Tools for increasing social and affordable housing

in the Western Bay of Plenty

Research for the Urban Form and Transport Initiative

K Ryan and S Russell, Wellington, March 2020

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The report is not a statement of government policy and does not necessarily represent the views of any government agency. The authors are solely responsible for its accuracy and relevance to the intended purpose.

Introduction

1. This research report was undertaken as an input to the Urban Form and Transport Initiative (UFTI). It is based on a desk top review of housing strategies used by local authorities in New Zealand, Australia and other comparable jurisdictions. The purpose of the report is to identify strategies that would help meet current and future need for right-sized social and affordable housing in the right places, in Tauranga and the Western Bay District (Western Bay).

2. There is no universally agreed definition of housing affordability. In New Zealand, two complementary measures are widely used to monitor housing affordability trends: one provides a benchmark based on an assumption housing is affordable if a household pays more than thirty per cent of its gross income; the other is a "median multiple" that compares house prices and gross household incomes.

3. Neither measure is an accurate reflection of affordability at an individual household level, where affordability means having enough income left after paying the weekly rent / mortgage to pay for at least the most basic requirements such as food, energy and phone bills, healthcare, education, basic home maintenance and transport. People experiencing financial distress face difficult choices between these things, and often end up living in housing that is unsuitable in terms of size, design, quality and/or location. Savings on rent or mortgage payments can be reduced by higher heating, health and travel costs. Improving access to jobs and social infrastructure would benefit low-income households.

4. The definitions for social and affordable housing can also vary over time and from one jurisdiction to another. In this report, social housing includes emergency and public housing funded by central government for those most in need, as well as council-owned, low–cost rental housing. Affordable housing means housing that is available to purchase or rent at below market cost for households on low to moderate incomes (programmes identified in case studies may use broader or more precise definitions). Affordable housing may be provided by registered Community Housing Providers and other housing trusts, tangata whenua organisations, and private-sector developers, with or without central and local government involvement.

5. Part one of the report draws on prior work commissioned by the SmartGrowth partners. This includes a Housing Demand and Need Research Report, as well as reports on current and projected development capacity, and the market for higher density housing. Part two discusses a range of strategies suggested in these earlier studies to deliver more diverse and affordable housing typologies and tenures. It identifies lessons, innovative approaches and design options from case studies. Insights about specific strategies and how they might be used will inform planning and modelling work for UFTI, and the development of a collaborative work programme to address housing, transport and other challenges in the Western Bay of Plenty. (Insights and opportunities are summarised in annex one.)

Executive summary

6. Many lower income households in the Western Bay sub-region are struggling to find suitable homes at a price they can afford, and applications for emergency grants and public housing are growing. This situation is likely to worsen, as the supply of development ready land is set to run out in the next one to two years. Investment in new transport and water infrastructure and rezoning greenfield and brownfield growth areas will provide more development capacity but this is some years away. In the meantime, rising rents and house prices will increase financial pressure on low to medium income households.

7. Enabling sufficient feasible development capacity is expected to stabilise market house prices but will not deliver social housing or enough lower cost, right sized homes to meet current and

projected demand and needs. More targeted strategies, such as making surplus land available for affordable housing products, upscaling Community Housing Providers and supporting papakāinga housing projects, are needed in the near to medium term.

8. Combining certain targeted and broad-brush strategies could facilitate new social and affordable housing developments, increase overall housing supply, diversity and affordability, and support other well-being outcomes. For example, a local partnership entity could lead development projects that include mixed housing typologies and tenures around major transit nodes. This could provide additional social and affordable housing with good access to jobs, increase the number of smaller dwellings for one and two person households, support local businesses and reduce congestion and greenhouse gas emissions.

9. Collaboration is essential to implement both targeted and broad-brush strategies as rapidly and effectively as possible. Central government is the main enabler of social and affordable housing, while local authorities primarily influence housing outcomes through planning and consenting. Community Housing Providers, philanthropic organisations, tangata whenua and commercial developers also play a part in funding and/or delivering housing for low to medium income households. UFTI's proposed implementation programme for integrating land use and transport systems, and a proposed enduring partnership between the government, iwi and councils to manage growth, can be a springboard for developing a joint housing strategy.

Part 1: Housing affordability is rapidly declining in the Western Bay of Plenty

10. Housing affordability in the Western Bay of Plenty has deteriorated over the past two decades, mainly due to a growing gap between household incomes and housing costs. The Western Bay of Plenty's economy has grown steadily, and unemployment is low, but the average household income is slightly below the national average.[1] Between 1991 and 2017, the median house price increased by 464 per cent in Tauranga and 400 per cent in Western Bay. During the same timeframe, household incomes only increased by 128% and 141% in Tauranga and Western Bay respectively.

11. Rents have also grown much faster than incomes, leading to increasing renter stress and impacting on households at higher income levels. As at 2017, nearly 90 per cent of renters could not afford to purchase a home priced at $500,000. This benchmark is below 2017 median house prices of $620,000 in Tauranga and $550,000 in Western Bay. In the past three years median house prices have continued to climb rapidly; reaching $763,422 in Tauranga and $682,276 in Western Bay, by December 2019. Only three suburbs in Tauranga, Parkvale, Poike and Gate Pā, currently have a median property value below $500,000.

12. Demand for housing has been strong for several reasons, including rapid population growth. The National Policy Statement on Urban Development Capacity classifies the combined Tauranga/Western Bay urban area as a high growth centre. Tauranga's population, based on the most recent census data, is 136,713 and Western Bay's population is 51,321 - up 19.1 per and 18.5 per cent on the 2013 census figures for Tauranga and Western Bay respectively. Around 82 per cent of population growth in Tauranga coming from domestic and international migration. Increasing unaffordability of housing in Auckland has made Tauranga a more attractive location for some households. Population forecasting indicates steady growth is likely to continue over the next few decades. Low mortgage interest rates and easy lending criteria have provided an incentive for more buyers to enter the market, and increased demand for seasonal

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[1] Approximate average incomes are $101,400 in Tauranga, $102,100 in Western Bay and $104,400 nationally – source: UFTI foundation report (draft), August 2019.

accommodation for visitors and workers in the horticulture industry may have contributed to rising rents.

13. Housing indicators suggest the supply of new sections and other development opportunities have not kept pace with demand for new housing, materially increasing house prices. Conditions creating the lag have developed over many years but recent delays in decisions about infrastructure, and slow, complex planning processes are exacerbating the situation by holding back future growth areas at Tauriko West, Te Tumu, Keenan Road and Omokoroa. Population growth in the eastern corridor has also been lower than anticipated and planned for through enabling zoning.

14. The current supply of development ready land will be used up in twelve to eighteen months but new development capacity is several years away. This is projected to result in an undersupply of around 1,000 homes over the next three years and up to 6000 homes by 2028, unless local authorities are able to bring on more development capacity quickly.

The number of households needing assistance with housing is rising quickly

15. While households across the socio-economic spectrum are adversely affected by the growing gap between incomes and housing costs, the impact tends to be worst for the most vulnerable people in the community. This includes including Māori, older people, children, solo parents and students living in rental properties, and people with complex physical and psychological needs. Māori are over-represented in groups that are homelessness, on the wait list for public housing, and seeking emergency housing grants. Māori home ownership has dropped to roughly half that of European households.

16. The Western Bay of Plenty as a whole ranks as one of the more affluent parts of New Zealand but there are pockets of high deprivation where households often lack the resources to afford good quality housing that is large enough for the number of occupants, or a car to get to work. Forty-two per cent of Tauranga's population and thirty-five per cent of Western Bay's population live in areas that rank in the highest two quintiles of deprivation in New Zealand, compared to a national average of around forty per cent.

17. The effect of rising housing costs is apparent in reporting on public housing waitlists and emergency housing special need grants. According to the Ministry for Housing and Urban Development, the public housing waitlist rose from 154 people in 2015 to 495 in December 2019. Emergency housing grant applications and payments are also increasing. In Q4 2019, alone, the Minstry of Social Development received 1222 applications and paid $1.755 million in grants. This was roughly double the 669 applications and $675,000 paid out in Q4 2018. Homlessness is also a significant issue. A 2017 study of hidden homelessness found the risk of becoming homeless in Tauranga has increased, an estimated 70 people were living rough and another 400 did not have secure ongoing accommodation of their own. A Housing First programme in Tauranga is helping rough sleepers into secure homes, but homelessness remains a high concern for the community.

The need for smaller, lower priced rental and purchasable homes will continue growing

18. The following table, sourced from the Housing Demand and Need report, shows the estimated the quantity and type of housing response required by each segment of the housing continuum as at 2017. Along with growing income to housing cost disparity, changing demographics will contribute to a rise in the number renter households and expected demand for smaller-sized, lower-priced rentals and purchasable homes – typologies and tenures that are already in short supply.

