Before Independent Hearings Commissioners
Rotorua Lakes Council

In the matter of	**7 applications for resource consent for contracted emergency housing by Te Tūāpapa Kura Kāinga Ministry of Housing and Urban Development.** **Application References: LU24-010186, LU24-010187, LU24-010188, LU24-010189, LU24-010190, LU24-010191, LU24-010192.**

Statement of evidence by Shamubeel Eaqub

22 October 2024

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Statement of Evidence by Shamubeel Eaqub

1 Executive Summary

1.1 I am providing economic evidence on behalf of Te Tūāpapa Kura Kāinga - Ministry of Housing and Urban Development (HUD) in relation to the seven resource consent applications for Contracted Emergency Housing ('the Applications') at seven sites in Rotorua.

1.2 My overall opinion is that from an economic perspective all seven applications should be granted.

1.3 The counterfactual, if the CEH consent is not granted, is that there will still be emergency housing need, which will be met by Emergency Housing Grants (EHGs). However, meeting this need using EHGs is not a better outcome for households using the services as they do not receive wraparound support and time to transition to secure housing. The outcome is not necessarily better for the community because there isn't the same separation from other motel users nor the reassurance of additional security and wraparound services, both of which deal with perceived issues with emergency housing in motels.

1.4 There continues to be intense housing shortages in Rotorua, but there have been some improvements in supply in recent years. The improvement is due in large part to coordinated response led by relevant public services. Rotorua District Council consent data shows the increase is associated with government assistance, rather than the private sector.

1.5 Over the three years to June 2024, the number of homes (proxied by residential electricity meters) has increased by 494 units. Of this, 274 or 55% of the new supply was social housing (Kāinga Ora and Community Housing Providers, includes some redirects).

1.6 Over the upcoming period to December 2025, social housing supply will increase by more than 350 units. So, the current momentum on social housing provision will continue.

1.7 There has been progress on reducing emergency housing use (total of EHGs and CEH). EHG has fallen to historically low levels (27 households in July 2024, down from over 300 in 2021), which had been high in the lead up to the pandemic too (the issue is not new in Rotorua). CEH played an important role as an intensive buffer, and other efforts which increased supply of social housing have created homes for those who need them. As at June 2024 there was still a waitlist of 795 in Rotorua, 98% of whom are Priority A, meaning there is still a significant shortfall of social and affordable housing and investment in new housing must continue for some years to come.

1.8 While the emergency housing situation is improving, it is not yet resolved. Housing affordability and shortages remain acute. More time is needed while more KO and CHP housing is built, as well as more private housing.

1.9 If CEH is not extended, these households will qualify for EHGs and will likely access emergency housing in motels or become homeless, because there is not easily available and affordable housing as reflected in the large waitlist for social housing. CEH better deals with perceived community concerns around crime (via greater security services) and tourism perception (via separation from visitor motel users).

1.10 Submitters raised concerns around tourism (capacity and reputational effects) and crime (increase in crime). My analysis shows there are no credible effects on tourism. The capacity effect is extremely small in the context of significant spare capacity (occupancy rates are low) and Rotorua’s share of tourists has increased over the past three years, suggesting there are no credible reputational effects over the period of CEH operations. Further, reputational effects and crime are more likely to be associated with denying this consent application, because the counterfactual will simply push emergency housing households elsewhere, with less separation from tourists, less wraparound support and fewer security arrangements.

1.11 On balance, I believe a one year extension is reasonable in light of the pipeline of additional public housing, and the success to date of reducing EHGs, with the next period focussed on reducing CEH.

2 Introduction

2.1 My name is Shamubeel Eaqub, and I am an economist providing consultancy services through Eaqub & Eaqub Limited.

2.2 I am providing economics evidence on behalf of Te Tūāpapa Kura Kāinga - Ministry of Housing and Urban Development (HUD) in relation to the seven resource consent applications for CEH at seven sites in Rotorua.

2.3 In preparing this evidence I have relied on my own primary research and analysis, but have relied on data from HUD, NZ Police and Rotorua District Council. All data sources are clearly identified.

3 Qualifications and Expertise

3.1 I have worked as an economist for over 20 years at various banks and consultancies, in Wellington, Melbourne and Auckland. I have worked on economic matters ranging from social to strategic and policy contexts.

3.2 I hold a BCom with Honours in Economics from Lincoln University and I am a Chartered Financial Analyst (CFA) charterholder. I have worked as a macro-economist at the ANZ Bank in Wellington and Melbourne, as a macro-economist and financial analyst at Goldman Sachs JBWere in Auckland, as an economic consultant at the New Zealand Institute of Economic Research (NZIER), and as a Partner at Sense Partners. I currently balance a portfolio of consulting, advisory and governance roles through Eaqub & Eaqub Limited, and I am also the Chief Economist and Head of Policy at Simplicity.

3.3 My areas of work tend to focus on macroeconomics, housing, construction, economic development, economic measurement and evaluation, finance, overseas investment, and cost benefit analysis. My role as an economic consultant has included giving expert economic evidence in court and in human rights cases and arbitrations.

3.4 Relevant to this evidence, I have worked as an economist since 2001. I have provided advice on housing and social policy matters to corporates, government departments, and non-profits.

4 Code of Conduct

4.1 Although not necessary in respect of council hearings, I can confirm I have read the Expert Witness Code of Conduct set out in the Environment Court's Practice Note 2023. I have complied with the Code of Conduct in preparing this evidence and I agree to comply with it while giving oral evidence before the hearing committee. Except where I state that I am relying on the evidence of another person, this written evidence is within my area of expertise. I have not omitted to consider material facts known to me that might alter or detract from the opinions expressed in this evidence.

5 Scope of Evidence

5.1 I have been asked to address the following issues in my evidence:

(a) The context of wider changes in emergency housing in Rotorua since approximately December 2022 across the housing continuum.

(b) The net economic effects, whether positive or negative, of continuing to operate the 7 motels as contracted emergency housing, including the impact on the tourism sector from the unavailability of the 7 motels, including any "indirect" effect of tourists choosing not to visit Rotorua as a result of this.

(c) Commentary on local crime trends and any links with CEH and impacts on local property values.

6 Counterfactual

6.1 My analysis gauges the future economic impact of the consent application. The counterfactual needs to be clearly understood.

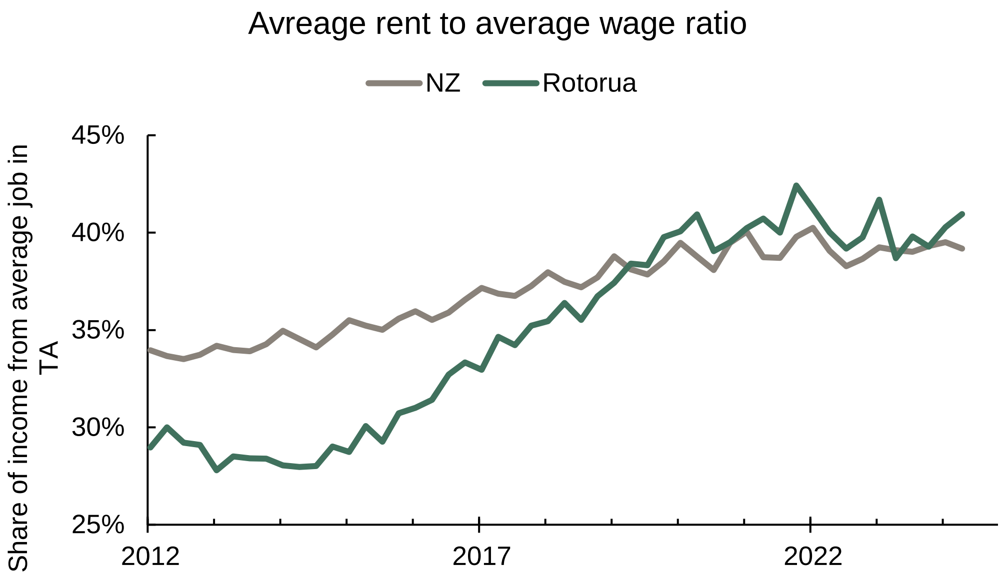
6.2 If the consent is not extended, then Contracted Emergency Housing (CEH) will cease. Those who are in CEH will qualify for EHGs. Because there is a significant shortage of suitable social housing (waitlist of 795, of which 783 or 98% were Priority A – as at June 2024), they will likely to be housed in other motel accommodation, but without key benefits of CEH: specialised wrap around services, increased security and separation into dedicated motel accommodation.

