Before Independent Hearings Commissioner

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**

Statement of evidence by Will Barris

22 October 2024

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1 Introduction

1.1 My full name is William Shane Barris.

1.2 I hold an LLM and BA from Victoria University of Wellington.

1.3 I am General Manager, Partnerships and Performance at Te Tūapapa Kura Kāinga – Ministry of Housing and Urban Development (**HUD**). I have over 24 years' experience across a variety of advisory and leadership roles within the Public Service, the last nine of which have been in housing (including the last 6 years at HUD). In my current role I have overall responsibility for the day-to-day management and monitoring of housing and related services funded by HUD. This includes responsibility for Contracted Emergency Housing (**CEH**) in Rotorua since its inception.

1.4 In that time I have worked closely with HUD's Place-based Partnership Directors and Strategy Teams, other government agencies and Rotorua Lakes Council (**RLC**) to gain a deep understanding of Rotorua's housing context as HUD develops and supports housing solutions that help reduce the need for emergency housing. I am also a member of the Community Liaison Group established under the current Resource Consent conditions for CEH.

1.5 The majority of my evidence is factual in nature. However, to some extent my evidence interprets data and expresses opinions about the causes of the housing crisis in Rotorua and changes in the housing environment over the past couple of years. Accordingly, and while this is a Council-level hearing, I have read the Environment Court's Code of Conduct for Expert Witnesses, contained in the Environment Court Practice Note 2023, and agree to comply with it.

1.6 My qualifications as an expert are set out above. Other than where I state that I am relying on the advice of another person, I confirm that the issues addressed in this statement of evidence are within my area of expertise. I have not omitted to consider material facts known to me that might alter or detract from the opinions that I express.

2 Purpose of this evidence

2.1 This evidence provides an overview of the wider housing system in Rotorua, the progress that has been made and the changing context since resource consents for CEH were initially granted in 2022, and HUD's plan for the next year. It sets out:

(a) A summary of the drivers of the housing crisis and how Rotorua's need for emergency housing grew.

(b) The context in which Emergency Housing was contracted, and the other actions taken by the Rotorua Housing Taskforce at that point to support housing need in Rotorua.

(c) Progress that has been made since CEH was put into place, along with a view of the challenges that remain.

(d) Our exit strategy for CEH: how HUD will gradually reduce the number of households in CEH, alongside the number of motels in use, and how exit will be staged and managed.

3 The Rotorua Housing Crisis

3.1 In this part of my evidence, I want to look at the housing situation in Rotorua leading up to the initial granting of resource consents for CEH in December 2022.

3.2 Housing affordability and availability is fundamentally (though not exclusively) a question of the supply of, and the demand for, homes.

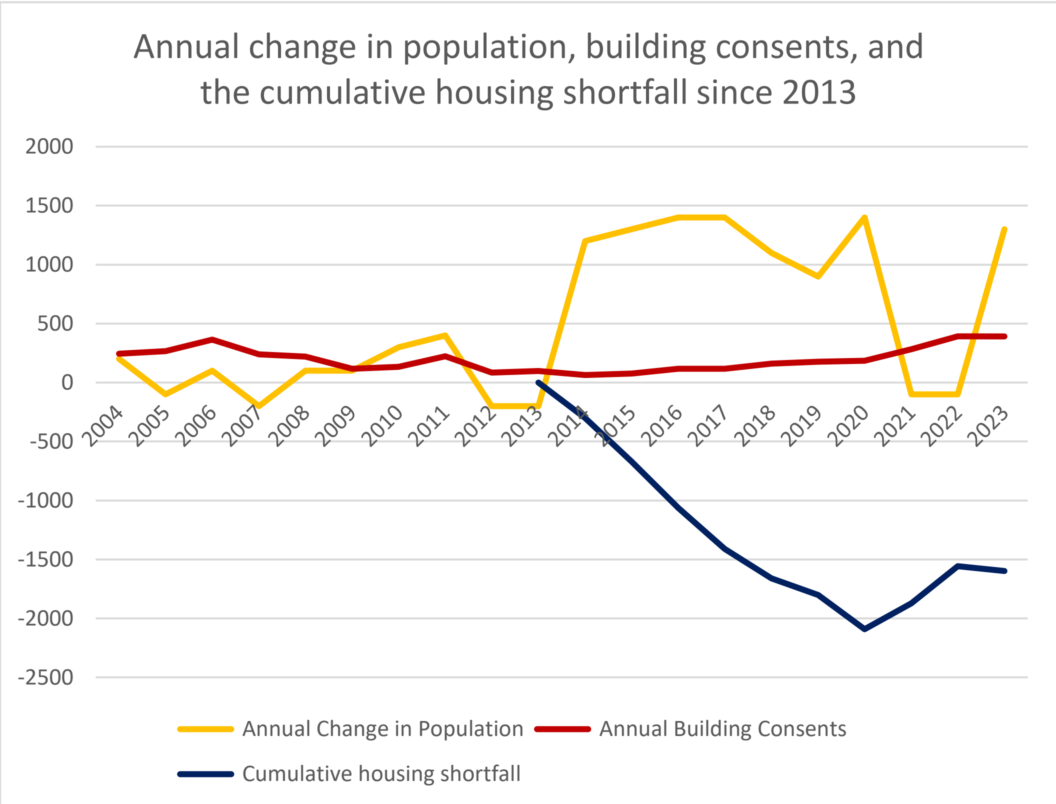
3.3 Starting around 2013, Rotorua's residential population – the 'demand' part of that equation – started to increase rapidly compared to the previous decade. Between 2003 and 2013, Rotorua grew by an average of just 50 people per year – and in 2011 and 2012, Rotorua's population shrank, by 200 in each of those years.

3.4 In 2013 the trend changed. In the 7 years from 2013 to 2020, the population increased by an average of 1250 per year, peaking at a growth of 1400 people in 2020. In 2021 and 2022 the effects of Covid-19 meant that population fell slightly each year. 2023 saw a return to trend, with population increasing by an estimated 1,400 people. That sums to a total of almost 10,000 additional people between 2013 and 2023. Estimated population growth for 2024 is not yet available, but it is very likely that growth has continued.

3.5 Housing supply did not keep up with new demand. From 2013 to 2023 around 2,000 homes were consented. Not all homes which are granted a building consent are completed, and over the same period there will have been demolitions of existing homes, so this figure overestimates how many homes were added to the supply over these seven years.

3.6 The average household in Rotorua is slightly under three people in size, meaning that the nearly 10,000 people who moved to Rotorua between 2013 and 2023 required more than 3,300 new homes – more than the around 2,000 that were consented, and far more than were actually built.