Segmented housing need	2017 need	Type of housing response
Homeless/ in emergency housing	200	Social housing

		Assisted rental Market affordable
Overcrowding	560	Assisted rental Market affordable
Social renters	1,810	Public or other social housing
Stressed renters	11,460	Social housing Assisted rental Affordable assisted ownership Market affordable
Renters unable to buy at LQ house sale price	7,860	Affordable assisted ownership Market affordable Market rental
Renters able to buy at LQ sale price	3,320	Market affordable Market rental Full market
Owner occupiers	47,530	Full market

19. The Housing Demand and Need report predicts the following changes to housing demand and need:

    a) Housing ownership will continue declining, reaching 58 per cent in Western Bay and just under 55 per cent in Tauranga by 4047. This means more people will be living in rental accommodation.

    b) The proportion of smaller household will increase. Over the next thirty years, the forecasted increase in the number of couple-only renter households is 112 per cent. In the same timeframe, couple-only, owner-occupier households could grow by 37 per cent; one-person renter households by 105 per cent, and one-person owner occupier households by 50 per cent.

    c) Many more people over 65 living will live in rental housing – around 6,830 in Tauranga, and around 1,970 in Western Bay (up 222% and 182% on 2017 numbers, for Tauranga and Western Bay respectively).

    d) Assuming no change in affordability, the total need[2] for assistance with housing is forecasted to increase by 16,000 households by 2047, with eighty per cent of that increase occurring in Tauranga. The increase will be due mainly to the growth in individuals and couples over 65 living in rental accommodation.

20. Some projections indicate that by 2047 the proportion of households that are homeless, living in overcrowded, emergency or social housing, and stressed private renters will increase from 21% to 28% in Tauranga City and from 16% to 22% in Western Bay. Based on current trends, this could be around 30,000 households.

Current housing is designed for larger and more affluent households

21. Housing choices are limited for people looking for smaller and lower cost homes. Seventy-five per cent of the sub-region's existing housing is free standing, with three or more bedrooms. Single and two-person households occupy a majority of existing homes, but larger, more luxurious housing continues to dominate new builds. Strong demand makes this type of housing profitable and lowers risk for developers.

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[2] Housing need encompasses financially stressed private renter households; households whose housing requirements are met by social, third sector and emergency housing; and people who are homeless or living in crowded dwellings.

22. The market also provides apartments for the mid to upper end of the market, but higher risk and lower returns on duplex and terraced housing generally means the feasibility of these typologies is low or negative. Building duplex and terraced infill housing in existing urban areas is particularly challenging due to the high up-front cost of preparing sites for redevelopment. Demand for medium density homes close to schools, retail and public transport would be greater if the market could deliver homes under $450,000 to $500,000 (2017 benchmarks), within 8 kilometres of Tauranga's central business district. Current land and building costs make this very difficult.

23. While development economics is the main driver for developers, other factors influencing the products coming to market may include difficulty meeting lending criteria for medium and high-density housing, limited experience with these types of housing, and a perception that higher density developments have more complex building and consenting requirements.

24. In general, reducing constraints on higher density development in areas that are well connected to employment centres can incentivise more diversity. Given current development economics and the slow pace of intensification in built areas, it appears unlikely this would improve affordability and diversity or deliver many homes with the reach of lower income households in the near term.

Existing housing programmes need to speed up and expand to meet growing housing needs

25. Central government is the main provider of social housing in New Zealand, delivering "public housing" through Kāinga Ora and registered Community Housing Providers. The government provides other housing support, including:

   a) financial assistance for struggling households that need to move to, and remain in, market accommodation (including the Accommodation Supplement, a weekly payment to assist low-income households with their rent, board or cost of owning a home).

   b) transitional housing and the Emergency Housing Special Needs Grant

   c) targeted programmes to address chronic homelessness, such as Housing First

   d) "Kiwibuild", which delivers affordable market homes for eligible home buyers

   e) assistance with Māori housing projects through the Māori housing Network.

Public housing

26. Most public housing tenants pay no more than 25 percent of their net income on rent, up to the market rent for the property. The government subsidises public housing tenancies by paying the difference between market rent and the tenant's income-related rent through an Income-Related Rent Subsidy.

27. There are around 1,300 public housing tenancies in Tauranga and 111 in Western Bay. Accessible Properties Ltd is the largest provider of public housing in the sub-region, having acquired around 1,200 former state-owned properties in 2017. Tauranga Community Housing Trust has 58 tenancies and Mangatawa Papamoa Blocks Inc has 9 tenancies. Kāinga Ora owns around 250 units. Public housing comprises 2.4 per cent of all housing in the Western Bay of Plenty, almost half the national average of 4.5 per cent, even though number of households living in high deprivation areas (decile 8-10 based on the New Zealand Deprivation Index) is similar to the national average for high deprivation.

28. Tauranga is classified as a high priority area for increasing the supply of public housing. Kāinga Ora aims to deliver 150 additional homes by 2022. Accessible Properties is contracted to deliver 150 additional homes over 10 years but aims to deliver 300, as well as upgrading existing properties so they are warm and dry. Barriers to building new public housing include high property prices and restrictions on medium density in locations with good access to jobs and social infrastructure, and limited capital to available to Community Housing Providers.

Council-owned social housing for elders

29.   Western Bay Council has 70 low-rent elder housing units, spread between Waihi Beach, Katikati and Te Puke. Tauranga Council has 246 elder housing units across nine villages in Mount Maunganui and Tauranga. The need for elder housing to be rates neutral and the age of existing housing stock make it challenging to provide and increase good quality social housing.

Affordable market homes

30.   The government established the Kiwibuild programme in 2018 to deliver affordable market housing for eligible first-time homeowners. The focus for KiwiBuild is in the main centres including Auckland, Tauranga, Hamilton, Wellington and Queenstown, where KiwiBuild price caps are comparable with the lower quartile price and or the average price paid by first home buyers.

31.   Western Bay Council has helped deliver affordable market housing under the Housing Accords and Special Housing Areas Act (HASHAA), and the Kiwibuild programme. HASHAA was a time-limited fast-track resource consenting process under which developers could be required to include a proportion of affordable housing in their developments. The legislation expired in 2019. Classic Home has delivered 27 Kiwibuild homes in Omokoroa and more are planned. NZTA roading projects, confirmed in December 2019, should enable Western Bay Council to move forward with the next stage of development in Omokoroa.

Short-term assistance to prevent and reduce homelessness

32.   Transitional housing provides warm, dry and safe short-term accommodation, and tailored support services, for people in need. Several housing trusts provide transitional housing in Tauranga under government funding contracts. Emergency Housing Special Needs Grants help individuals and families with the cost of staying in short-term accommodation (motels, hotels, campgrounds) if they are temporarily unable to access one of the Ministry of Social Development's contracted transitional housing places. Tauranga Council partnered with the Ministry to provide additional transitional housing in Papamoa.

33.   In May 2018, government funding enabled The People's Project, a collective established by the Wise Group, to set up a Housing First programme in Tauranga. Housing First is a proven, approach to housing and supporting people who are experiencing homelessness and have high and complex needs. Initially funded to assist up to 100 people and whanau, The People's Project has housed 36 people – 91 per cent of these people remain housed. The organisation has said 36 additional homes would be enough to end chronic homelessness in Tauranga as it stands today but finding these homes is challenging.[3]

34.   Western Bay and Tauranga Councils are working with housing providers and other organisations to develop a Western Bay of Plenty homelessness strategy and action plan that will address the underlying problems causing homelessness and poverty in the area.

Papakāinga / tangata whenua housing

35.   A separate report for UFTI identifies Maori housing aspirations but this overview of housing initiatives would be incomplete if it did not acknowledge the roles tangata whenua and Māori land trusts have in the local housing market. These include providing Papakāinga / Māori housing, as well as public and market housing

36.   In its fullest sense, Papakāinga refers to development by tangata whenua on their traditional rohe, for residential, social, cultural, economic and recreation activities (is sometimes defined in district plans as developments of multiple homes on collectively owned whenua Māori (collectively owned land)). Māori land trustees established the Māori Housing Forum to facilitate

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[3] https://www.rnz.co.nz/news/national/386055/shelter-for-homeless-women-opens-as-tauranga-bylaw-kicks-in

the building of new papakāinga homes, in the Western Bay of Plenty, after a decline in the number of these homes between 1991 and 2006. Western Bay and Tauranga Councils helped produce a toolkit for papakāinga development projects and workshops to assist with preparing proposals have facilitated the construction of at least 21 papakāinga homes. There is potential to build more, but development on whenua Māori continues to be immensely challenging.

37. Funding is a major barrier. Some claims are still progressing through the Treaty of Waitangi settlement process and banks are often reluctant to accept collectively owned land as security for loans. Nationally, applications for financial support from the Maori Housing Network far-exceed the amount available. Even when financing is confirmed, landowners may not be able to pay development contributions that are due before they can draw down their loan. Many Māori in the Western Bay of Plenty do not earn enough to service a mortgage.