6.3 Removal of CEH will not eliminate need for emergency housing, because of Rotorua's housing market conditions (shortages of housing and affordability constraints), in addition to the overlapping and complex needs faced by EH users (that is, they face more issues than simply one of finances to afford housing).

7 Housing context

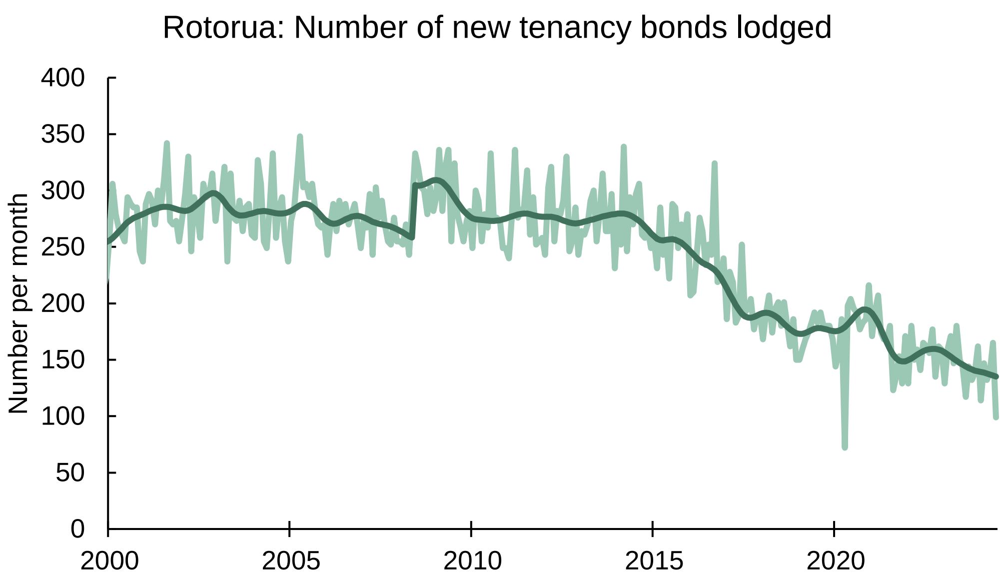
7.1 Rotorua is experiencing a housing crisis: there are not enough houses and what is available is very expensive. Figure 1 shows the impact of this on the Rotorua rental market, with prices increasing from less than a third of income from an average job in the district, to over 40% now.

Figure 1: Rotorua rent prices have increased from relatively affordable levels to less affordable than the national average



Source: Tenancy Services, Statistics NZ, S Eaqub

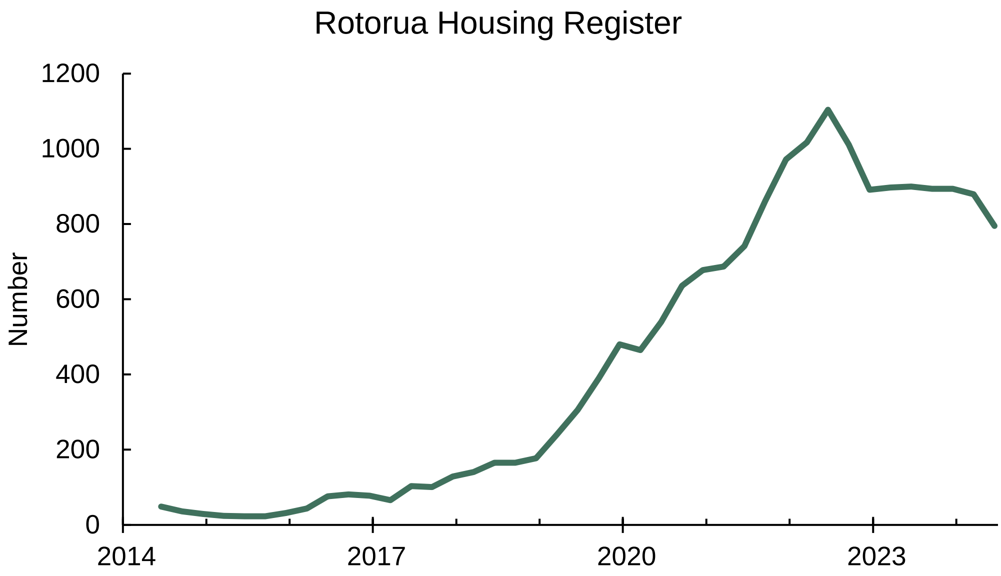
Figure 2: The availability of rentals has also reduced over time, that is, rentals have become more scarce and more expensive over time, especially since around 2016



Source: Tenancy Services, S Eaqub

7.2 The worsening in housing availability and affordability is not new. Population growth was unexpectedly fast after 2013. New supply did not respond sufficiently. By the beginning of 2016, spare capacity in the housing stock was used up and shortages began to increase rents, and this began to push up the waitlist for public housing from 2017. The housing register are those on the waitlist – who qualify for social housing (typically those with high and complex needs) but cannot be housed as there is no suitable public housing available. Figure 3 shows that the housing register continued to increase until mid-2022. There has been modest reduction since then, but clearly there remains a historically high level of acute housing need in Rotorua. I expand on these themes, below.

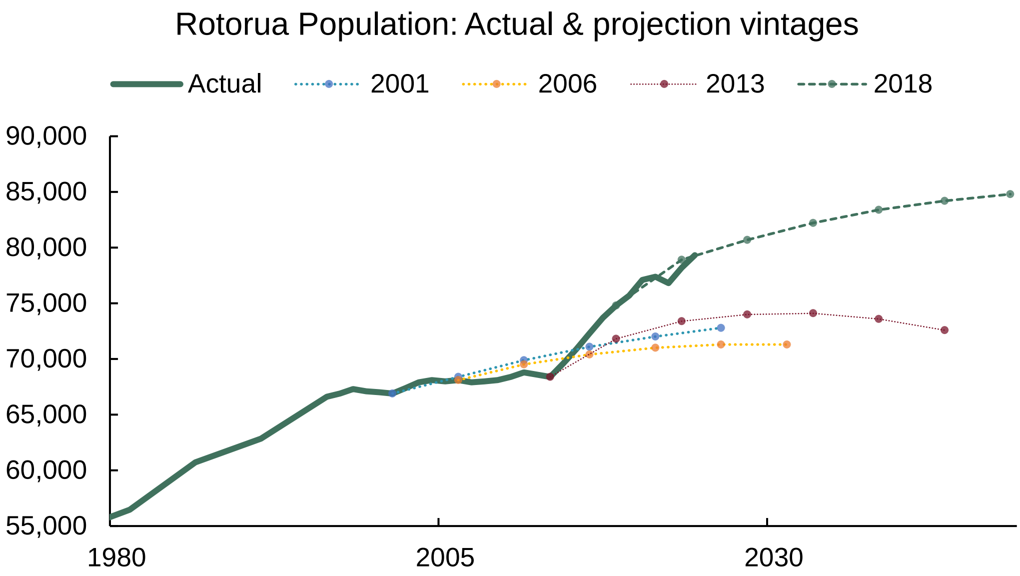
Figure 3: The housing register (waitlist for public housing) started to increase in 2017 and peaked in mid-2022, although remains high



