

Building Affordable Elderly Housing: How New Zealand's planning system influences market outcomes

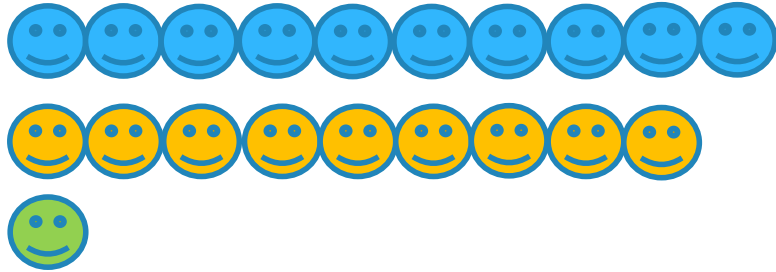
Alicia Taylor, Strategic Planner
Housing New Zealand
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Overview

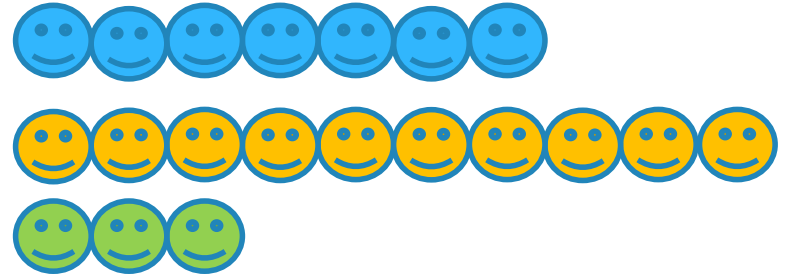
- New Zealand's changing population
- Housing elderly in New Zealand
- The influence of the RMA on development

Population changes

1911



2013



	0 – 24 Years
	25 – 64 Years
	65+ Years

Sources of income

- Many elderly have multiple sources of income:
 - Superannuation / veteran's pension
 - Salary / wages
 - Interest, dividends, rent, other investment income
- But... there is an increasing number who have no income
- Primary source for the majority of elderly
 - Superannuation

Aged Care Residential Services

- Changing population demographic has influenced growth in sectors that service the elderly
 - Aged Care Residential Services
- Overall growth in employee numbers particularly in regions with large urban centres

But... what's the problem?

- We have an aging population
- Majority rely on income provided by the state
- There has been a rise in retirement villages
- BUT... what about housing options for others?

Housing elderly in New Zealand

- Elderly need a specific type of housing
- Require good access to community, services, facilities



Housing elderly in New Zealand

- Generally few opportunities within the market
- Retirement villages and social housing two ends of housing continuum



Retirement villages

- Attractive to older people
- Provide amenity and lifestyle – whole of life experience
- Enables different housing outcomes
- Capital intensive entry / exit requirements