38. Some tangata whenua organisations provide social, affordable and market housing. Nga Potiki a Tamapahore Trust, for example, owns Manawa Papamoa, a mixed-use, mixed-tenure development with 250-homes, including affordable homes for tribal members. Mangatawa Papamoa Blocks Inc leases ten of its homes to Kāinga Ora for public housing tenancies and has interests in two retirement villages.

Part 2. Locally led approaches to increasing social and affordable housing

39. In New Zealand, central government plays the biggest role in setting housing policies and providing social housing. It also controls some of the key settings that influence housing supply and demand, such as immigration policy, finance and banking regulation, urban planning and tenancy legislation and regulating the construction sector. Local government's main influence on housing is through planning, consenting and enforcement functions under the Resource Management Act and building regulations, and its responsibility for providing certain infrastructure under the Local Government Act.

40. Many councils acquired social housing portfolios specifically for elder housing under an informal agreement with the government, which provided financial assistance. This arrangement ended in the early 1990s when the government of the day sought to shift its role from direct provision of social housing to providing subsidies for market housing.

41. Councils generally strive to provide their social housing on a "rates-neutral" basis. This reflects a widespread view that housing support is a form of wealth distribution, which should be funded by income taxes rather than property rates. Councils are not able to access Income-related Rent Subsidies for their tenancies, and some have divested their social housing portfolios.

42. Local Government New Zealand (LGNZ) has suggested councils' lead role in developing long-term strategic plans for their communities obliges them to identify their community's housing related outcomes and make judgments about who is responsible for delivering those outcomes. In exercising this judgement, councils need to consider the potential availability of resources and complex trade-offs (for example between development and protecting the natural environment or amenities valued by existing homeowners).

43. Councils may see a need to go beyond their statutory duties because housing is an essential part of their local economy. Ensuring there is adequate housing for lower-income workers may be viewed as infrastructure issue for councils because an acute shortage of affordable housing is a barrier to sustaining diverse and economically productive cities. In areas with dense employment opportunities, low-to-medium-income earners compete for a limited number of affordable rental properties. As more workers get priced out of a local market, employers have more difficulty

recruiting and retaining staff. This can affect the delivery of essential services such as education, health care, and policing, and the productivity of local business sectors where employees earn low to medium wages.

44.   The spatial impact of housing affordability can be seen in the Sydney metropolitan area, where extremely high prices in the CBD and inner-city suburbs have pushed service workers far away from job centres. Nurses working at the two hospitals in Randwick, for example, would have to move 50 kilometres away to find a house that could be considered affordable. This displacement means workers spend more of their day travelling, which can offset saving from lower rents and reduce productivity.

45.   The National Policy Statement for Urban Development Capacity recognises the economic dimension of housing and requires councils to take a more active role in urban housing markets. Councils for high-growth areas, including the Tauranga-Western Bay urban area, must provide sufficient development capacity, through zoning and infrastructure provision, to meet their communities' current and future needs. Enabling development capacity, on its own, will not ensure there are enough suitable, affordably priced housing options for small and lower-income households.

Strategies and actions for facilitating a better match between household sizes and incomes and housing typologies and tenures

46.   Although the government is the main enabler of social and affordable housing, councils have some levers that can help improve housing supply, choices and affordability overall and for targeted groups. As a minimum, councils carry out statutory planning and consenting duties and engage with government and others to influence policy and regulatory settings. Direct provision of housing lies at the opposite end of the range, while initiatives to facilitate delivery of housing by other parties generally lie somewhere in between in terms of combined impacts, costs and risks.

47.   Several reports commissioned by the SmartGrowth partners identify strategies and actions the SmartGrowth partners could use to encourage housing that is better matched to household sizes and incomes (see annex one for a summary of themes and actions).[4] Some are targeted to deliver social and affordable housing, while others support broader housing and urban objectives. They include business as usual activities, such as council advocacy, reviews of planning regulations and developing design guidelines for different types of development, as well as approaches that are not widely used in New Zealand. The rest of this report mainly focusses on strategies that are not business-as-usual for councils, under themes taken from the Housing Demand and Need report.

Land development leadership

Suggested action:

- *Promote a joint urban development authority covering the Western Bay sub-region, assemble land and facilitate infill housing at a higher scale to supply smaller, affordable rentals and homes for purchase. AND/OR*

- *Establish a locally led partnership of councils, iwi and the development community. This entity could work with the government's urban development authority (Kāinga Ora) to deliver a response that integrates social, environmental and cultural outcomes to benefit the community. This would activate projects on the ground.*

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[4] Housing Demand and Need Report, Te Tumu Strategic Planning Study and Veros Property Services Review of residential intensification feasibility.

48. Urban Development Authorities (UDAs) have been set up to deliver urban regeneration and residential growth strategies in Australia, the United Kingdom, Hong Kong and parts of the United States.

49. The Productivity Commission recommended establishing local UDA's in New Zealand, to lower barriers to supplying lower-cost housing. UDAs typically facilitate development by leveraging publicly owned land and setting up partnerships with developers. They can undertake or lead complex (re)development programmes on a scale that would not be feasible for private-sector developers. This can generate economies of scale that lower infrastructure and construction costs' and attract overseas developers who may be better placed to innovate and operate at scale.

50. Being a separate entity allows UDAs to operate on a commercial basis, while still focussing on public benefits. UDAs can be set up for a single development project or operate across an entire urban area. Some UDAs have comprehensive planning and development powers to facilitate large, complex developments within a defined precinct. These include consenting powers, the ability to consolidate fragmented lots into larger development sites through compulsory acquisition of privately-owned property, and the authority to build infrastructure and charge rates and levies within the precinct.

51. Auckland and Christchurch already have local UDAs and Wellington City Council has taken steps to establish one. These UDAs do not have special development powers. The government established Kāinga Ora to be national Housing and Urban Development Authority. It will have the ability use special development powers in specified development areas to facilitate large, complex projects. Kāinga Ora can undertake small, medium and large developments, working in partnership with councils, iwi and others. At present, Kāinga Ora is responsible for large scale developments in Porirua and Auckland, as well as KiwiBuild projects and new public housing developments. A new Government Policy Statement on Urban Development and jointly-developed spatial plans for high growth urban centres will guide Kāinga Ora future work programme.

52. Although local UDAs do not have special development powers, they may be able to partner with Kāinga Ora, or progress projects in other ways. For example, councils could use their compulsorily acquisition powers to consolidate properties within a development precinct and the UDA could leverage the acquisitions to attract development partners. UDAs can retain a relatively high degree of control over the housing and urban outcomes within a development precinct while relying on partnerships for delivery.

53. A case study on Hobsonville Point illustrates a masterplanned approach and public-private partnerships to create a new medium-density suburb with shopping, schools and areas for outdoor recreation. Panuku, Auckland's development agency, is leading a range of urban renewal and housing projects that leverage council land holdings. The Porirua Development was initiated without a UDA. Initially a mandated working group of central and local government officials led a collaborative process to develop a programme level business case that laid out the development objectives, outcomes and feasibility of a renewal project. Kāinga Ora is now leading the project in partnership with Porirua City Council.

54. Entities working with Kainga Ora need to uphold provisions in a new Urban Development Act that recognise the aspirations that Māori have in housing and urban development, as potential development partners for Kāinga Ora, as people significantly impacted by historic and current pressures in housing, and through their connections with the land and other natural resources. The Act will include protections for land in which Māori have interests and a strong expectation that Kāinga Ora will identify and support Māori aspirations for urban development in specified development project areas, including through the opportunity to participate in development.

55. A local UDA or other joint entity could help deliver the UFTI implementation programme by coordinating urban renewal, infrastructure and transport projects in priority growth areas such as Tauranga's central business and hospital precincts. Accessible Properties' *Pukehinahina Vision* discussion document outlines the potential for a planning partnership for the hospital precinct, which would:

   a) empower whānau to move forward together

   b) replace 140 properties in the hospital precinct with a mixed-use development in the area that could provide three times as much housing and provide more choice with terraced housing and flats as well as apartments with shared entrances and car park areas

   c) encourage strong, diverse and vibrant communities and increased opportunities for everyone

   d) masterplan large land areas that can be used to achieve mixed income, mixed tenure communities with a variety of uses and affordability levels

   e) improve the currently dysfunctional parks and reserves (Anzac Park and Botanical Road Scout Reserve) that are adjacent to and enclosed by this housing

   f) provide an exemplar of housing renewal that is close to a suburban hub, schools, the hospital, shops, services, a transport corridor and parks and reserves

   g) provide much-needed additional housing, including social and affordable rental/market housing

   h) improve social wellbeing indicators/outcomes for this community

   i) catalyse market delivery of more medium density developments

   j) support an efficient high frequency public transport service

   k) provide more households with good, multi-modal access to employment centres and key social infrastructure.

