li>• Unknown timeframes and processes</li></ul>  |
| Further PDP changes                                | <ul style="list-style-type: none"><li>• Existing challenges unlikely to be overcome</li><li>• Not practicable to relitigate</li></ul>   |
| A local act  | <ul style="list-style-type: none"><li>• Legislation that enables bespoke rules for an area: more detail on following slides</li></ul>   |



# A Local Act

- A local [Act](#) deals with matters of public interest but only affects a particular part of New Zealand, eg the [Aid to Water-Power Works Act 1910](#) and the [Masterton Trust Lands Act 2003](#)
- Local authority responsible for drafting
- Local MPs often 'in charge' of a local bill

There may be an opportunity to include a local act as part of a city deal, to enable stronger restrictions and better enforcement mechanisms



# A Local Act: e.g. New York

- A Local Act would be similar to what's been done in places like New York – bespoke regulations for a particular area
- New rules from Sep 2023 require hosts and platforms to ensure host registration and compliance with local rules
- Too soon to see impact on housing market
- Need to be careful with design/unintended consequences:
  - Unregulated black market listings
  - Step change growth in short term VA in neighbouring districts
  - Loss of affordable visitor accommodation options and income for locals

# Local act – pros and cons

## Pros (opportunities)

Overcome RMA challenges, including enabling stronger controls on short term VA activities

Could place more onus on platforms to monitor and enforce rules

Could require platforms to provide data to improve monitoring

Avoid costly RMA process

Administrative efficiencies for QLDC (vs PDP rules) i.e. fewer consent applications

Likely to be supported by a range of stakeholders

## Cons (costs and risks)

Long and complex process requiring further evidence and analysis

Central government run process – QLDC has limited influence

Economic impacts for operators

Government focused on ‘property rights’ and other reform processes

May need to modify or withdraw district plan provisions

Likely to attract opposition and national attention

# Visitor levy and a local act for short-term VA

- Both require central government legislation
- Fundamentally different purposes but complementary:
  - Visitor levy - raising revenue for services and infrastructure
  - Short term VA local act - not about revenue, designed to limit and mitigate activities
- Could be progressed together or separately
- If in scope of the City Deals framework, both could be included in any City Deal negotiations

# Possible Next Steps

- Advancing a further work programme to support a robust analysis of the viability of a local act
- Build evidence and understanding of the changing context as new central government policies are implemented
- Investigate alternative tools such as rates
- Continue to reach out to central government and other councils to build support for legislative change
- Considering the role of Visitor Accommodation controls in any City Deal negotiations