3.7 The chart below shows the annual change in estimated residential population and the number of new residential building consents issued in Rotorua each year, illustrating the step-change that took place in 2013. Taking 2013 as a baseline and assuming one year from consent being granted to homes being completed, this implies a shortage of homes peaking at 2,100 in 2020 before falling to around 1,600 by 2023 (mostly due to slowing immigration during Covid-19) – as also shown below.



Why did housing supply not keep pace with population growth?

3.8 Prior to the initial application for 13 consents for CEH, RLC acknowledged that its District Plan had not been adequately kept up to date and had been too restrictive. This contributed to an inadequate supply response.

3.9 Former Mayor Chadwick said in a letter, co-signed on behalf of Te Arawa Lakes Trust and Te Tatau o Te Arawa Board, to Hon. David Parker, Minister for the Environment at the time, that:[1]

> Council recognises that decades of limited to zero growth has meant that many planning provisions have been rolled over in successive District Plan reviews. Planning provisions are now too restricted and outdated, preventing affordable housing and limiting housing typologies needed into the future, e.g. smaller (1 or 2 bedroom) dwellings. This planning deficit has led to an inadequate supply response to the recent major shift in demand. In addition to worsening purchase affordability there is limited availability and affordability of rentals in our community, due to the lack of supply.

3.10 Infrastructure constraints and additional costs of development due to geotechnical issues have also contributed. These are covered in detail in the RLC Housing Business Capacity Assessment (**HBA**[2]), which identified a shortfall in development capacity across the district:

(a) In the short term (2020 – 2023) of 1890 homes

(b) In the medium term (2023 – 2030) of 1400, and

(c) In the long term (2030-2050) of 320.

3.11 The HBA also noted that Rotorua had a high proportion of Te Ture Whenua Māori Land and that there was a high level of uncertainty as to whether this could be developed. This reflects challenges with access to finance and limits in the district plan around papakāinga development.

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[1] Letter dated 16 December 2021 Resource Management (Enabling Housing Supply and Other Matters) Amendment Act.

[2] Retrieved from: https://www.rotorualakescouncil.nz/repository/libraries/id:2e3idno3317q9sihrv36/hierarchy/Meetings/Strategy%2C%20Policy%20%26%20Finance%20Committee/2022-02-10/Rotorua%20Housing%20and%20Business%20Development%20Capacity%20Assessment%202021-%20Main%20Report.pdf, Page 71.

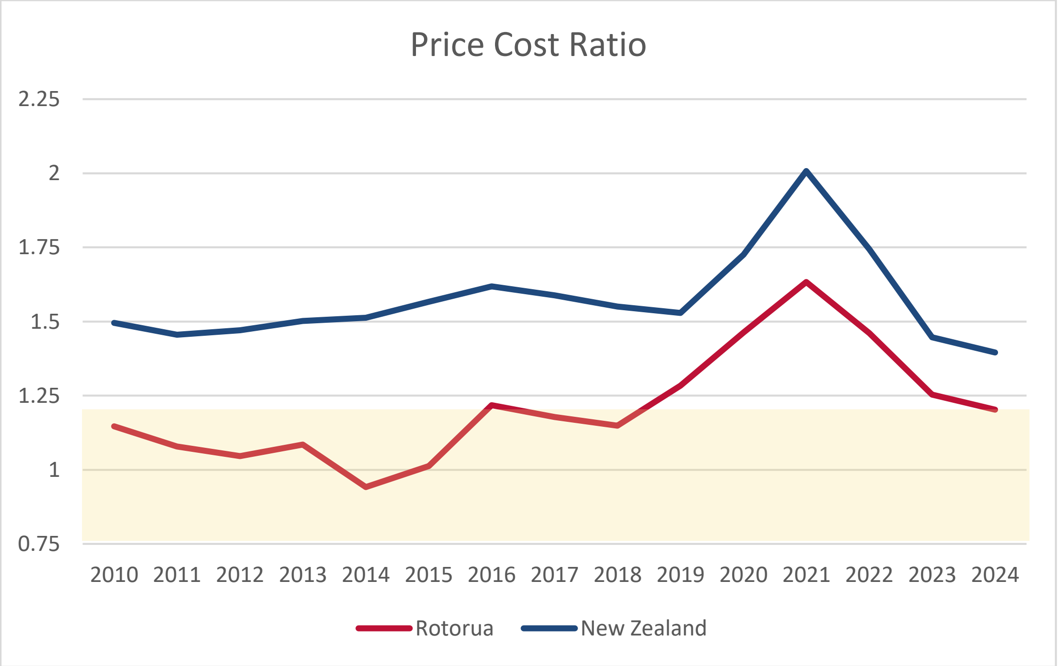
3.12 In addition to planning and infrastructure constraints, incentives to build housing in Rotorua have not been strong. Where house prices are below the cost of construction, increased demand will cause house prices and rents to rise until new homes are priced competitively compared to existing ones – though both prices and rents are constrained to some extent by the ability and willingness of purchasers and renters to pay. Developers must also earn a margin on sales in order to profit and continue to operate in the market.

3.13 The chart below shows the Price Cost Ratio (**PCR**) for Rotorua and New Zealand since 2010. The PCR shows how current house prices per square metre compare with the cost of construction per square metre.

(a) A high PCR indicates that residential development should be profitable, with a sufficient gap between house prices and costs of construction to cover land purchase, land development and infrastructure costs and developer margin.

(b) A low PCR would suggest development may not be profitable, with insufficient gap between house prices and development costs. Homes may cost more to develop than they are worth.