Panuku Development Agency

Panuku is a council-controlled organisation set up by Auckland Council to manage its property portfolio and lead urban development projects. Panuku's main focus is on enabling and incentivising intensification in existing town centres by leveraging the council's property portfolio. Priority development projects fall into three groups: full suburban regeneration (transform); facilitating revitalisation through a few key properties (unlock) and using council land to build houses (support). These programme streams play a significant part in delivering the Auckland Plan 2050.[5]

Panuku partners with other entities rather than building properties itself. The programme is funded by a mix of council funding (through the Long-term Plan) and reinvestment of proceeds from property sales programme. Additional funding for development projects comes from partnerships with government, iwi, not-for-profit and commercial developers, In a constrained funding environment, Panuku is investigating new funding arrangements such as targeted rates in areas where there may be significant benefit to residents from the urban redevelopment.

Wynyard Quarter ('transform')

Panuku's large scale urban transformation projects include Wynyard Quarter, a 20+ year programme turning industrial land into a mixed-use high-density commercial and residential neighbourhood. Auckland Council owns a large part of the development area and Panuku was

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[5] Auckland 2050 is a "long-term spatial plan to ensure Auckland grows in a way that will meet the opportunities and challenges of the future".

able to leverage this to drive the project. Although Wynyard Quarter did not include social or affordable housing products, it is an example of transit-oriented planning and leading the market to deliver mixed use, high-density development around a new (underground) train station that is the end point for around 50 per cent of Auckland train journeys.

All new buildings have above code sustainability features, public spaces are safe and attractive day and night, a new hotel development includes a waterfront promenade, and shops and hospitality businesses attract residents and commuters. A new innovation hub has attracted tech firms and large corporates into the area. The hub is centred around GridAKL, a collaborative workspace and event centre, set up by Auckland Tourism, Events and Economic Development Agency (ATEED) to encourage entrepreneurship by connecting technologists, designers, digital content makers, product designers, and startups.

Hobsonville Land Company

Hobsonville Point is a masterplanned community of around 3000 households on the outskirts of Auckland. It includes two new schools, retail areas and community facilities. The development was integrated with public transport investment, giving residents a new ferry connection to downtown Auckland and improved bus services to tow major employment centres.

Enabling zoning in the Auckland Unitary Plan allows three-story buildings as of right, including apartments, in locations close to the rapid and frequent service transport system. As a result, Hobsonville Point has a wide range of housing typologies and is two to three times denser than most greenfield development in New Zealand. House prices range from around $500,000 to $2 million. Around 20 per cent of the housing is affordable market homes for middle-income earners. These are spread throughout the development.

The development was built on 167 hectares of land Housing New Zealand Corporation acquired from the Defence Force. Housing New Zealand established a wholly owned subsidiary, Hobsonville Land Company to plan and coordinate the entire development. (In 2019 HLC, Housing New Zealand and the government's KiwiBuild programme became part of Kāinga Ora).

HLC used marketing and careful staging to persuade people to buy into a higher density area where there is ongoing construction. The masterplan was based on research into successful neighbourhoods, including 19th century "heritage" suburbs where housing is closely spaced. This research showed buyers are willing to pay higher prices in heritage suburbs because of their amenities, not just because they are close to the central city. Adopting a "value follows amenity" philosophy, Panuku made sure early stages of the development included the new schools, a café and farmers market, and some recreation areas, so buyers could see what living in the community would ultimately be like.

The masterplan features a series of precincts, each with its own character. Homes are built by nine home building partners.

A National Science Challenge 2019 research report on residents' perceptions of Hobsonville Point reconfirmed that housing satisfaction is strongly connected to the quality of the public realm, and how it is designed to deliver wellbeing for all residents. This required a clear vision and intention on HLC's part. The researchers observed that where development at this scale is delivered by private sector developers alone, there is a risk they may not have the same incentive as a public agency pursuing 'public good' outcomes.

The Porirua Development

In November 2018 the Government announced a $1.5 billion investment over the next 25 years, to work with the community on revitalising eastern Porirua. The project will help to

improve the wellbeing of eastern Porirua residents, including creating new employment opportunities for local people and businesses.

Built over 60 years ago, Eastern Porirua includes over 2000 state-owned public homes concentrated in areas that scored 10 (the highest level of deprivation) on the 2013 Social and Economic Deprivation Index. Kāinga Ora is partnering with Porirua City Council and Ngāti Toa Rangatira to deliver a 25-year revitalisation programme will replace or refurbish these homes with new, warm, dry public housing for different types of households, and increase opportunities for home ownership with around 2000 affordable and market priced homes. Better neighbourhood design, including improving parks and streets, will make it safer and easier to get around. Community representatives and key stakeholders were involved in developing the programme objectives.

The project will enable Ngāti Toa Rangatira, to become a Community Housing Provider and take over the management and improvement of 900 public homes in western Porirua. Although this is primarily a social venture, Ngāti Toa kaumatua say it will have economic benefits for iwi and whanau. Ngāti Toa is already a major health services provider in Porirua with five medical centres and a dental clinic. This agreement will allow it to expand the range of services it offers the community.

Developing a programme business case involved eight government organisations as well as the council and tangata whenua. The project was one of the first businesses-cases approved under the government's new well-being framework (an evidence-based approach to assess fiscal, economic and wellbeing benefits). The *Living Standards Framework* was used in the evaluation, analysis and communication of decisions. The Minister of Finance has described the collaboration and well-being lens as key success factors, without which none of the key partners could have made the case for a project of that scale. [6] The Minister for the Environment has approved the use of a streamlined planning process, to reduce the time needed to get development underway.

Land planning leadership

Suggested action: Identify the best ways to encourage, incentivise and/ or require provision of a greater variety of typologies within developments through planning provisions and processes. Specifically consider the following to enable more diversity:

- *Set minimum density requirements around transit nodes/ corridors. Allow height concessions (above 17.5m) if good design prevails, i.e. increased sustainability measures or demonstrated affordability with 'x' no. dwellings below the median price. Offer reduced parking ratios if medium density is delivered in the nominated zones and less than 100m to public transport route.*

- *Review rules for lot sizes and other development requirements.*

- *Provide developers with certainty about planning and consenting requirements for new typologies - design guidelines could streamline the approval process and allow for greater variety of housing typologies and address concerns from surrounding property owners and developers etc by providing objective standards for development proposals*

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[6] Applying a Wellbeing Approach to the Public Financing System -
Speech to the Institute of Public Administration New Zealand (IPANZ) by the Minister of Finance, Hon Grant Robertson (21 Feb 2019). Available from https://ipanz.org.nz

- *Recognise that city plan rules should not be based directly on bigger urban markets such as Auckland, Christchurch, Melbourne etc as the local market cannot sustain the constraints on design innovation. There needs to be recognition of Tauranga's market challenges to support these forms of development.*

56. Local authorities use planning regulations to control how much and what types of housing could be built in any zoned location. In New Zealand, these rules often reinforce traditional development patterns of free-standing single dwellings in suburbs and low-rise buildings in town centres and limit the market's ability to respond when and where there is demand for higher density housing.

57. Reducing building controls that inhibit the supply of lower priced more compact housing, particularly around key transit nodes and corridors, could help to stabilise and improve overall affordability by increasing the housing yield from zoned and serviced land. It will also allow the market to provide more diverse housing options in response to changing household needs and can facilitate the delivery of social housing in locations with good access to jobs, public transport and social infrastructure (Community Housing Providers have identified the minimum lot size of 325m^2 and requirements for onsite car parking in parts of Tauranga as limiting development opportunities).

58. Tauranga and Western Bay Councils have already reduced constraints on density in some locations. For example, there is no minimum lot size requirement for development in the eastern corridor and smaller lots have been allowed in Omokoroa. Tauranga Council is also developing intensification provisions for existing urban areas, particularly Te Papa Peninsula. In the longer term, further intensification around transit nodes may be desirable to make room for growth and implement future land use and transport system intentions emerging from UFTI.

59. More enabling density provisions will not automatically lead to a significant increase in medium and high-density housing developments or in the supply of homes that low income households can afford. Current market conditions in the Western Bay and Tauranga incentivise developers to focus on larger free-standing homes and apartments for the middle and high end of the housing market; and any uplift in property values resulting from upzoning may increase house prices and rents in areas where buyer demand is high. It may be necessary to use other tools identified in this report, to shift incentives. A UDA, for example, could help create some identifiable key success-factors for a transit-oriented urban form:

    a) aggregation of land around rapid transit hubs

    b) aligned visions and integrated approach to planning

    c) good transport options and development densities / mix

    d) dealing with legacy issues – ie planning norms and infrastructure investment.[7]

60. In addition to using design guidelines to provide more certainty, setting targets for intensification around public transit corridors and nodes could be useful for sending signals to developers and residents about future urban form (eg per centage of new housing to be built in mass transit station catchments, or percentage of population with access to public transport). This indicates where feasible medium or high-density development opportunities may be in the medium to long term.