Source: MSD, S Eaqub

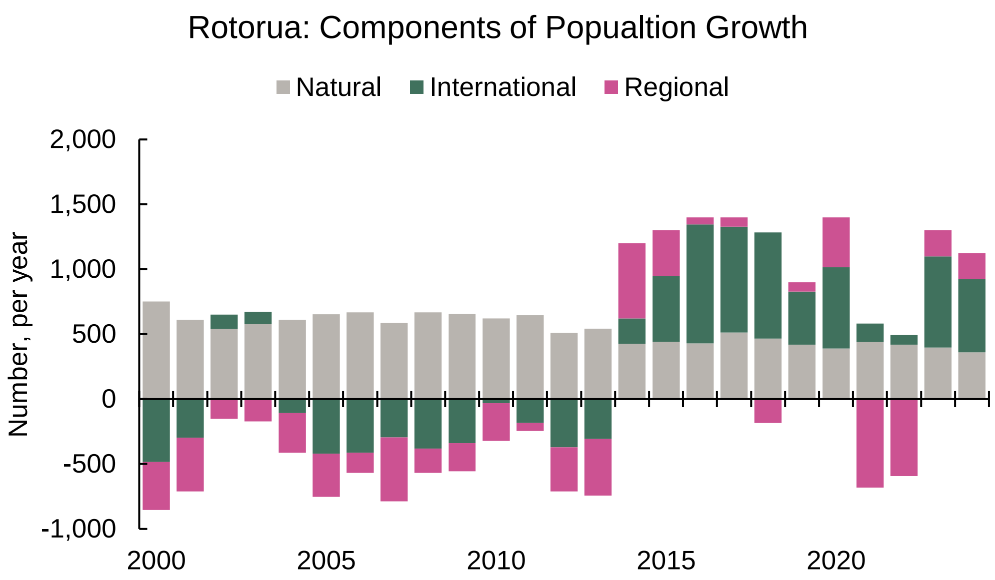
7.3 The housing crisis began with a population surge. Figure 4 shows that the surge in population since 2013 was far faster than previous two decades and in excess of previous projections. Figure 5 shows that faster population growth was due mainly to international net migration, rather than regional net migration or natural population growth (births less deaths).

Figure 4: Rotorua's population grew rapidly since 2013, well in excess of previous projections



Source: Statistics NZ, S Eaqub

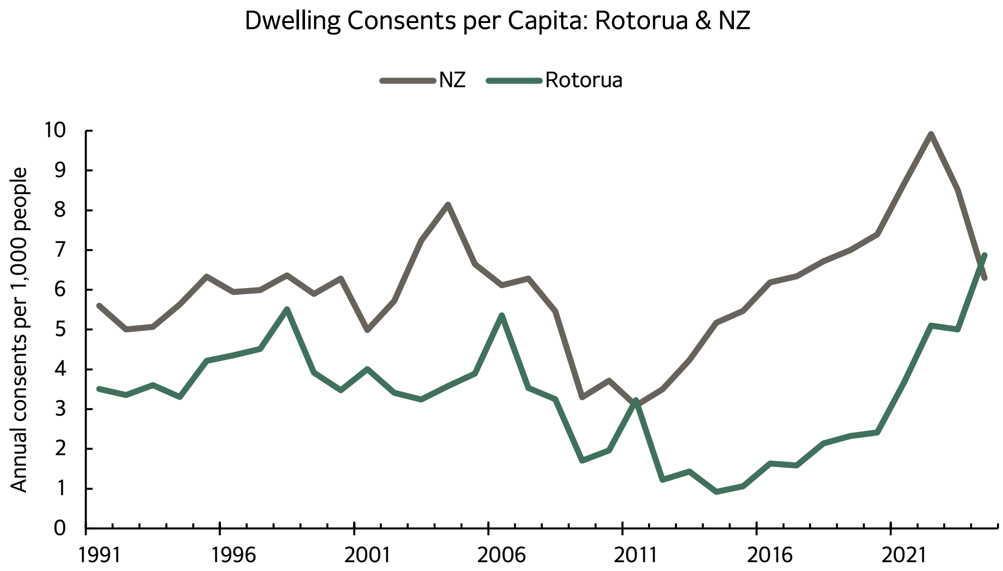
Figure 5: The surge in population growth was due to increased migration into the region, mainly from overseas



Source: Statistics NZ, S Eaqub

7.4 The increase in population equates to an increase in housing demand. But housing supply is not always responsive due to a range of well documented reasons, ranging from regulatory barriers to infrastructure capacity, and construction sector capacity and capability to respond (among others). Rotorua's housing supply has historically been modest, relative to its population, and had not really recovered following the 2008/09 recession during the Global Financial Crisis (GFC), as shown by the number of annual consents per capita in Figure 6. The figure also shows that Rotorua's housing supply is lower than the national average. It did not matter so much when population and housing demand growth was modest. But when population growth accelerated post 2013, consents did not speed up fast enough. This lack of supply responsiveness explains much of the subsequent years' experiences of housing shortages and unaffordability.

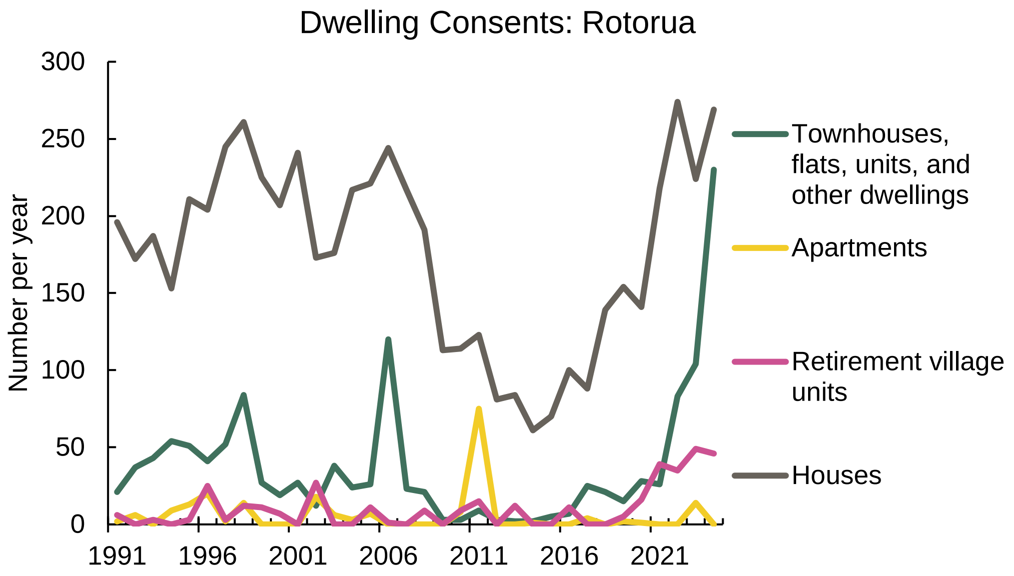
Figure 6: Dwelling consents relative to population has historically been low in Rotorua; and has only accelerated in recent years.