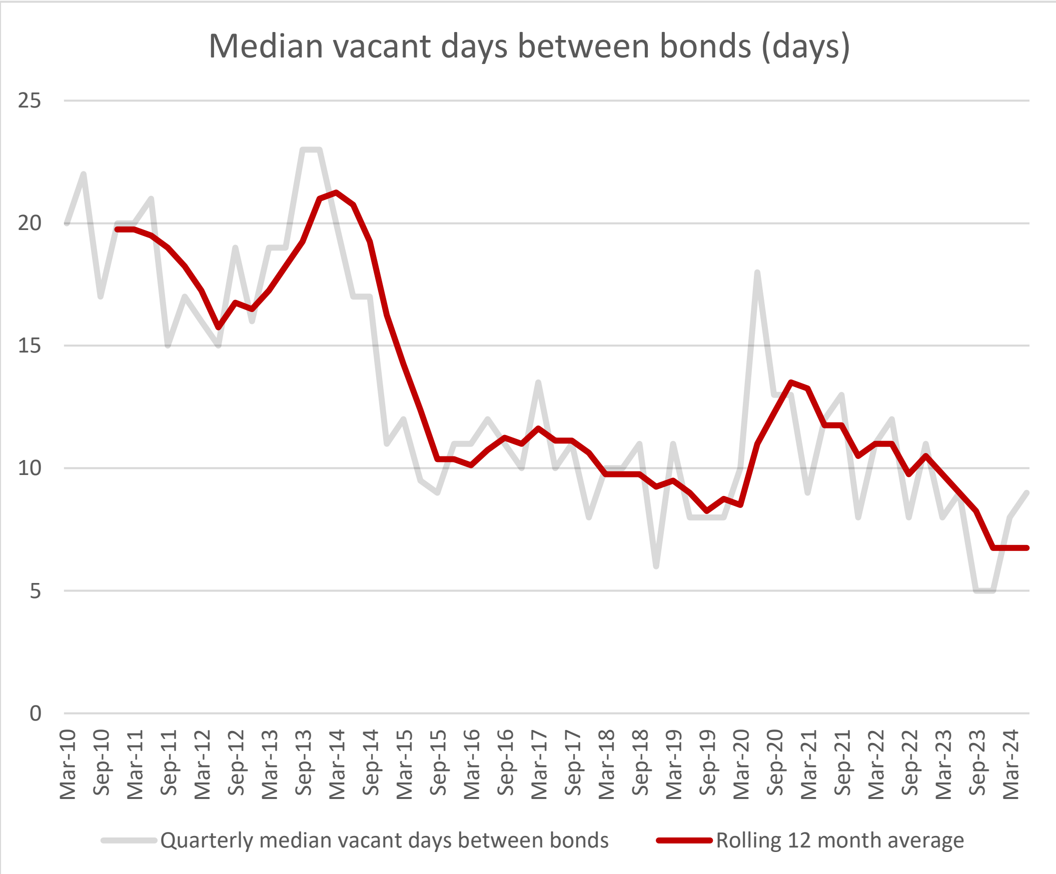
3.14 To account for delays between cost and sale and to earn a profit, a ratio of around 1.2 is generally needed to incentivise construction. The area of the chart below 1.2 is highlighted.



3.15 The combination of planning and infrastructure constraints and weak profitability for new housing meant that while demand for housing – population – increased, new housing supply did not keep up.

Effects of the housing shortage

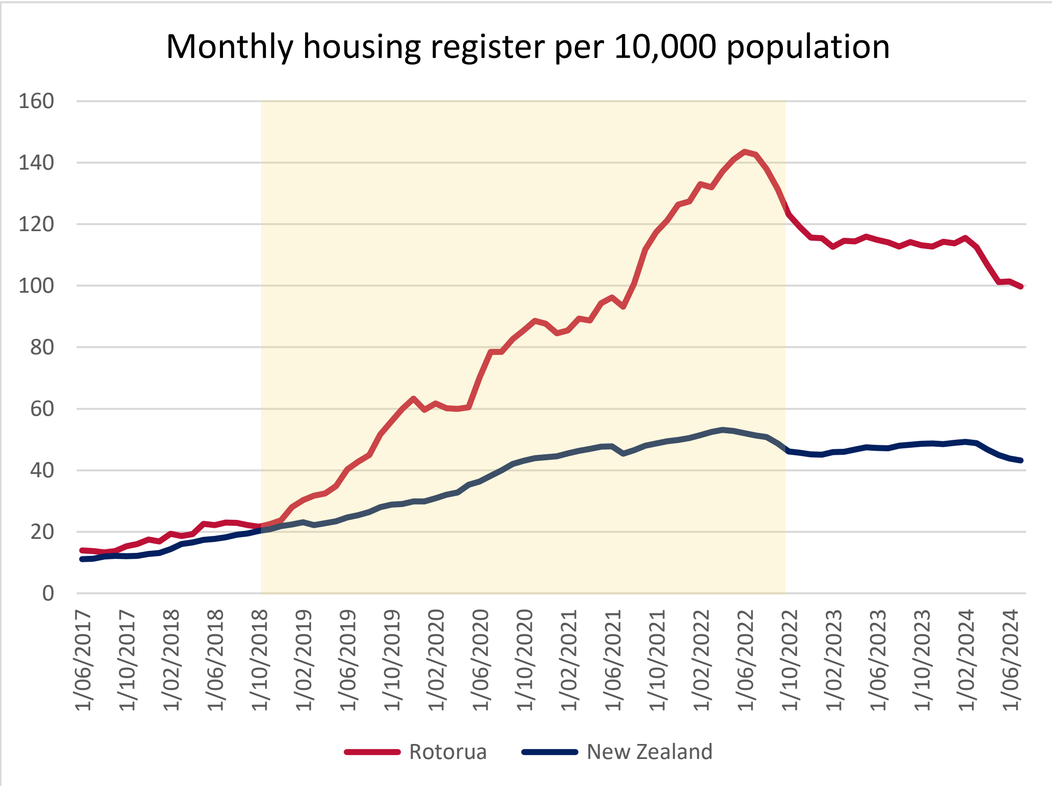
3.16 The growing shortage of homes had a number of negative effects over time. Initially, it appears that the existing stock of homes had some 'slack' which absorbed additional demand. Starting in 2014, the median number of days which rentals were vacant between tenancies – a measure of the 'heat' of the rental market – fell sharply, as shown below. This indicates that the rental market was tightening.



3.17 Starting in 2016, the tightening in the Rotorua rental market caused rents to rise relative to incomes. HUD's rental affordability index, which measures the difference in changes in rental price and median household incomes relative to a given year (in this case 2012), also worsened, while over the same period New Zealand's rental affordability improved slightly – as shown below (higher numbers on the index reflect improved affordability relative to 2012, while lower reflect worse affordability).

3.18 In addition to increased financial stress from higher rental costs, the shortfall in housing also increased the number of households living in a crowded situation. According to the 2018 Census, 7.3% of households in Rotorua were living in a crowded home, compared to 5.7% nationally. This is an increase from 5.3% in 2013 (while methodology changes mean these figures are not directly comparable, the suggested increase in crowding is consistent with a growing shortfall in housing).

3.19 Declining rental affordability flowed through into increased numbers on the housing register, which increased from 103 applicant households in mid-2017 to a peak of over 1,100 households in mid-2022. Applicants on the housing register per 10,000 population were roughly in line with the rest of the country until 2019, when they rapidly diverged (as shown below. The period between divergence and CEH resource consent is highlighted).