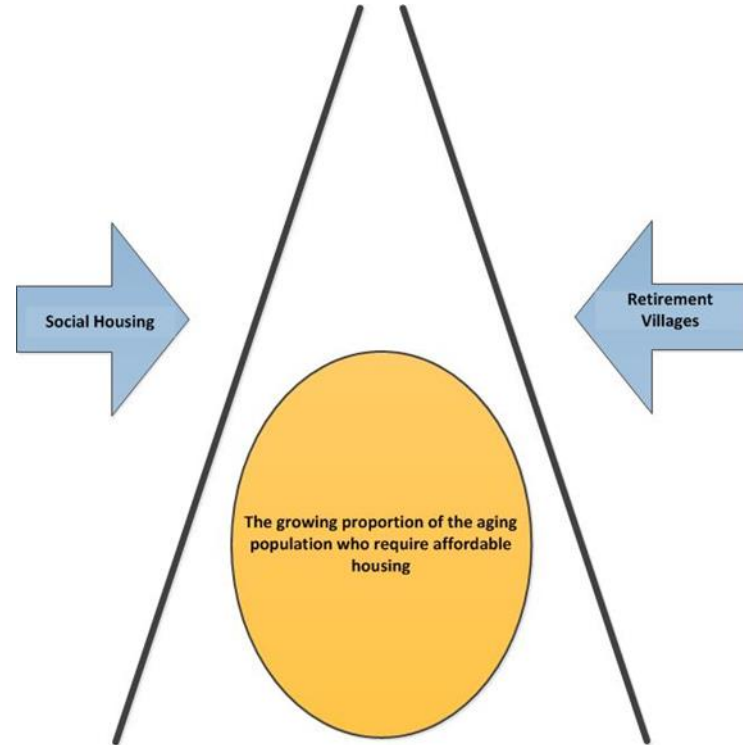


Social housing



The middle

- Growing proportion of people without capital means



Influence of the RMA

- Has influenced the building of affordable elderly housing through:
 - District planning processes
 - Land supply restrictions
- Has resulted in a market which seeks to maximise value



Elderly Housing Provisions

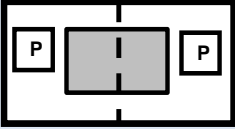
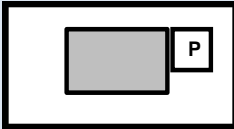
- Few councils have specific reference to elderly persons housing in district plans:
 - Christchurch City Plan



Developing affordable elderly housing

- Significant barrier to developing affordable elderly housing – DEMAND
- Proportionally, those requiring this housing still small proportion of the overall housing market
- Therefore does not encourage a market led response

Example

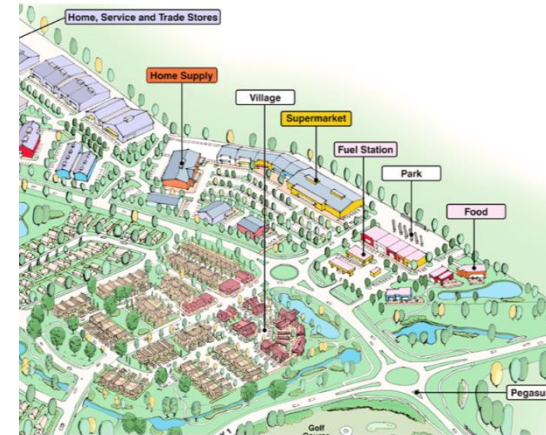
Cost	Two Bedroom Development	Four Bedroom Development
Configuration	 <p>2 Bedroom Single Storey Onsite parking GFA - 75m²</p>	 <p>4 Bedroom Single Storey Garage - internal access GFA - 150m²</p>
Site size	2 x 200m ² = 400m ²	400m ²
Gross Floor Area	2 x 75m ² = 150m ²	150m ²
Build cost / sqm	\$2550m ²	\$2250m ²
Total Construction Costs	\$382,500	\$337,500
Land Costs	\$350,000	\$350,000
Professional Fees ¹	\$38,250	\$33,750
Resource and Building Consent fees ²	\$7,650	\$6,750
Development Contributions ³	2 x 30,000 = \$60,000	1 x \$30,000
Watercare Fees ⁴	2 x \$10,500 = \$21,000	1 x 10,500
Total Charges	\$126,900	\$81,000
Contingency ⁵	\$19,125	\$16,875
Total Cost	\$878,525	\$785,375
Sale Price ⁶	\$540,000 X 2 = 1,080,000	\$995,000
Profit	\$201,475	\$209,625

Influencing future development

- Productivity Commission: RMA a key factor in driving increasing house prices
- RMA reforms seek to provide a supply side response to a predominantly demand driven issue to achieve affordable housing outcomes

RMA reforms and the market

- Proposed RMA reforms can support a future market-led response
- Masterplan new residential land supply
- Incorporate elderly into new and existing town centre environments
- Innovative planning solutions



Summary

- NZ's aging population will require particular housing typologies that are not currently supplied by the market
- Current planning rules encourage value maximisation rather than affordable housing
- The tipping point will come
- Councils will need to ensure they are able to support the market when their response comes