Source: Statistics NZ, S Eaqub

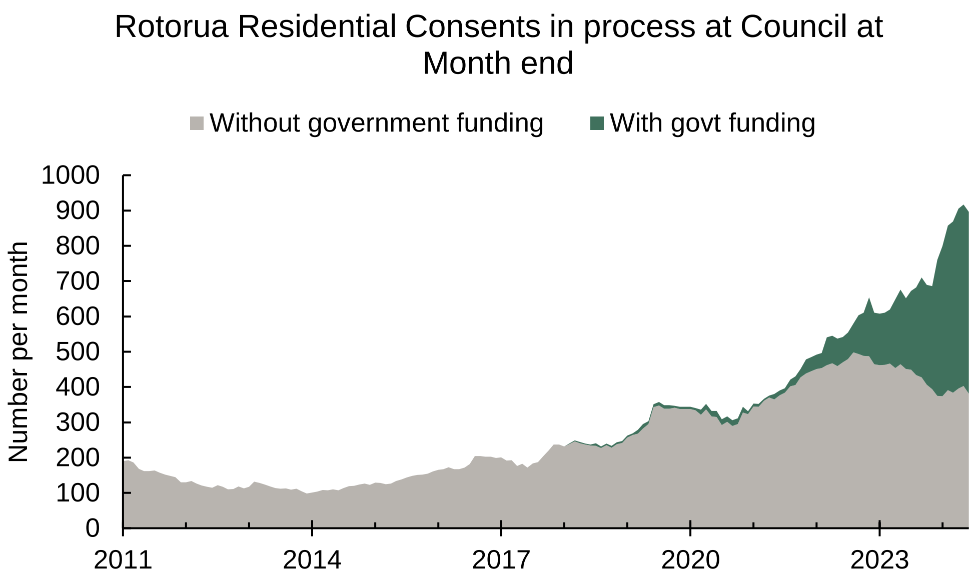
7.5 Figure 7 shows that the supply of housing accelerated sharply from 2022, especially of medium density homes (townhouses, flats, units and, other dwellings). Using data from the council on the number of consent applications in process at month end, Figure 8 illustrates the significant increase in government funding related consenting work that began in 2021. This is a reflection of coordinated public sector activity in housing supply, among a wider work programme to reduce housing stress, in which CEH has been an important element.

Figure 7: Consent issuance in Rotorua has accelerated since 2022



Source: Statistics NZ, S Eaqub

Figure 8: Consent work in the district accelerated from 2021, due in large part to government related projects

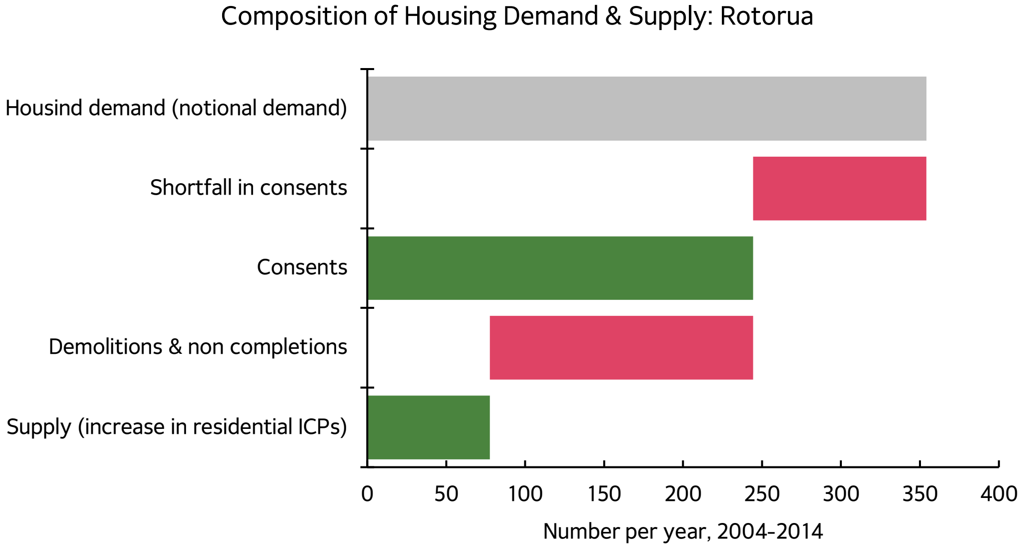


Source: Rotorua District Council, HIUD

7.6 However, consents on their own don't tell the fully story of housing supply, nor is the supply of new homes guaranteed to increased housing supply across the housing continuum.

7.7 First, the inadequacy of housing supply. Figure 9 shows my estimates of housing demand of around 354 households per year (labelled notional demand) over the decade to 2024 (the period of accelerated population growth), which is the population growth divided by household size (which I assume would continue to shrink moderately with an ageing population). Consent issuance was not quite enough to meet this demand, and housing supply (proxied by the number of residential electricity meters) was much slower at an average of 78 additional homes per year (net of any demolitions). Cumulatively, this has created a shortfall of nearly 2,700 homes (compared to long term average consent issuance of 230 homes a year, and 545 in the latest years). This shortfall in housing will not be quickly remedied.

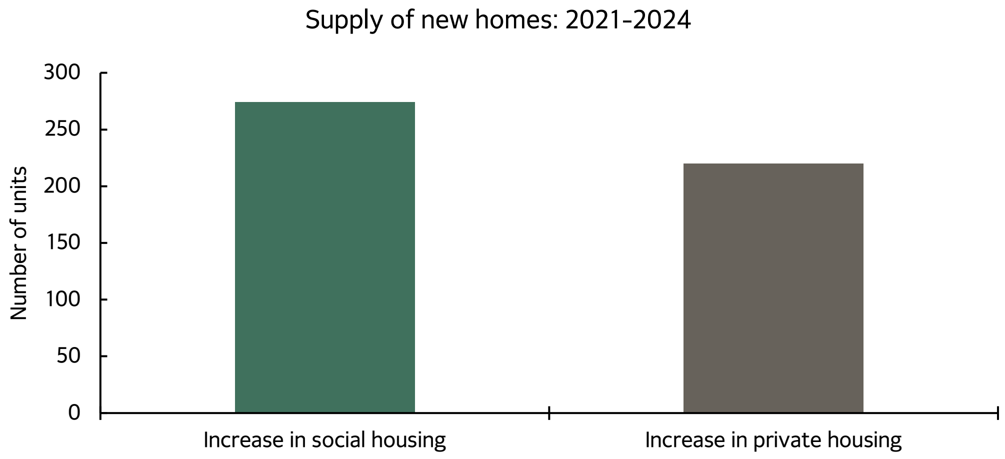
Figure 9: Housing supply has not kept pace with demand in Rotorua.



Source: Statistics NZ, Electricity Authority, S Eaqub

7.8 Second, the distribution of housing supply across the continuum. For this situation, the most important is the increase in housing supply in the public and private sectors. Figure 10 shows the increase in social housing (both Kāinga Ora and Community Housing Providers) over the three years to 2024, covering the period of increased public sector involvement in Rotorua, including CEH. It shows that social housing stock increased by 274 units (which includes some redirects) and private housing stock increased by 222. It shows that there has been success in converting the consent application activities into increased social housing.