3.20

3.21 The shortage of housing and resulting poor rental affordability and availability eventually flowed through into very significant numbers of households in various forms of temporary, emergency housing. At the recent peak of usage in December 2021, there were 699 households in emergency housing (Emergency Housing Grants (**EHG**), CEH, transitional housing motels, and HUD contracted COVID-19 response motels).

4 The Rotorua Housing Taskforce and the beginning of Contracted Emergency Housing

4.1 In this part of my evidence, I want to briefly outline the context in which CEH was contracted and other interventions, settings changes and investments put into place around the same time.

4.2 The Rotorua Housing Taskforce (**the Taskforce**) was established in March 2021. The Taskforce was a collaborative partnership of RLC, the Ministry of Social Development (MSD), HUD, Kāinga Ora, Te Puni Kōkiri, Te Arawa, and various service providers. The aim of the Taskforce was to develop immediate short-term solutions to improve the environment for whānau receiving EHGs and the wider community, while more permanent housing solutions were developed.

4.3 The Action Plan recommended by the Taskforce and agreed by Cabinet in May 2021 included:

(a) HUD contracting suitable motels specifically for emergency accommodation with an initial focus on whānau with children.

(b) wrap-around social support services for whānau and children in contracted accommodation, and improved support for people in motels receiving an EHG.

(c) a new community-led housing hub – Te Pokapū – including a collective of social services, iwi and agencies. The core function of Te Pokapū being to triage, assess, and where necessary place people into Contracted Emergency Housing or refer people to agencies and services.

4.4 The approach recommended by the Taskforce and agreed by the Government are a bespoke solution to respond to the particular problems identified in Rotorua for whānau and children in emergency housing. This tailored place-based approach was not applied elsewhere. Through Budget 2022 funding of $147.5 million was committed to fund these actions for at least five years.

4.5 Five years was chosen at least in part by looking at the pipeline of social homes that Kāinga Ora had planned for delivery in Rotorua and the expected timeframes for their delivery. This was in recognition of the fact that without new housing becoming available there would be substantial difficulty in transitioning people from CEH to more stable forms of housing.

4.6 Resource consent for 13 CEH motels was granted in December 2022, though the Commissioners only allowed a two-year period.

Changes in settings and government investment are enabling additional housing supply

4.7 Around the time that CEH was set up, government, council and iwi, both working together through the Taskforce and independently, put in place changes and investments to add to Rotorua's housing supply.

4.8 On 20 August 2022, RLC notified Housing for Everyone: Plan Change 9. The plan change was required under the National Policy Statement on Urban Development (**NPS-UD**) and adopts the Medium Density Residential Standards (**MDRS**). Following a request by RLC, Te Tatau o Te Arawa and Te Arawa Lakes, in February 2022 the Government made an Order in Council requiring RLC to incorporate the MDRS and to use the Intensification Streamlined Planning Process.

4.9 The MDRS provisions incorporated within Plan Change 9 significantly increase the development opportunities for housing across the Rotorua urban area, including for higher density housing.

4.10 Complementing the Plan Change 9, the government committed $84.6m through the Infrastructure Acceleration Fund to improve stormwater capacity in Rotorua's central and western areas. According to RLC estimates this investment will enable around 1765 and 1320 dwellings in those areas respectively.

4.11 These actions are in addition to the shovel ready investment of $55m committed in July 2020. This investment in State Highway 30 and other key enabling infrastructure works will enable future stages of the Ngāti Whakaue Tribal Lands development at Wharenui Rise (around 1100 homes over time). Specific investment includes:

(a) $35m committed to NZTA for improvements to SH30 – work is well underway and according to Crown Infrastructure Partners is expected to be completed by late 2024.[3] The improvements, through to Wharenui Road, will address key transport constraints to future stages of Ngāti Whakaue Tribal Lands Wharenui Rise development.

(b) $20m committed to RLC for other enabling infrastructure for Wharenui Rise. This included $5m for local roading improvements and $15m for sewerage and stormwater infrastructure.

4.12 At the same time government significantly increased its investment in social, affordable and Māori and iwi housing in Rotorua.

[3] Quarterly Infrastructure Reference Group Update Q2: to June 2024. Retrieved from: https://crowninfrastructure.govt.nz/wp-content/uploads/CIP-IRG-Quarterly-Report-June-2024-FINAL.pdf

5 Changes since the prior Resource Consents were granted

Additional social housing has driven a reduction in emergency housing need

5.1 The Taskforce was succeeded in December 2022 by the Rotorua Housing Accord (the Accord), which aimed to bring together central and local government with Te Arawa and Ngāti Whakaue to address Rotorua's housing crisis, continuing the work of the Rotorua Housing Taskforce.

5.2 The Accord was organised into signatories, a steering group, and two working groups. The two working groups, comprising members from RLC, Te Arawa and Ngāti Whakaue, HUD, MSD, Kāinga Ora, the Ministry of Health and Police among others, focused on issues relating to the wellbeing of those in temporary housing and effects on the wider community, and on expanding Rotorua's housing supply. Bringing together the collective knowledge and experience of these groups kept the focus on Rotorua and enabled agencies to understand where they needed to direct their efforts.

5.3 Over the past two years government, Council and iwi have collectively driven a sharp reduction in households in temporary emergency housing, especially through adding to Rotorua's social housing stock. Since December 2022, the number of active social housing places in Rotorua has risen from 914 places to 1087 places (as at August 2024); a net increase of 173, or 19%.

5.4 Transitional Housing also increased by a net 88 places over this period, to 199 places total.

5.5 This represents a serious, concerted effort to address Rotorua's housing crisis. Over the same period (December 2022 to July 2024), the total stock of social housing in New Zealand has increased by 8.4%.

5.6 The expansion of social housing places contributed significantly to reduction in the total number of households needing emergency housing – which have decreased from over 700 households at their most recent peak in March 2022 to under 190 as at the end of August 2024.