61. Upzoning is more likely to stimulate higher density development in areas where the returns on denser types of housing are attractive. Often these are areas with good amenities and good

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[7] Rodrigues, A. (10 Jul 2018) *Transit oriented developments and some of the underlying factors influencing them.* Retrieved from https://www.greaterauckland.org.nz/2018/07/10/transit-oriented-developments-and-some-of-the-underlying-factors-influencing-them

access to a high concentration of "white collar" employment opportunities because high-income earners are often willing to pay a premium to be close to their jobs.

62. Retaining protections against intensification in areas where demand for housing is strongest may undercut overarching intensification objectives and targets. Reducing restrictions in existing urban areas is however challenging. Local authorities need to balance other concerns, including housing quality and impacts on existing residents and neighbourhood characteristics. The case studies directly below and in other parts of this report illustrate some of these challenges. There are many more examples of different intensification policies and their outcomes. For example, Toronto is often held up as an example of successful transit-oriented planning.

63. A discussion document for the proposed National Policy Statement on Urban Development, published by the Ministry for the Environment, indicates it will provide direction on providing for growth in existing and new urban areas. Proposed elements would require high-growth councils to:

   a) allow higher density development, especially in areas where there are on or more of the following:

      - proximity to many employment opportunities
      - urban amenities and services are easily accessible by existing or planned active transport and public transport networks
      - high demand for housing
      - best use can be made of existing or planned infrastructure, services and facilities.

   b) provide for further greenfield development (allowing higher densities here as well)

   c) remove/ reduce minimum carparking requirements in planning rules.

64. The government is also considering whether to provide direction on higher density rules near frequent public transport stops and city centres; and other building controls such as lot sizes, height limits, height to boundary standards, and minimum house or apartment sizes.

Auckland Unitary Plan

The Auckland Plan replaced a hard "metropolitan urban limit" with a more flexible "rural urban boundary". While there is some evidence the hard boundary significantly contributed to high land and house prices, recent economic modelling reported by Auckland Council indicates the new rural urban boundary adds a premium of at most 5.2 per cent to developed residential land inside the boundary compared to farmland outside; and at most 4.2 per cent compared to lifestyle land outside. These premiums are substantially lower than estimates in previous studies.

The Auckland Plan also removed density controls from most zones and regulates the bulk and size of buildings rather than how many units they can be split into. This increased total development potential by 12 times more than the previous zoning rules. Widespread upzoning did not, however, apply to certain "special character areas". In general properties in these areas are in high demand, and land values are high, because the proximity of the central business district. Because of this, retaining the special character areas reduces the city's feasible (as opposed to merely permitted) development capacity by a significant margin.

The special character rules are also hampering medium density development around major transit corridors connected to the central business district. Decision makers considering two recent consent applications for apartment buildings felt that concerns about less than 1:1 carparking (which would have added a small number of carless households), new buildings not matching usual heights and setbacks, neighbours' loss of views and the disturbance from

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drilling, outweighed the benefits of additional housing, even though intensification is an overarching objective of the Auckland Plan and there is a severe shortage of homes.[8]

Blanket upzoning in Minneapolis

Widespread zoning reform in Mineapolis has taken a more radical approach; combining blanket zoning for all neighbourhoods with inclusionary housing policies intended to provide/retain homes for medium, low and very low-income households. It is too early to evaluate the impact of these policies.

Between 2010 and 2016, Minneapolis grew by 37,000 residents. This growth outpaced housing supply, pushing up median prices and reducing the number of homes affordable to low-income residents. Household income disparity among different ethnic groups also increased. Since 2000 the average income in Black households dropped by approximately 40 percent, while white non-Hispanic and Asian household incomes increased.

Through the city's comprehensive plan, *Minneapolis 2040*, city leaders have changed planning rules to improve racial equity, housing affordability and choice, and tackle climate change. Changes include upzoning to allow duplex and triplex developments in all residential areas regardless of context. Density allowances are even greater in transit zones.

Since upzoning can increase house prices and rents, the plan sets new inclusionary housing requirements for rental and purchasable homes. Developers will be able to choose between meeting mandatory affordability quotas, paying fees, gifting land to the council, building offsite and preserving unsubsidised affordable homes within a certain distance of the new development. Developers can also receive a payment for voluntarily delivering a higher proportion of affordable homes. Residential projects in a University Overlay District have additional rent and student eligibility considerations.

The council allocated $40 million to subsidise the gap between the market rate and the affordable rate, to a level that ensures projects remain financially feasible. The depth of subsidy allows the council to set quotas for housing affordable to people earn 30 per cent of the area median income.

Other *Minneapolis 2040* policies aim to facilitate innovative housing strategies by using data and research to guide and evaluate housing priorities, policies, and programs, and supporting different housing types (prefabricated and manufactured housing, accessory dwelling units, 3-D printed housing, and tiny houses).

The upzoning proposals were controversial but the council adopted them by a 12 to 1 vote. This success has been attributed to extensive community outreach. Local "Yes in My Backyard" advocacy groups and council officials collaborated to deliver an outreach programme that aimed to encourage shared problem solving rather than just asking residents what they think. It included initiating community conversations about the history of discriminatory housing practices achieved through single-family zoning (about 50-60 percent of Minneapolis was zoned for exclusively single-family homes), as well as the need for "missing middle" type homes. One advocacy group held "walk-and-talk tours" in every ward, so residents could explore their community while envisioning a future. Council officials and advocacy groups also attended community events to engage residents, instead of holding typical community meetings.

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[8]

Incentivising and supporting others to provide more diversity and more social and affordable housing

Suggested actions for catalysing private sector delivery of medium density and more affordable housing typologies:

- *Design and locate neighbourhood reserves to deliver on core urban design principles; contribute to increasing amenity in areas where additional infill medium density is sought, including enhancements to open space, increased street tree planting, vehicle calming, enhanced local walking and cycling connectivity and lifestyle choices.*

- *Investigate an alternate form of house delivery model with builders, i.e. 20-30 houses designed, tendered and built at a fixed price, similar to an apartment sales model.*

- *Councils could partner with a builder to build a demonstration small lot house (below median price).*

- *Undertake market research and contribute to better industry-wide understanding of purchaser and consumer future demand and trends for different housing typologies.*

Enhancing neighbourhood amenities

65.   The case study on Hobsonville Point emphasises the benefits of using amenity to lead value, so higher density housing is attractive to developers and residents. Panuku has a well-defined approach to placemaking, whereby investment in public spaces reflects the location and community views to enhance liveability in priority areas for urban renewal and higher density housing.

Demonstration projects

66.   Council and other public land could be used to lead intensification in key locations. Demonstration and alternative housing model projects on these sites may shift market preferences and provide new affordable rental or market homes at the same time. Councils could explore opportunities to work with the Land for Housing Programme (overseen by the Ministry of Housing and Urban Development), Community Housing Providers, Maori land trusts, Kāinga Ora and other partners to include demonstration / catalysing projects around transit hubs and employment centres and trial innovative design and funding models. Priority locations for leading the market include Tauranga's hospital and central city precincts. Trial projects could also lead the market for medium density affordable in other areas where proximity to schools, retail centres and jobs makes medium density at the right price an attractive option.

> **Wilsher Village elder housing ("unlock" quality intensification)**
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> Wilsher Village is one of Panuku's unlock projects, which facilitate revitalisation through a few key properties within a town centre. Unlock locations include Northcote, Henderson, Takapuna and Avondale. The Village is a purpose-built four-storey apartment building for older people near Henderson's town centre. It replaced a carpark and 34 elder housing units that required major upgrades. Auckland Council purchased five additional properties to supplement the existing land. Two of these properties were taken under Public Works Act compulsory acquisition powers. The extra land enabled a comprehensive medium density redevelopment that delivered 225 units in 8 apartment blocks and increased the number of elder housing units in the council's portfolio.
>
> For Panuku, the village was a key early move to help revitalise Henderson town centre by getting more people into high-quality housing in the area. Henderson used to be a distant, low-density suburb where medium density was uneconomic. Recent investment in rail and other public transport infrastructure means Henderson is now a short journey away from central Auckland. Together with investment in parks and active transport options, this makes Henderson a good location for quality intensification.

Landcom "demo housing projects", NSW

Landcom is a state-owned corporation that works with government, private and not-for-profit sectors to deliver exemplary housing projects that provide social and economic benefits. Landcom's demonstration programme explores ways to meet the increasing need for affordable housing. Landcom has announced it will build four demonstration projects in different locations to trial innovative housing typologies. These include "vertical village" apartments where essential amenities can be found in the one place, and micro lots that allow about twelve units to be built in a space the size of a traditional quarter-acre block. Landcom will also explore rent-to-buy and build-to-rent housing models and new funding approaches like fractional investments.