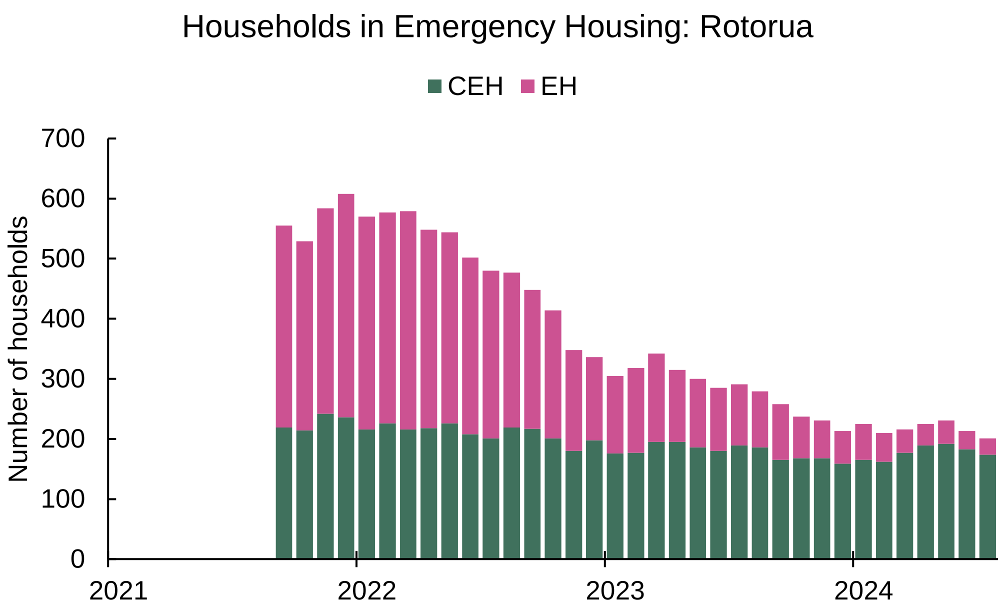
Figure 10: 55% of the increased housing stock in the last three years has been in social housing



Source: HUD, Electricity Authority, S Eaqub

7.9 The additional public housing supply has also reduced the demand for and thus the provision of emergency housing (for both EHGs and CEH). Over the course of the three years to mid 2024, number of households receiving EHGs (that is, not including CEH) reduced from a peak of 372 households in Dec-21 to 27 in Jul-24. CEH reduced from 236 households in Dec-21 to 174 in Jul-24. This shows success in reducing emergency housing, but that CEH has been an important buffer while EHG has been tackled first, and CEH remains a task to deal with in coming months.

Figure 11: Households in emergency housing has reduced, mainly those on EHG



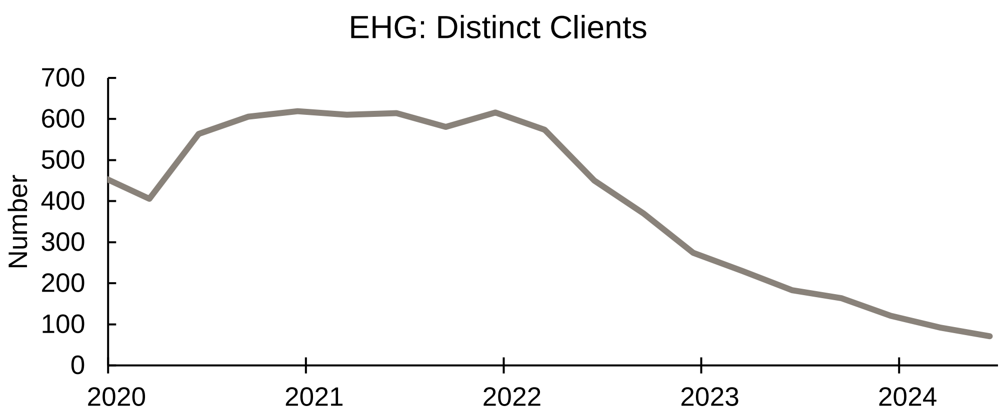
Source: HUD, S Eaqub

7.10 This is not to say CEH is not delivering positive outcomes. While Figure 11 above shows the number of households in CEH at period end, some nuance is necessary in interpreting this data. There were 27 fewer households in CEH over the year to July 2024 – affected by significant in- and out-flows. There were 284 households who entered into CEH, and 313 households who exited over the course of the year. There are a significant number of new households who face emergency housing conditions, even as those in CEH move to more secure housing. This means that while rents are unaffordable and rental accommodation is in short supply, I expect new demand will continue to arise in coming months, requiring additional public housing and affordable housing capacity.

7.11 Not everyone exits CEH to social housing. Of those we know the exit destination, 67% went to some housing solution (social housing, private rental, or other arrangements), 30% exited due to changes in circumstances (including leaving Rotorua) and 3% due to a lack of engagement or compliance with support services.

7.12 The recent improvement in emergency housing should be seen in longer historical context. My preferred measure of emergency housing demand is the number households who are using it. However, I only had access to this data from Sep-21. Historical data is for distinct clients (that is individuals), but it is useful to understand that the emergency housing need in Rotorua is a long-standing issue and puts the recent reduction in context. Figure 12 shows that EHG has fallen substantially since the coordinated public sector response to housing issues in Rotorua, of which CEH played an important role since 2022.

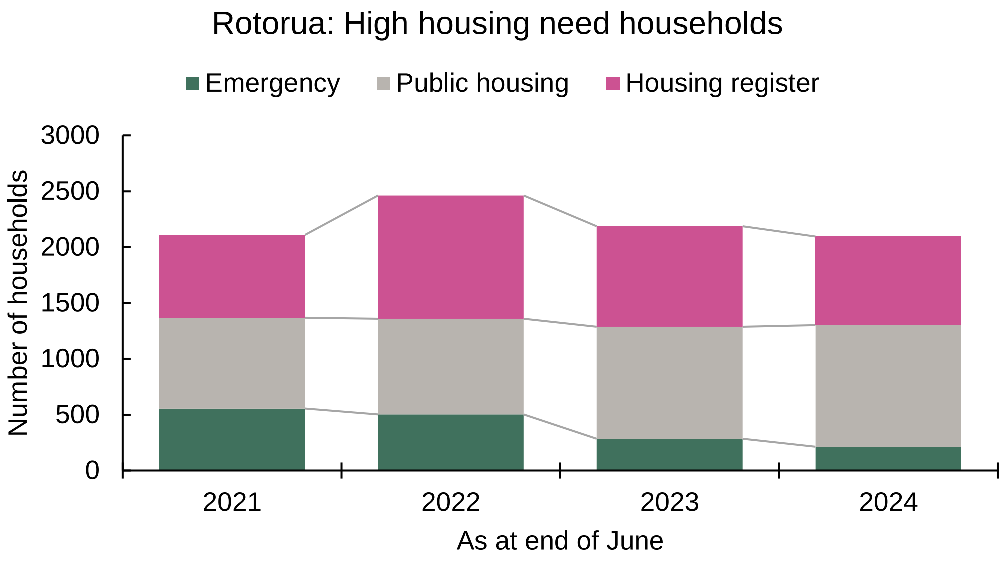
Figure 12: EHG use has reduced significantly sine 2022



Source: HUD, MSD, S Eaqub

7.13 This progress in reducing EHG use is important but needs to be seen in the wider context of elevated acute housing need. Figure 13 shows those in emergency housing (EHG and CEH), public or social housing, and those on the housing register), and that the quantum of high housing need in Rotorua remains elevated. The increased supply of social housing (and housing in the private market) has helped to reduce both the housing register and number of people in emergency housing. But more time is needed to reduce them further, and to allow that time to continue the positive momentum achieved in the last two years.