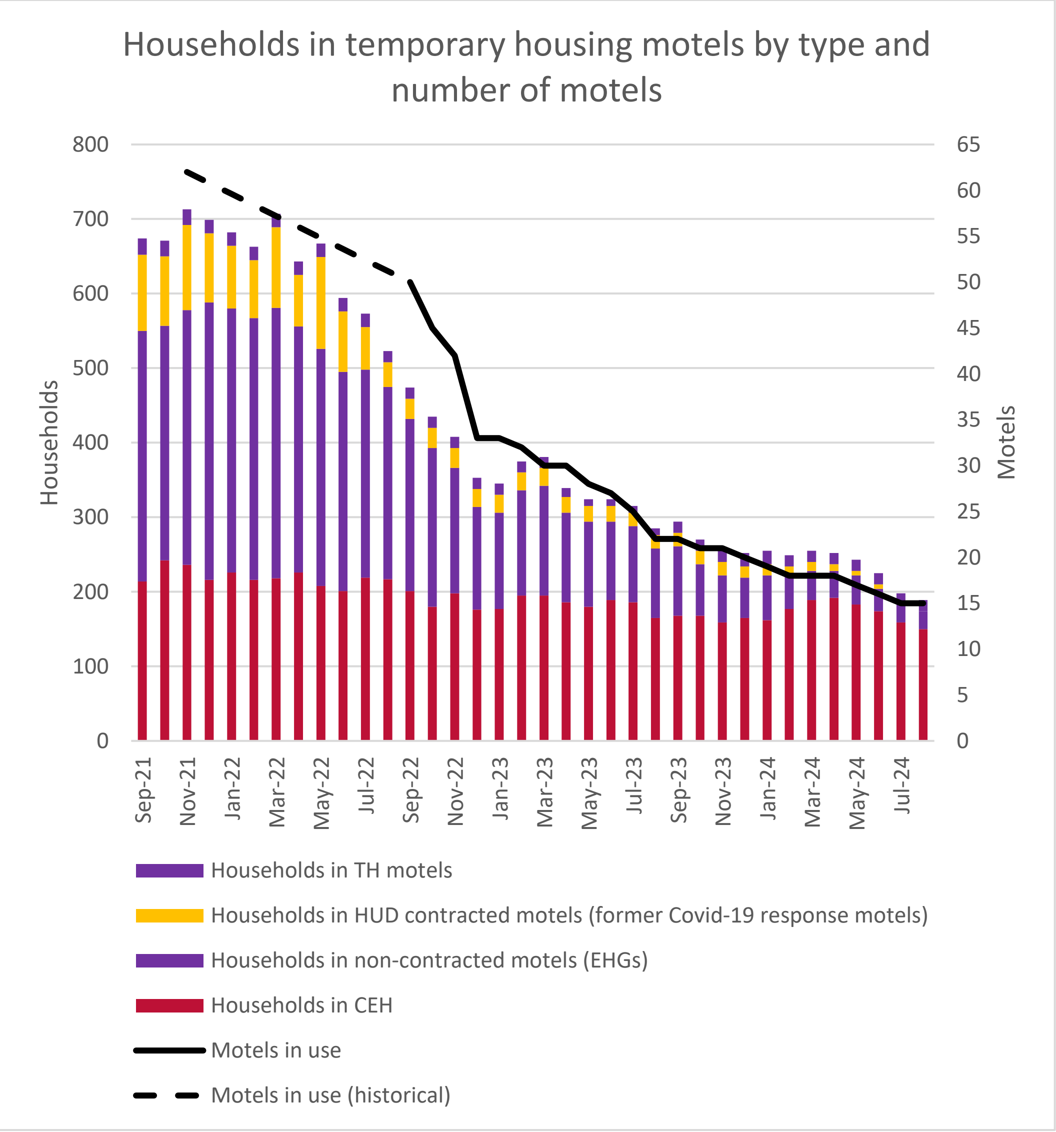
5.7 The reduction in the number of households in emergency housing over the past two years has been initially concentrated among households receiving EHGs from MSD.

(a) In December 2022 there were 138 households across 17 motels.

(b) At the end of August 2024 this had decreased to 24 households across just 4 motels.

5.8 The number of people in CEH has also decreased from a peak of 176 households across 13 motels in December 2022 to 150 across 10 motels as at the end of August 2024.

5.9 The chart below shows households across all temporary housing motel types, along with the total number of motels in use. Historical total motel numbers in between 62 in November 2021 and 45 in October 2022 are estimated rather than actual.

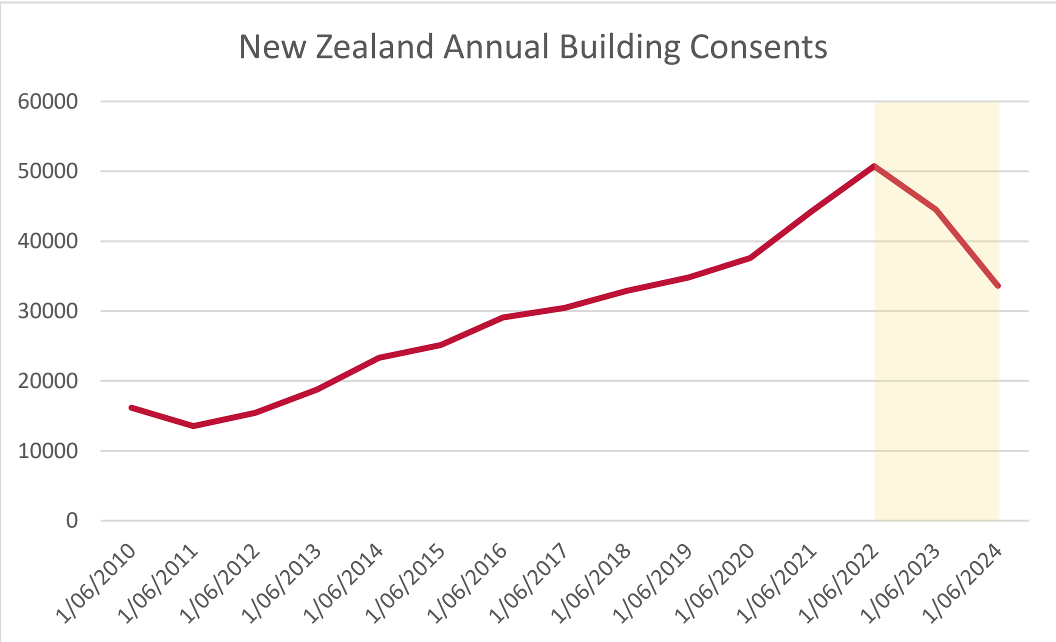


The overall housing shortfall has been reduced but not eliminated

5.10 Between 2021 and 2023, increased construction coupled with the Covid-19-driven slowdown in international immigration meant that the housing shortfall decreased. In these three years, the population grew by around 1,100 people, to reach an estimated residential population of 78,200 people in June 2023[4].