Fractional investment schemes divide the cost of a property into shares that are sold to investors. The property is tenanted and the investors receive secure income from rent for a fixed term. They can also get capital returns on the property when it is sold or they sell their shares. Entry barriers are low often low as investors don't need a deposit and can buy shares for a small initial payment.

Three schemes are operating in Australia. BrickX allows people to buy "bricks" and instantly invest in the property market for under $100. Investors can go online, set up an account and buy and sell bricks. The DomaCom Fund is a listed, managed investment fund. Through a "bookbuild" process, DomaCom collects funds from multiple investors interested in purchasing a property. Once the bookbuild is complete, the property is purchased and placed in a sub-fund. CoVESTA operates in a similar way and also allows investors to find a property they want to live in, set up an "Invest & Rent" syndicate and, once the syndicate is closed, become the tenant. A portion of the rent they pay is returned to them as an investor.

Nightingale precinct, Melbourne

The Nightingale model is a replicable set of systems and processes for providing housing. It enables licensed architects to develop Nightingale buildings, using the learnings of architects who have previously developed Nightingale buildings. It aims to deliver sustainable, affordable, liveable homes that connect residents with the community. Seven architecture practices set up the Nightingale Housing model for use by architects and others to deliver triple bottom line apartments at cost, without relying on developers to finance projects.

The Nightingale model is funded by small ethical investors who take a maximum profit of 15 per cent (developer margins are normally 30 per cent or more). Savings from not having carparks, second bathrooms, air conditioning, display suites and real estate agents are passed on to the buyer. While the cost is lower, the design quality is high. The proof of concept Nightingale apartment (The Commons by Breathe Architecture) won over a dozen design awards, including the 2014 Australian Institute of Architects National award for Residential Architecture: Multiple Housing.

Each Nightingale development is different. While each development using the Nightingale name uses the Nightingale model and adheres to the aims and objectives of the model, each development is independent of all others and of Nightingale Housing Ltd. Each architect developing a Nightingale project establishes its own project entity, secures its own investors and delivers its own project. Success of one Nightingale project does not guarantee the success of any other project and the design of each apartment will be different to that of apartments in other Nightingale projects.

> Future occupants are confirmed before the design of the apartments is finalised. This eliminates the investment risk of apartments not selling on project completion and allows occupants to be involved in design decisions. Titles are covenanted to maintain longer-term affordability by preventing apartments being sold at a significant profit.

Suggested action - Offer reduced / waived / moratorium on infrastructure charges if dwelling targets are reached, particularly if certain dwelling types are delivered, i.e. terrace or townhouse product or developments are in certain locations.

67.   Local authorities set their own policies for reducing and deferring infrastructure charges and rates. Tauranga and Western Bay Councils already offer concessions for certain types of housing projects. There may also be scope to use this approach to specifically incentivise the delivery of affordably priced housing for low income households.

68.   Case studies below provide further examples of concessions to incentivise development of housing that is affordable and accessible for certain parts of the market. The potential for the SmartGrowth partners to reduce or defer infrastructure charges and rates for developments that include social or affordable housing will depend on local circumstances and priorities.

Brisbane – reduced infrastructure charges for student and elder accommodation

In 2015, Brisbane's dedicated student accommodation provided approximately one bed for every thirteen students and the private rental market was unable to fill the gap. Brisbane City Council reduced infrastructure levies by up to $12,000 (for six or more suites) to incentivise more purpose-built accommodation. The scheme led to 23 development approvals within the first year (delivery the accommodation will be spread out over the near to medium term). Based on a 2017 development pipeline completion forecast, the total provision may increase from 9% of full-time students, (based on 2015 student numbers) to 11.0% in 2020 and 14.5% in 2025.

To be eligible for the fee reduction, developments had to meet the following criteria:

- within four kilometres of the Brisbane Central Business District's General Post Office
- medium or high-density residential development, with a minimum of twenty bedrooms
- contain an ancillary communal recreation space to be shared by the students, with a minimum area of 30 square metres
- designed, finished and maintained to a very high visual design standard.

Brisbane Council also offers reduced infrastructure charges to incentivise the construction of retirement villages and aged care facilities in existing communities rather solely on the outskirts of the city. The aim of this policy is to allow people to stay in familiar neighbourhoods where they have social structures and connections, shopping precincts and access to medical and other professional services. The policy allows a 33 per cent reduction for retirement and aged care accommodation developments that comply with the city plan and "provide a quality living environment that is fit for purpose and contributes towards design excellence within the industry".

An incentive payment equivalent to 33 per cent of the Council's infrastructure charges paid, encourages for new universal housing developments that are designed to meet the accessibility needs of all residents.

Queensland value uplift charge offsets

Economic Development Queensland allows value uplift charges applicable in priority development areas to be offset where developments include a proportion of more affordable

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products. For the Bowen Hills and Northshore Hamilton Priority Development Areas offsets of up to 30 per cent of the value uplift charge, levied to pay for infrastructure, are allowed for achieving affordable housing for a diverse range of households. This can include a mix of products in terms of size, configuration, cost, location and tenure. Affordable rent is defined as not exceeding 30 per cent of the gross household income. The affordable purchase price calculation is based on:

- five per cent deposit
- First Home Owner's Grant (or other grant) of $7000
- amortisation period of 30 years
- six per cent interest rate
- affordable debt service calculated at 35 per cent of household income.

Suggested action: If development capacity becomes an issue consider using targeted rates for zoned and serviced land that is not being developed, to incentivise development.

69. Land banking describes a situation where a landowner holds on to land in anticipation of future use. This could include zoned and serviced land that could otherwise be used for housing developments. The land may be vacant, have the potential for further subdivision or be used for a relatively low-value purpose. The size of banked land can be anything from a single residential section to large greenfield sites. Land banking to capture a windfall gain is just one reason owners hold undeveloped land. Other legitimate reasons include taking a wait and see approach when there is uncertainty about planning regulations or tax settings, collective ownership of Māori land, lack of capital and lengthy processes to plan and consent developments.

70. Incentivising land development is a strategy for improving overall housing supply and affordability rather than delivering social and affordable housing for targeted groups. The New Zealand Productivity Commission, at the government's request, examined the idea of using a vacant-land tax for this purpose and advised against it. The Commission found that vacant-land taxes could temporarily reduce land banking and increase housing supply, but these effects are likely to be small. Over time, such taxes would be likely to reduce housing supply responsiveness by reducing developer flexibility and risk-taking, which is the opposite of what is needed in New Zealand.

71. Many submissions to the Productivity Commission expressed concern that land-banking is a significant cause of unaffordable housing, particularly when a small number of landowners control much of the potential growth area around high-growth urban centres. Research produced for the Productivity Commissions inquiry into local government funding and financing found this ownership pattern does not appear to have a serious impact on competitiveness in local housing markets.

72. The Productivity Commission's Using Land for Housing report noted the incentives to hold land can be strong when expected demand is high, or land is scarce. The Productivity Commission recommended strategies to encourage development for housing should focus on:

   a) increasing certainty about what can be developed on a site

   b) reducing the scarcity value of land, through a commitment to ensuring that zoning and servicing land is responsive to demand

    c)   influencing holding costs, at the margin,[9] to reduce the expected future returns on land development.

Suggested action: Consider setting an inclusionary zoning policy requiring a certain percentage of homes in new developments to meet defined affordability criteria.

73.   Inclusionary zoning usually refers to planning rules that require developers to include "affordable" housing in market-rate developments. The term may also be applied to policies that encourage voluntary affordable housing contributions. To avoid confusion, this report uses the term inclusionary housing policies to cover both mandatory and voluntary schemes.

74.   Inclusionary housing policies require a certain proportion of units to be affordable for a target group that cannot afford market prices (target groups may be medium, low or very low-income households). The proportion may be stated in the policy, negotiated through developer agreements or based on the development feasibility (ie the proportion of affordable homes that can be included while maintaining an acceptable return on investment for the developer). Policies usually apply above a certain threshold, for example twenty dwellings.

75.   The policy objectives may be to increase the provision of affordably priced homes and/or counter social exclusion created by urban gentrification and covenants on property titles[10] that are designed to keep low-income households out of a neighbourhood.[11]

76.   Although inclusionary housing policies are widely used in England and the United States of America, they can be controversial. Mandatory policies are effectively a tax on development, justified on the basis developers benefit from an increase in land value when councils' rezone to allow the development to go ahead. The policies are a way to return some of this benefit to the community in the form of affordable housing. Evidence about the impact of inclusionary zoning is inconclusive. Developers may try to avoid the loss of profit by building fewer homes or increasing prices elsewhere, though some reports suggest developers can factor the cost of the tax into the price they pay for land if a scheme is consistent over a long timeframe.