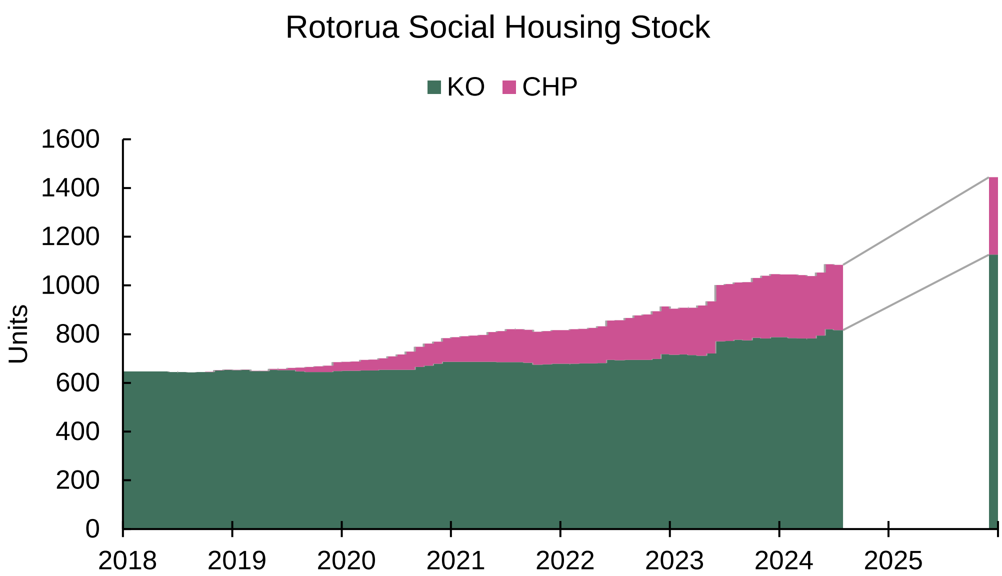
Figure 13: Acute housing need has reduced, as more have been housed in the social and private sectors, but the quantum of need remains high



Source: HUD, MSD, S Eaqub

7.14 I have high confidence that the current momentum will continue. Projects underway and pipeline of activities will continue to increase the social housing stock by 350 units until this consent, if granted, expires at the end of 2025. This projected increase in social housing (with some likely upside from Kāinga Ora), alongside private sector housing provision, should reduce emergency housing to low levels.

Figure 14: Social housing stocks is set to grow further to the end of 2025



Source: HUD, MSD, S Eaqub

7.15 My assessment of the housing situation is that the unexpected rapid growth in Rotorua's population has led to housing shortages, because supply was not responsive. But supply is now picking up, due in large part to coordinated public sector activity. This has also led to a substantial reduction in EHG, and a more moderate reduction in CEH use, which has played a significant 'buffer' role. This consent seeks an additional year of CEH, which would allow the current momentum in public housing supply to grow the necessary housing stock to allow a more orderly transition away from CEH.

7.16 The alternative would be an immediate increase in EHG, which would not have the benefits of increased wrap-around services, increased security arrangements, and separation from tourist accommodation.

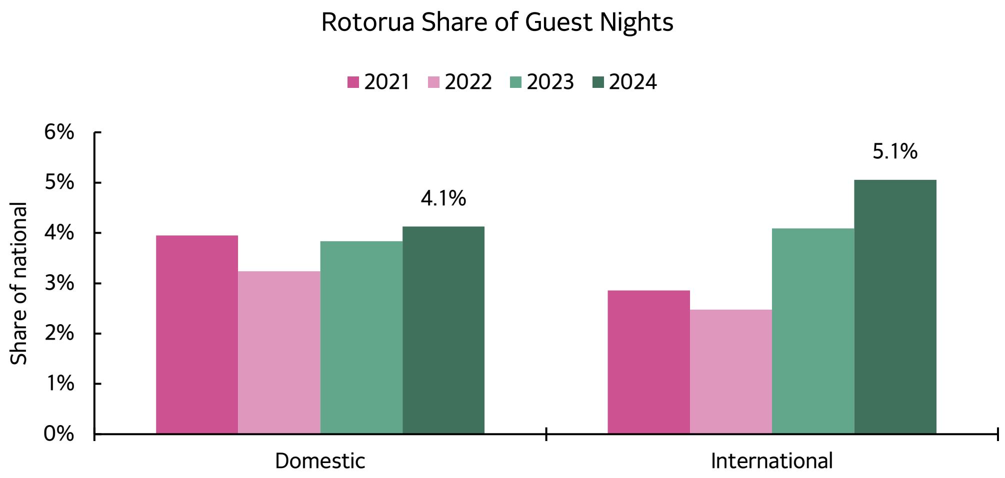
8 Tourism

8.1 Submissions on this consent application have suggested two themes: a negative effect on Rotorua's tourism sector from reputational effects; and reduced tourist accommodation capacity.

8.2 Reputation is difficult to measure with accuracy, but it is possible to measure the *effect* of reputation alongside other factors. Commercial accommodation data gives one way to check for this. If there were persistent reputational effects, Rotorua would lose market share to other parts of New Zealand, or the NZ average.

8.3 Guest night data for 2021 to 2024 June years does not show a persistent effect. Rotorua's share of both domestic and international guest nights fell in 2022 (noting that it was during the pandemic and borders were still closed) but recovered in 2023 and was at higher than pre-pandemic levels in 2024. Data prior to 2021 is not comparable, due to changes in surveys (from an official Statistics NZ survey which was discontinued, to a private and incomplete survey since 2021).

Figure 15: Rotorua's share of tourist nights has increased, suggesting no strong reputational effects

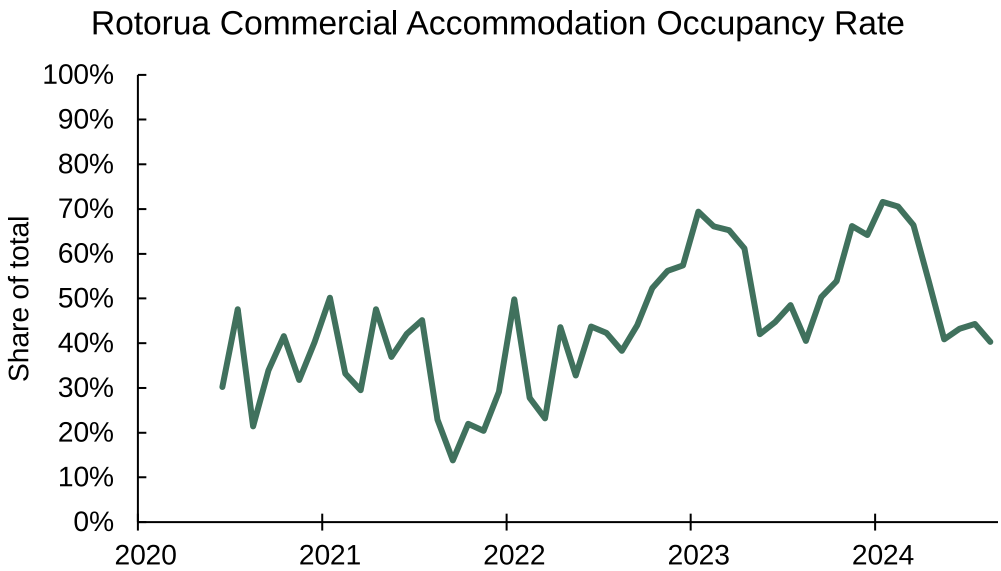


Source: MBIE, S Eaqub

8.4 It is not clear to me how the submitters are connecting CEH with reputation effects. Increased wraparound services for CEH residents, increased security arrangements at CEH and separation from tourist accommodation should reduce any perceived reputational effects compared to EHGs, which is the counterfactual if this consent is declined. I do not see any evidence of reputational effects of CEH over the last two years while CEH has been in operation.

8.5 On tourism accommodation capacity, I do not see any pressing challenges. Rotorua does not have a tourism capacity issue. Tourism accommodation (commercial and short stay) occupancy rate was 71.6% in Jan 2024, the summer peak, and 44.3% in July 2024, the latest data available (from MBIE's Commercial accommodation data). This data is shown in Figure 16 and clearly there is ample spare capacity even in peak periods.

Figure 16: Rotorua does not have a commercial accommodation capacity problem



Source: MBIE

8.6 For large motels and apartments (greater than 20 units), summer peak occupancy was 76.2% in Feb 2024 and 46.1% in July 2024. For smaller motels and apartments, the occupancy rate was 84.6% in Feb 2024 and 50.7% in July 2024.

8.7 For short term rentals the peak occupancy rate was 59% according to AirDNA, a specialist short term rental accommodation data provider. The latest is 56% as at September 2024.

8.8 From a capacity perspective, 7 motels in CEH does not present a constraint for Rotorua's tourism market. There is ample spare capacity in the accommodation sector.