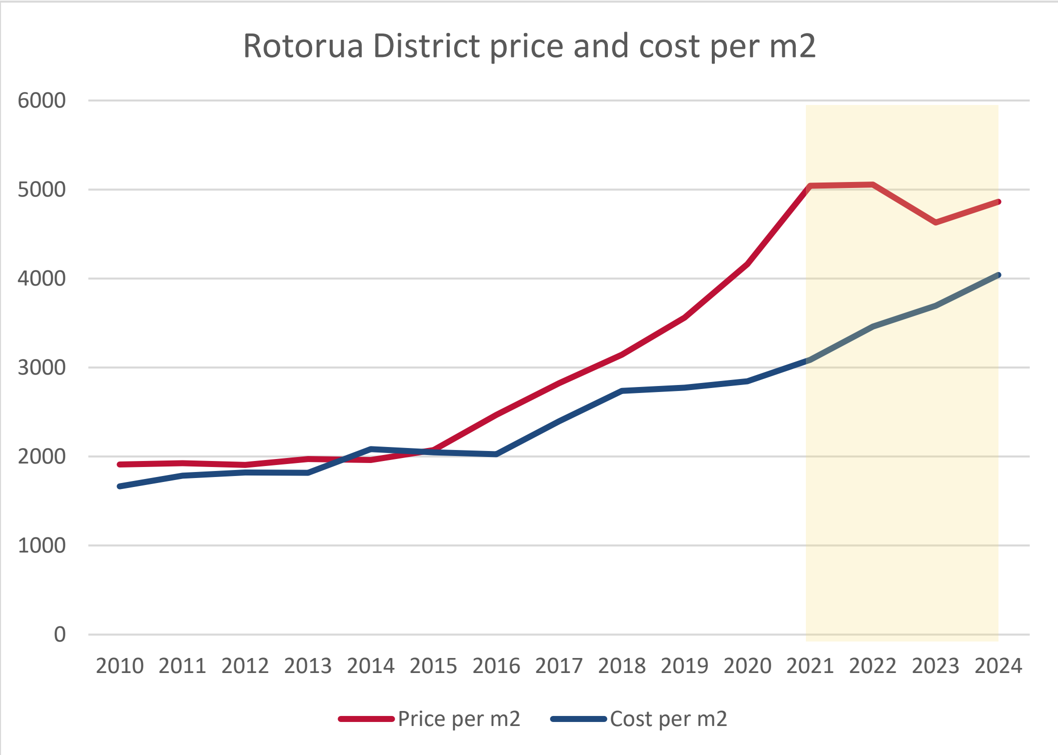
5.11 Over the same three-year period 1,328 new residential building consents were issued. While many of these will still be under construction, this represents a major increase in development activity for Rotorua.

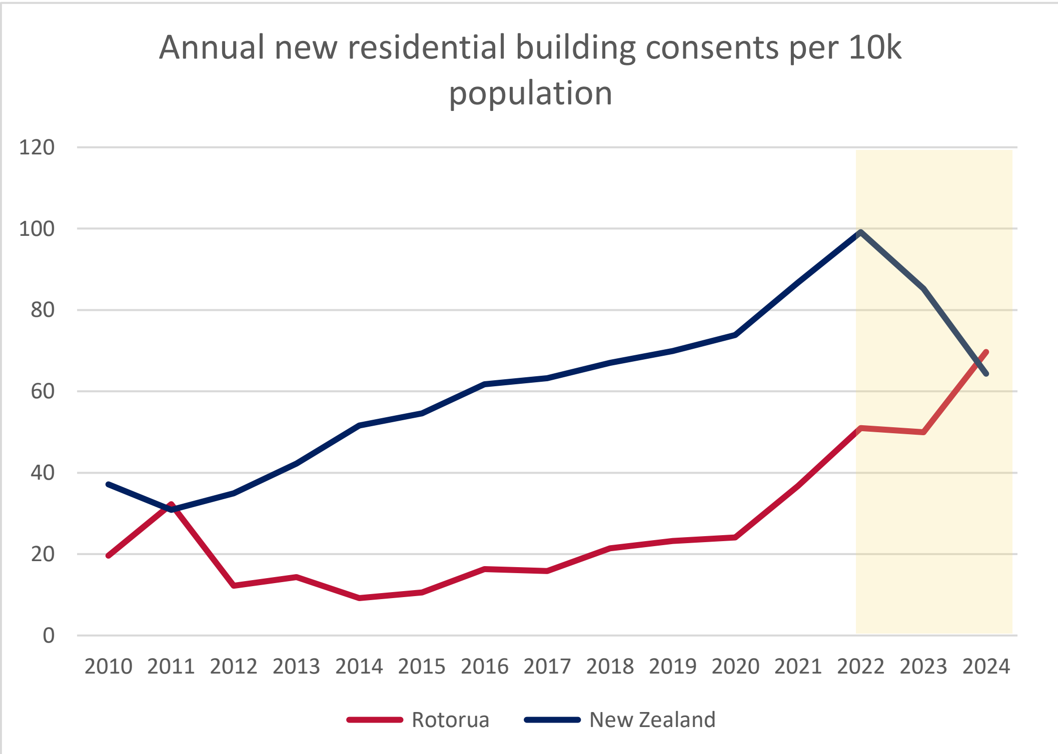
5.12 The increase is especially notable given the changing market conditions in New Zealand as a whole. Low interest rates from 2019 to 2022 increased house prices thanks to the availability of capital. These were not matched by increasing construction costs, meaning that the incentive to build was high – developers were paying the same, but earning more. As interest rates rose over the past two years and construction costs increased, this reversed: prices fell relative to the cost to build, and so development was less profitable. This was reflected in national building consent rates, as shown in the chart below – worsening conditions highlighted.