77.   In established neighbourhoods, existing residents often oppose inclusionary housing policies because they may lower the value of their homes and have a negative impact on neighbourhood character and safety. Again, the evidence is not clear. A study of Queenstown's inclusionary housing policy (described below) found it had negligible impact on nearby house values while examples from England show developers used architectural and landscaping barriers to protect the value of market housing.

78.   Authorities commonly offer developers incentives or some form of compensation to make inclusionary housing policies more acceptable and effective. This could be any combination of low-interest financing tools, cash subsidies and grants, free or low-cost land, density bonuses, tax abatement programs, rehabilitation assistance, fast-tracking of plan reviews and permits, reduced or waived fees, and more relaxed design standards or car-parking requirements.

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[9] Holding costs are a calculation of the cost of carrying an initial spending on a project until it realises its ultimate yield. These costs can take many forms, including interest payments on borrowed money, taxes and rates, and opportunity costs of not using capital for other purposes.

[10] Restrictive covenants are binding commitments recorded on property titles or in sale contracts that limit what the owner can do with or on their property. They have been used frequently in the Western Bay of Plenty over the past four decades. Restrictions are wide-ranging, for example limiting owners' choice of house colours, house size, landscape design, and even pets.

[11] http://theconversation.com/england-expects-40-of-new-housing-developments-will-be-affordable-why-cant-australia-94581

79. The outcomes of inclusionary housing schemes are highly dependent on the nature of the local economy and housing market and how programmes are designed. Policies that require market affordable homes appear to yield more homes than policies designed for low or very-low income households. This is understandable given concerns about property values and development feasibility. In the case studies below the yield for market affordable homes is as high as 30 to 40 per cent, whereas policies aimed at low-income and very low-income households are as low as 4 per cent. Studies of inclusionary housing policies show certain features are common in more successful schemes. These features, which are described in the table below, provide a framework for designing inclusionary housing policies.

Elements of successful schemes	
Strong housing market	Inclusionary zoning is more likely to produce affordable housing when the market is strong (developers are also less likely to offset the cost by increasing the price of market houses as prices reflect what buyers are willing to pay).
Mandatory	Mandatory city-wide programmes tend to work better than voluntary programmes. For example, South Australia's mandatory policy produced significantly more affordable dwellings than NSW voluntary policy.
Incentives offset costs	Effective programmes include incentives that offset the cost to developers – these can be density bonuses, waiving standard design requirements such as carparks, fast tracking of consents, fee waivers, value uplift or planning gain.
Certainty	Predictable programmes with clear guidelines allow developers to factor costs into the price paid for land and determining whether a project is feasible. Policies need to endure across election cycles. Formalising the requirements in land-use regulations demonstrates long-term commitment.
Compliance options	Flexible compliance options, such as a choice between including affordable homes in the development, making in-lieu payment to an affordable housing provider or building affordable homes in another location, can result in more affordable housing production overall in some markets.
Linked to incomes	Affordability should be defined by reference to the incomes of target households and informed by evidence about the local housing market.
Retention	Retention mechanisms preserve affordability. Otherwise, affordable stock can be resold for a much higher price (unless there is enough housing stock to meet demand). Allowing a variety of retention mechanisms is more effective, e.g. covenants, retaining ownership of rental stock or the land, recycling capital gain in shared equity arrangements.
Not-for-profit involvement	The not-for-profit sector plays a significant role in designing and managing the affordable homes and providing wrap-around services for occupants.
Enforcement	Authorities carefully monitor and enforce the scheme.

Inclusionary housing policies in New Zealand

80. Some housing experts and local authorities have argued for the use of mandatory inclusionary housing to provide affordable rental and market homes, at least until house prices stabilise and incomes catch up.

81. The Resource Management Act does not provide an express statutory framework for inclusionary housing. This has caused uncertainty about the legality of mandatory policies. Several local authorities have made use of a discretionary fast track consenting process under the Housing Accords and Special Housing Areas Act 2013 (HASHAA) to incentivise voluntary developer

contributions. HASSHAA was a temporary measure to increase housing supply and expired in 2019.

82. To date, Queenstown Lakes District Council is the only local authority to develop its own policy. In 2008, the council attempted to introduce a form of mandatory inclusionary zoning by requiring developers to pay a financial contribution for the provision of affordable housing if their development would affect affordable housing supply. The legality of this scheme was challenged in the Environment and High Courts. Both Courts determined that a requirement for a developer to provide financial contributions for affordable housing is within scope of the Resource Management Act. It was not necessary for the Courts to consider the scheme in detail because its merit would be tested through the planning process, so some uncertainty about the design of legitimate inclusionary zoning schemes. Queenstown Lakes' scheme evolved through the planning process and the Council ultimately adopted a voluntary approach.

83. Auckland Council has also considered setting mandatory inclusionary zoning requirements under the Auckland Unitary Plan. It withdrew the proposed rules on the recommendation of an Independent Hearings Panel. The Panel advised that the rules were likely to reduce the efficiency of the housing market and impose a tax on the supply of dwellings. It did not consider this tax to be aligned with the purposes of the Resource Management Act.

84. Despite the unsettled policy context, there may be a case for using inclusionary housing policies to meet specific, acute housing needs in high-growth centres where the market is not supplying products for lower-income households. An inclusionary housing policy will not get to the root causes of housing affordability issues but may have a place tailored for local circumstances and used alongside other interventions aimed at improving affordability.

85. Before implementing an inclusionary housing policy, the SmartGrowth partners would need to understand and consider:

   a) the impact of current plan settings on the local housing market (including zoning and rules relating to density and height) and whether they are currently enabling or restricting urban development and the ability to provide for affordable housing

   b) other planning options and interventions to provide for affordable housing

   c) why this tool is needed and who the tool is targeting - eg to provide affordable rentals for low income workers in areas where housing costs are high

   d) whether the tool is being established to alleviate short, medium or long-term housing affordability issues, as this will help determine the length of time in the policy should be operative

   e) the capacity and willingness of the local developer and construction sector to participate

   f) who would administer the programme eg a pre-existing Community Housing Provider, new housing trust or another entity

   g) how the tool will be used alongside other interventions targeting affordable housing (public housing build, shared equity schemes, rent to buy, Kiwibuild) – and potentially as part of a wider housing strategy that covers the spectrum of housing tenures.

> **Queenstown Lakes District Council**
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> Queenstown Lakes District Council initiated inclusionary zoning in 2003, to acquire land for the Queenstown Community Housing Trust. The Trust has obtained about 120 homes (either delivered or in the pipeline) for retained affordable rentals and assisted home ownership

programmes through the Council's policies. The final tranches of housing it enabled will flow through to the trust over the next few years.

Under an early programme, the council entered into more than a dozen stakeholder deeds with various developers, requiring the them to contribute five per cent of their land for community housing when undertaking a plan change. Affordable housing components in most of the deeds are yet to be fulfilled.

The Council was able to implement a voluntary inclusionary zoning policy with greater impact by making the negotiation of voluntary agreements a pre-requisite for advancing applications for a fast track consenting process permitted by HASHAA. While other local authorities also made use of HASHAA to negotiate voluntary contributions, Queenstown's scheme had a significant point of difference – the contributions went to a single affordable housing trust. An initial requirement to give the Trust five per cent of the sections in a development increased to ten per cent in 2017. This policy gave the trust millions of dollars' worth of land and cash to build a portfolio of around 270 retained rental and shared home-ownership products.

Council is looking into adopting an alternative form of inclusionary zoning through a District Plan variation, to support the trust now that HASHAA has expired.

Auckland Council

Auckland Council also relied on HASHAA's fast track consenting process to incentivise voluntary affordable housing agreements, but the cumulative impact of its scheme is uncertain and may even be negative. A 2018 study, *Price effects of a voluntary affordable housing programme*, suggests the scheme actually increased nearby housing prices by around five per cent. This may have occurred because some developers decided to build more profitable market housing first. Meanwhile, the median house-prices used as a benchmark for pricing the affordable market homes increased. This meant price of the affordable market homes also increased by the time they were eventually built.

There was no universal monitoring system, so number of affordable homes delivered under the scheme cannot be verified. The temporary and non-binding nature of the scheme was another cause of failure. It appears that some developers, having secured their consents, waited until the end of the program when the inclusionary requirements lapsed. Now that HASHAA has expired, Auckland Council is looking again at how it could implement inclusionary housing requirements through the Auckland Plan.

Australian experiences with inclusionary housing requirements

The use of inclusionary housing requirements has been relatively limited in Australia compared to England and the United States. Australian State governments have permitted various forms of inclusionary schemes in NSW, South Australia, Australian Capital Territories and Victoria but overall the benefit has been too small to be an efficient solution. A comparison of state programmes reinforces evidence from other countries that mandatory schemes are more effective than voluntary ones. It also shows density bonus incentives on their own are unlikely to encourage private developers to enter into voluntary agreements but may assist community housing provider projects. Other policy and regulatory actions have also had limited impact on highly unaffordable house prices so there is considerable interest in making more use of mandatory inclusionary zoning to increase affordably housing options.