8.9 The counterfactual is also an important consideration. If this consent application is declined, the CEH residents would qualify for EHGs and occupy non-CEH commercial accommodation units.

8.10 I do not consider tourism capacity to be a constraint in Rotorua.

9 Crime

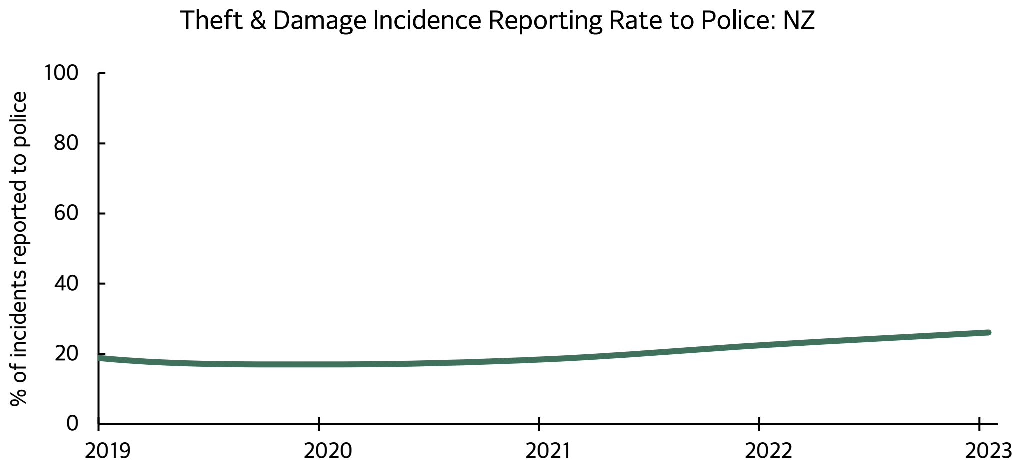
9.1 Submitters have also pointed to increased crime in Rotorua. As before, the counterfactual is critical to understand. If this consent application is declined, there will be more EHG use, versus CEH which has more wraparound services, increased security and separation from tourists. On balance, the risk to me appears to be of greater risk to crime or perceived safety if the consent is declined (that is, more EHG rather than CEH).

9.2 In my analysis of the NZ Police reported crime data, I did not find any strong reason or correlation to attribute the changes in reported crime in Rotorua with CEH. There is no consistent correlation with the rate of CEH or EH use, nor with location of CEH motels.

9.3 I obtained from NZ Police (through an OIA) reported victimisations (count and Crime Harm Index score) at the District and CAU levels. I prefer the use of CHI over simple count, because it doesn't make sense to add retail theft counts with violent assault for example.

9.4 However, this data needs to be interpreted cautiously as not all crime is reported, and reporting rates change over time. For example, retail crime reporting has increased with greater ease through new technology (for example Auror). Figure 17 shows that the reporting rate for theft & damage has increased from 17% in 2020 26% in 2023. Looking at crime reported to the Police alone may conflate *reporting rates* with *level of crime experienced* in the community. This data is not available at small geographic areas or with high frequency.

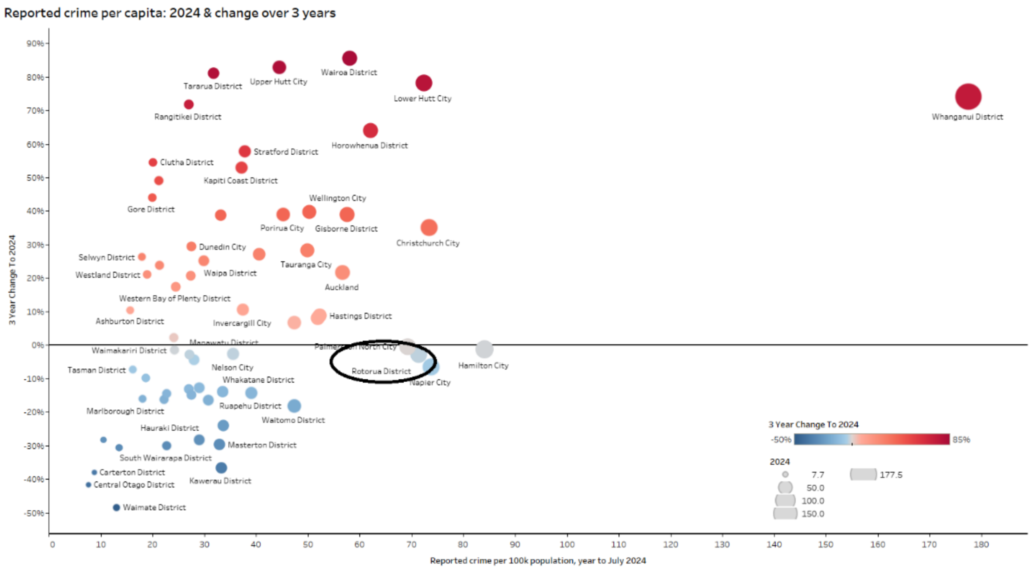
Figure 17: Theft & damage crime is being more frequently reported



Source: MoJ

9.5 At a high level, the reported number of crimes to the Police are high in Rotorua relative to population, but it has not increased over the course of the last three years. On a per capita basis, reported victimisations in Rotorua is high and similar to Napier, Hamilton, Palmerston North, Christchurch and Lower Hutt. The experience of the last three years is mixed. In the July-22 and Jul-23 years, reported victimisations increased. The rate fell in the Jul-24 year and was lower than it was in the Jul-21 year.

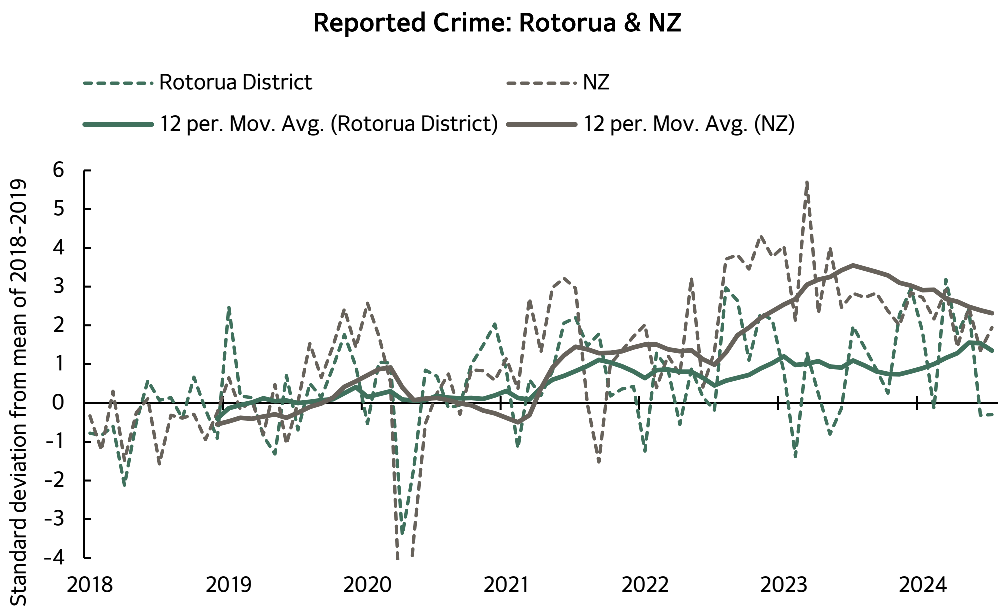
Figure 18: Rotorua experiences relatively high levels of crime, but it has reduced recently



Source: Statistics NZ, NZ Police, S Eaqub

9.6 Figure 19 shows that reported crime rose across the country from 2021. NZ and Rotorua are shown as deviations from the 2018-2019 average (or the z-score), the period before pandemic related restrictions in 2020. After increasing through to early 2023, reported crime has moderated across the country, but remains higher than pre-pandemic levels. Rotorua experienced a similar profile: reported crime rose post-pandemic, but less so than the national experience. As at July 2024, reported crimes was below the average for 2018-2019.