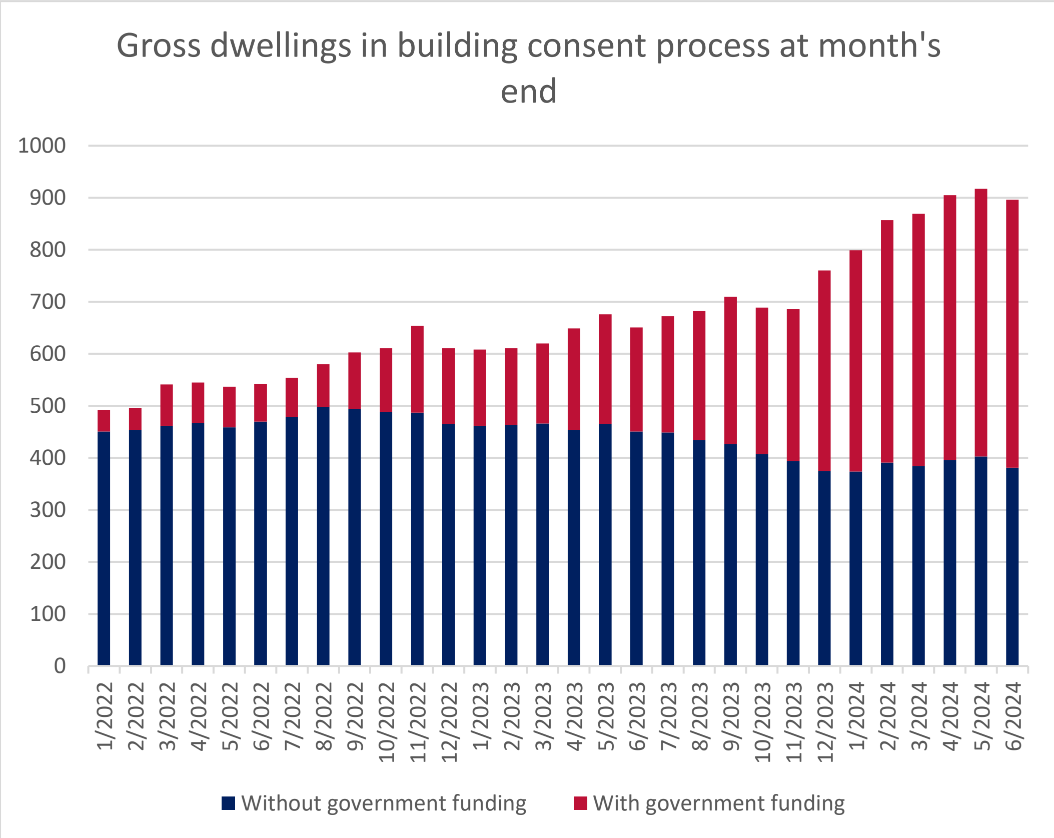
[4] Note: the release of population figures from Census 2023 could be slightly misleading in this context. The Census 'Usually Resident Population Count' includes residents of the area on census night, and residents of the area who were elsewhere in New Zealand on census night. The StatsNZ 'Estimated Resident Population' measure used throughout this document also includes estimates of residents missed by Census and residents temporarily overseas on census night, and is adjusted for births, deaths and net migration between census night and the chosen year.

5.13 Despite similar market changes (shown below – worsening conditions highlighted), Rotorua has partially avoided the slump in consenting. As a result, Rotorua has recently overtaken the country as a whole in terms of building consents, consenting 69.7 new residential buildings per 10,000 people in the year to June 2024 compared to 64.0 for all of New Zealand – as shown at bottom of page.





5.14 This is due to the levels of government investment in construction in Rotorua. As the chart below shows, homes with direct government funding for construction have made up a growing percentage of all building activity since 2021, and as at 31 June 2024 made up almost 60% of all dwellings in the building consents process (from lodging through to completion.) This includes the increase in social housing noted above and also other direct funding, such as through the Affordable Housing Fund[5], Whai Kāinga Whai Oranga[6], and the progressive home ownership programme.



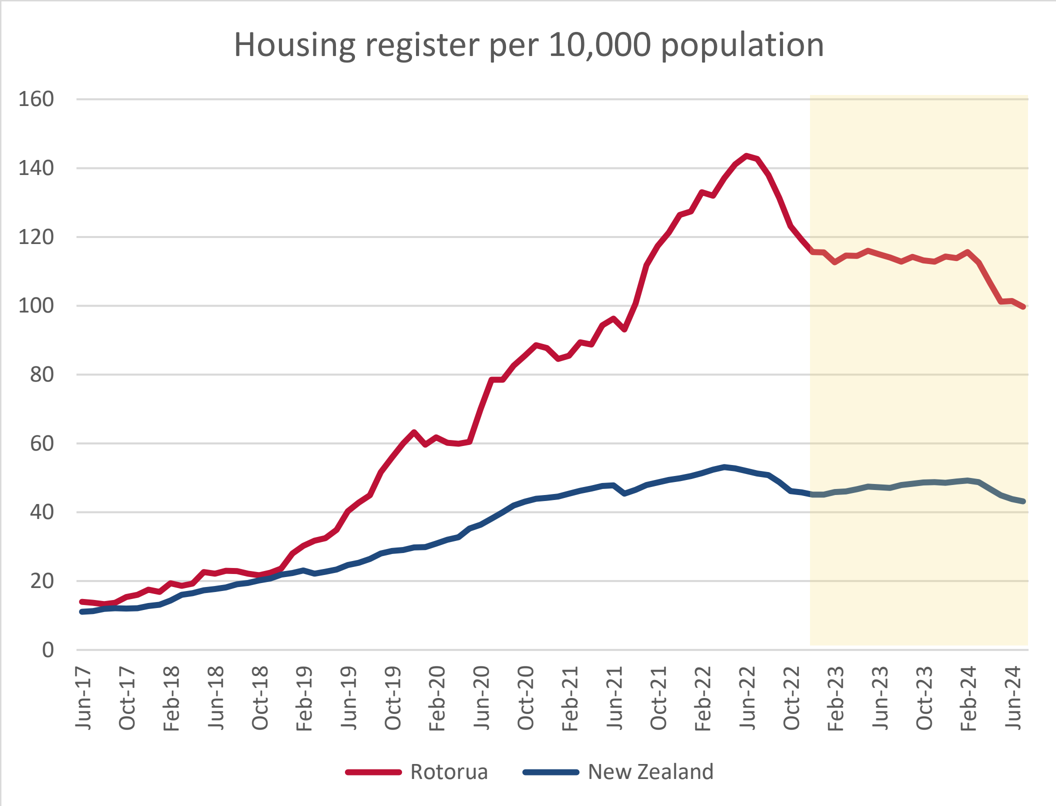
5.15 The scale of the challenge in Rotorua is such that even this change in the building rate, driven by record levels of government investment, has not fully overcome the accumulated housing shortfall.

[5] The Affordable Housing Fund was a $350m investment into the development of new, affordable homes for low-to-moderate income people and whānau, in locations facing the biggest housing supply and affordability challenges.

[6] Whai Kāinga Whai Oranga is a four-year, $730 million commitment to speed up the delivery of Māori-led housing. It funds both small-scale Māori housing projects and larger developments, from repairing existing homes to building new ones. Whai Kāinga Whai Oranga is jointly administered with Te Puni Kōkiri.