Figure 19: Reported crime rose across the country, more nationally than in Rotorua



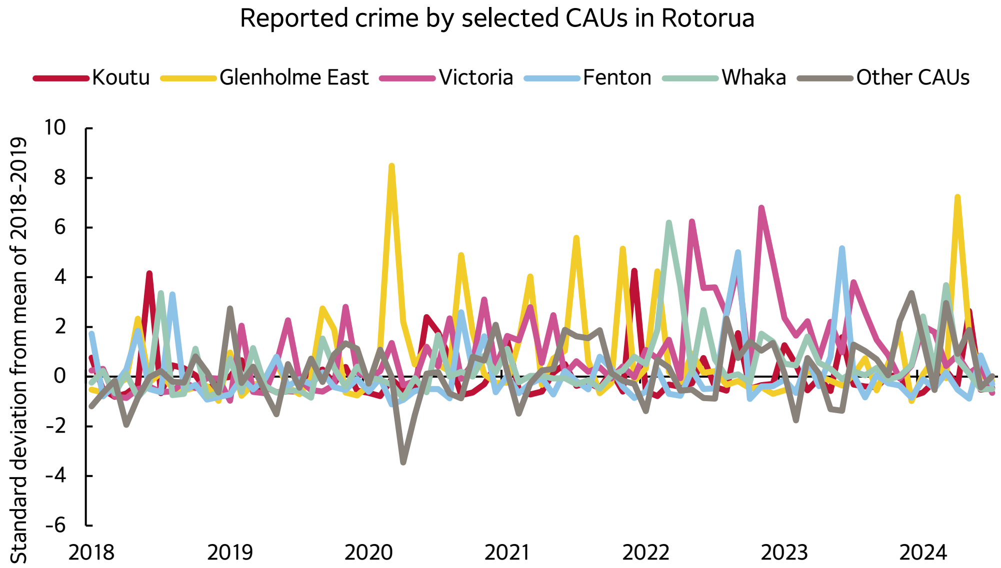
Source: Statistics NZ, NZ Police, S Eaqub

9.7 Attribution to EH or CEH is complicated, as detailed data (at Census Area Unit level) shows higher rates of crime in the urban centre (also the experience in Hamilton or Napier for example) and the drivers of crime are complex, which are not always geographically contained. While crime can be compared by regional council and territorial authority, they are less meaningful in smaller localities.[1] That is, we cannot assume that all the causes of a crime located in a small geographic area can be attributed to drivers located entirely within that locality. There can also be reasons for high reported crime in some locations, such as the location of retail premises in the urban core.

9.8 I would advise caution in using the very small geographic area disaggregation, as the counts in each month are often very small and thus prone to significant variation, making any analysis of trends and thus association with CEH fraught.

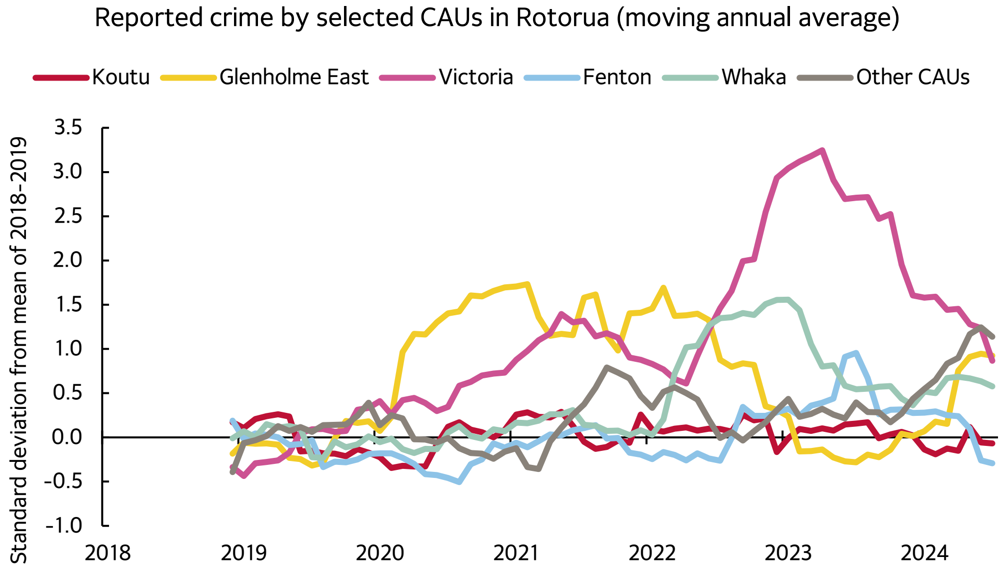
[1] https://thehub.sia.govt.nz/resources/creating-regional-crime-statistics-from-administrative-data-stats-nz-wp-13-02/

Figure 20: Crime at small geographic areas is extremely volatile



Source: NZ Police, S Eaqub

Figure 21: Annual averages show some clearer patterns, but can be affected by concentrated periods of reported crimes rather than persistent trends



Source: NZ Police, S Eaqub

9.9 I have however provided this data. It shows very little systemic pattern month to month (Figure 20), but when averaged over a 12 month window, Victoria Area Unit experienced a significant increase in crime harm, which has since slowed (Figure 21). In the year to July 2024, the crime harm (compared to 2018-2019 baseline) is highest in Area Units that do not have CEH motels. It is not clear to me that CEH location has a clear bearing on crime harm.

9.10 My interpretation of the data is: Rotorua generally experiences a greater level of crime than the national average; reported crime has increased across the country in recent years and also rose in Rotorua but to a lesser extent; and there is no clear correlation between CEH motel location and crime harm.

10 Property values

10.1 There has been also some concern that CEH may affect the value of neighbouring properties. However, limited property sales over recent years means that robust statistical analysis at the suburb level was not possible – which I would need to compare the sales values of neighbouring properties versus those further away in the suburb (enjoying similar amenities). For example, the Fenton Park suburb (as defined by REINZ), recorded just 34 sales in the year to September 2024.

10.2 Further the analysis is complicated by how to compare the counterfactual. If there is impact on the value of properties neighbouring CEH (known emergency housing households), it needs to be compared against all motels which may house EHG. I did not have access to a sufficient pool of sales observations to conduct this analysis.

11 Conclusion

11.1 My analysis of the Rotorua housing situation shows that the housing crisis was largely caused by a surge in population that was not met with increasing housing supply. This led to housing shortages and unaffordable housing, with an increase in the number of people in emergency housing.

11.2 A range of public-sector coordinated actions in recent years are beginning to bear fruit. Consents are increasing (much of the increase can be attributed to government funded applications) and pipeline of additional social housing will continue through to the end of 2025.

11.3 EHG usage has reduced over time from high levels, with CEH playing an important role – with more wraparound services, more security services and separation from tourists.

11.4 But the problem is not yet solved. Those currently in CEH and a large waitlist (housing register) means that there are still too many people at risk of needing emergency housing in Rotorua, until the planned supply is delivered. If the consent is declined, existing CEH households will move to receiving EHGs, which is not a better proposition. Additional time to build on the progress to date will reduce the burden on emergency housing needs on recipient households and the community.

11.5 My analysis found no basis for risks to tourism or crime. On balance, I believe the evidence points to this consent application being a net positive compared to the alternative of a premature exit from CEH, with those households immediately moving to EHG with reduced wraparound and security services, and separation from tourists.

11.6 In my opinion, from an economic perspective, consent can be granted for all seven CEH applications, for a duration of one year.

Date: 22 October 2024

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Shamubeel Eaqub