Social housing need remains relatively high

5.16 Despite the increase in social housing stock, numbers on the housing register remain high. Since peaking at over 1,100 in June 2022, the number of applicant households on the housing register has decreased to 780. This represents a significant improvement, but Rotorua still has very high numbers of households on the housing register per 10,000 people – among the highest in the country, and well above the national average, as shown below (period since December 2022 highlighted.



5.17 The remaining overall housing shortage, social housing need, and whānau still in temporary and emergency housing are not unexpected. At the time of the initial application for resource consents to operate Contracted Emergency Housing it was anticipated that the scale of Rotorua's housing crisis would require a multi-year timeframe to overcome – at the time of the previous consent, up to five years.

Whānau have continued to present with acute housing need

5.18 Shortages of housing affect different households at different times, and in different ways. Households' circumstances will change at different points (for example, because of job losses or relationship breakdowns), and some may find interim arrangements (many precarious, such as overcrowding into existing homes) when they find themselves without housing.

5.19 While there is an overall housing shortage, though, need is very likely to result in homelessness at the most acute end. This has been reflected in the ongoing 'flow' of households presenting with need for emergency housing in Rotorua over the past two years. In the 20 months between December 2022 and August 2024, an average of 27 households entered CEH each month – around 540 households in total.

Independent evaluation found that CEH was effective

5.20 In January 2023, Te Paetawhiti Ltd & Associates completed an independent evaluation of whānau experience living in contracted emergency housing in Rotorua on behalf of HUD. The evaluation noted that:

> "Contracted emergency housing provided whānau with respite from a range of challenges and trauma they were experiencing in their lives, including homelessness. The secure accommodation provided whānau with the time and space to settle and stabilise. The wrap-around support provided whānau with the opportunity to reorientate themselves and plan towards a positive future inclusive of finding a place they can call home. As a result of this support whānau were rediscovering their confidence to aspire and achieve some of their aspirations" – Te Paetawhiti, page 4.[7]

5.21 Importantly, all whānau spoken to felt contracted emergency housing was a safer and more secure option for their children than living in unsecured facilities. Many noted that the secure facilities at the motel and the accommodation rules were key features of the contracted emergency housing model that all whānau spoke about.

5.22 At the time of the Te Paetawhiti report interviews, all whānau interviewed did not want to live in motels. However, whānau who are unsettled and who find themselves in need of emergency housing often take time to build the capability needed to find alternatives.

[7] Retrieved from: https://www.hud.govt.nz/documents/rotorua-contracted-emergency-housing-pilot

5.23 The evaluation report is available to the public on HUD's website[8].

We have continued to engage with the wider community

5.24 Since the initial resource consents were granted, HUD has continued to engage with other government and non-government agencies, Rotorua Lakes Council, Iwi, and contracted support service providers, with the Community Liaison Group, and with community representatives generally.

5.25 HUD has sought to resolve issues and respond to community concerns. An example of this is through engagement with the Community Liaison Group. The community expressed concerns as to the culture effects nearby CEH was having on Whakarewarewa Village. I committed to providing an exit strategy for the three CEH motels near Whakarewarewa Village to assure the community of HUD's future intentions. This was supplied at the July meeting. Minutes of the Community Liaison Group meetings are available on the HUD website.[9]

5.26 To increase transparency with the community, since December 2022 HUD and MSD have published the monthly Rotorua Temporary Housing Dashboard. This updates the community on the numbers of households, individuals, and motels in temporary housing in Rotorua, along with some details of household type and numbers on the housing register.

5.27 As a condition of the prior resource consents HUD has also maintained an 0800 number for the community's use in giving feedback on CEH.

6 HUD's plan for the next year

6.1 The government has committed to exiting from CEH by the end of 2025.

6.2 If resource consent is granted for a further year, HUD will continue to operate seven CEH sites to support those in the community with a housing need while identifying alternative housing options and will progressively reduce the number of motels in use through 2025.

6.3 In April 2024 the government introduced the Priority One category on the housing register, which puts whānau with dependent tamariki who spend

[8] https://www.hud.govt.nz/our-work/rotorua-housing-accord

[9] https://www.hud.govt.nz/our-work/rotorua-contracted-emergency-housing-community-liaison-group

longer than 12 weeks in emergency housing to the top of the social housing waitlist.

6.4 The pipeline of social and transitional housing in Rotorua continues to grow. Kāinga Ora have a net pipeline of 310 social homes for delivery by December 2025. Over the next year we also expect CHPs to add, at minimum, around 40 social housing places.

6.5 Coupled with the Priority One category, which will apply to around 80% of households in CEH, this will be a key piece of our exit strategy.

6.6 We also expect some households whose circumstances change to find accommodation in private rentals, with whānau, or to leave CEH for other reasons not involving moving to social or transitional housing. Rotorua's improving rental affordability and the pipeline of affordable rentals HUD are supporting will also contribute to this source of exits.

6.7 Based on the upcoming pipeline of social housing and historical rates of entry and exit, we are confident that we will be able to exit all seven CEH motels by the end of December 2025 – significantly sooner than the up to five years anticipated when consents were originally sought in 2022. The specific timing of exits over time will be dependent on delivery timeframes which are inherently difficult to predict with certainty.

6.8 Keeping CEH in place until the end of 2025 will support Rotorua whānau in a safe, secure and empowering environment to build their confidence and capability, and to eventually exit.

6.9 HUD will continue to engage widely with our partners in local and central government, with Te Arawa and Ngāti Whakaue, with representatives from Whakarewarewa Village, and with the wider community.

6.10 The CEH motel operators have complied with the previous Resource Consent Conditions and will continue to comply with conditions should consent be granted for a further year.

6.11 After CEH motels cease operation, future emergency housing need will be addressed through MSD Emergency Housing Grants as they were originally intended to operate – for short term, acute need.

6.12 Rotorua has been identified as a priority place for the delivery of new social housing funded through Budget 2024, much of which will be delivered after 2025. In combination with the Priority One category, this will allow whānau with children to move through emergency housing into social housing where it is needed.

6.13 In the longer term, changes to policy settings through Going for Housing Growth will increase the supply of developable land and improve infrastructure funding and financing, allowing the overall housing shortage to be overcome.

6.14 If resource consent is not granted, we would need to urgently exit the seven CEH motels. Around 150 whānau, most with tamariki, would need to urgently find accommodation. Some would be granted EHGs, some might find insecure arrangements such as couch surfing or living in garages, and others may need to sleep in vehicles or on the street.

Date: 22/10/2024

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William Barris