South Australia

South Australia's mandatory scheme delivered just under 5,500 completed or committed low-cost homes, between 2005 and 2017 (roughly 17 per cent of the region's overall housing supply). The scheme sets a target rate of 15 per cent for affordable homes, for purchase by eligible households, in all new significant developments. Planning incentives and concessions encourage voluntary affordable housing supply in developments that do not fall under the mandatory rules – around 100 units have been built under this option.

Local development and construction businesses generally were highly supportive of the scheme because it led to new finance solutions, innovations for building on smaller sections and good relationships between public, community and private entities. Issues with the South Australian approach, which could influence outcomes going forward, include complex grant and funding sources and possible under-delivery due to lack of rigorous monitoring. It may also be difficult for private developers to replicate the success of projects built on public land, without some form of financial incentives of subsidies.

New South Wales
NSW's incentive-based approach allows the 13 local authorities in the Greater Sydney region to negotiate "voluntary planning agreements". These agreements give developers a density bonus in return for providing a public benefit – defined as land or monetary contributions, public infrastructure, community facilities, affordable housing, or any other material public benefit. This approach delivered just under 1,300 affordable units in the Greater Sydney region between 2009 and 2016 (around 0.5 per cent of the region's total supply). The voluntary nature of the scheme and the wide range of options for providing a public benefit diluted the potential to increase affordable housings supply. High resource costs associated with negotiations presented another a barrier to uptake of the scheme. It was, however, helpful for community housing providers. Density bonus, and in some cases waivers of certain planning controls such as set-backs and carparking, made their projects more effective.

State planning law also empowered a few local authorities to set up their own mandatory affordable housing schemes. The City of Sydney, which governs central Sydney and its surrounding suburbs, used this power to facilitate the delivery of around 800 affordable homes over the last two decades. This yield, which was achieved mainly through developer contributions, is far below the City of Sydney's affordable housing target of 7.5 per cent (10,500) affordable homes. Analysis suggests that the poor outcome is primarily due to the state government's refusal to increase the inclusionary zoning/developer contributions beyond 3 per cent and extend the neighbourhoods in which developers can be made to pay a levy. The power was extended to all NSW councils in March 2019 and may yield better results in future.

Suggested action: consider using value capture /betterment levies/ targeted rates to funds new affordable homes or public amenities in the development area.

86.   The Local Government Rating Act allows councils use targeted rates for funding infrastructure and services that benefit identifiable taxpayers. These rates must be used for specific purposes and can be applied to all properties or limited to ratepayers in a specific area. Councils are likely to face legal challenges if they use targeted rates for a purpose that is not clearly within the scope of the Act.

87.   Funding public amenities is a legitimate use of targeted rates. Auckland Council introduced a targeted rate in 2004 to "significantly speed up and expand the projects to revitalise Auckland's CBD". The funding covered a variety of projects with public benefits, including upgrades to streets and open spaces, increased service levels for street cleaning and maintenance, events,

communications, marketing and professional management. Christchurch City Council has set targeted rates for properties near new cycleway projects.

88. Wellington City Council collects targeted rates to non-residential properties within a defined boundary to support its Business Improvement District (BID) programme. BIDs are a mutual partnership between a local authority and a local business community. The aim is to develop projects and services that benefit the trading environment of the business centre in ways that also aligns with Wellington City Council objectives. Targeted rates from each area pay for initiatives that benefit the local business community in that area and are not already provided under other rates. These are negotiated with each local business community have included seasonal events, marketing, street art, and open space improvements. Potentially, a targeted rate might be useful for providing placemaking activations for new and revitalised neighbourhoods.

89. As noted at the beginning of section two, housing is generally regarded as a private benefit rather than a public good, so using targeted rates to fund affordable rental/market homes could be open to legal challenges. At present no local authorities in New Zealand appear to use targeted rates to fund housing, though Queenstown Council has examined the possibility. The option presented to the council was a targeted affordable housing rate for businesses, set on the basis that employment-generating issues are contributing to housing issues. A council report notes this proposal would have a range of implementation and compliance issues:

   a) Pressures on houses prices (and hence affordability) are not solely arising from the growth of the economy. There are a range of influences including the holiday and second home market, international speculation and investment trends.

   b) Some businesses provide accommodation, and this would need to be taken into account in determining the targeted rate. This then implies a considerable compliance cost on council.

   c) A threshold size may need to be established so that small businesses (such as 1 and 2 person businesses) are not caught, further adding to compliance issues Any monies gathered are likely to be directed at particular types of households, and thus only some businesses are likely to benefit, raising the prospect that many businesses may request exemption from the rate.

   d) Overall, a targeted rate [to fund social or affordable housing] is likely to be hard to sustain.

90. Reducing or deferring targeted rates or development contributions, and inclusionary housing policies discussed above are alternative way of achieving the same outcome.

Suggested strategy - help scale up community housing trusts:

- *Contributions from inclusionary zoning / value uplift capture could be passed to Community Housing Providers/trusts. If using inclusionary zoning trusts could hold and retain the value contributed on behalf of the community.*

- *Transfer elder housing to registered Community Housing Provider(s).*

91. Across New Zealand, Community Housing Providers provide public housing, affordable rentals, progressive home ownership opportunities, and papakāinga, as well as selling private market properties to fund ongoing investment. Their ability to expand is, however, constrained by challenging financial conditions. They rely on uncertain funding from government and philanthropic donations, have limited opportunity to raise capital for reinvestment by selling properties on the open market, and are exposed to volatility in international financial markets.

92. Several local authorities in New Zealand, including Western Bay Council, have used inclusionary housing policies or their own assets to help establish and scale up trusts. Queenstown Lakes has been a pioneer of this strategy. Case studies below show how land and housing trusts can benefit

from council support and leadership. The potential use of value uplift capture mechanisms to fund affordable housing is considered in the next part of this report.

93.   Western Bay and Tauranga Councils are already looking into possible options for ensuring elder housing is suitable and financially sustainable. Western Bay is reviewing the cost-effectiveness of current arrangements and considering options for the governance, funding and delivery of its portfolio. It has confirmed the key driver of this review is to provide more elder housing. A 2017 review for Tauranga Council found that most of its elder housing units do meet current housing expectations for accessibility and quality and the number of properties is not sufficient to meet forecasted demand. Due to their age and condition. some of the properties require a substantial capital investment in upgrades or redevelopment to bring them into line with current housing expectations. Tauranga Council has been exploring selling its portfolio to one or more community housing providers to ensure long-term sustainability of the activity and facilitate portfolio redevelopment. All sites are being investigated for redevelopment potential to provide a larger number of better-quality homes.

Queenstown Lakes Housing Trust

The Council decided to establish the Queenstown Lakes Housing Trust in 2007 to address concerns that up to 50 per cent of people moving into the district leave after 12-18 months, because of high housing and other living costs. The Trust's purpose is to deliver pathways to home ownership and other housing assistance programmes. The Trust acquires housing to on-sell as affordable market homes or retain for rental homes. Initial sources of capital included grants from central government and inclusionary zoning policies (see discussion of these above). The Council has also transferred land to the Trust.

The Council supports the Trust's operations by providing ICT and administrative services and an annual grant.[12] The Trust aims to create value internally so it can eventually be self-sustaining. This will allow it to use all capital from external sources to fund its affordable programmes. The trust had net assets at the end of 2018 of just over $22 million. The combined number of delivered and planned homes is around 270 homes.

The following table lists the Trust's delivered and planned affordable market and rental housing across its product range:

Location	Land acquisition	Status	Housing yield
Nerin Square, Queenstown	Jacks point land swap	Completed	27 homes, Rent Saver and Starter Loan products (development included café and childcare centre)
Suffolk St, Arrowtown	Council transfer	Completed	10 rental homes (2 for elders)
Shotover Country	Voluntary inclusionary housing scheme	Completed	44 homes, 11 of these are retained rentals, 33 were placed in a shared ownership programme
Riverside, Wanaka	Voluntary inclusionary housing scheme	Completed	11 homes (shared ownership, rent saver and affordable rental programmes)
Cherwell, Shotover Country	Inclusionary housing transfer under SHA	Completed	6 homes, allocated to the Secure Home programme
Tewa Banks, Arrowtown	Council transfer	Masterplanning underway	65 homes (estimate) comprised of 5 one-bedroom units; 20 two-

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[12] Queenstown Lakes District Council (2019) *Relationship framework agreement and secure programme protocol between the Queenstown Lakes District Council and the Queenstown Lakes Community Housing Trust* (Report for ordinary meeting of the Queenstown Lakes District council on 7 March 2019). Retrieved from https://www.qldc.govt.nz/your-council/council-documents/agendas-minutes/full-council

			bedroom homes; 36 three-bedroom homes and 4 four-bedroom homes.
Toru, Frankton	Purchase from private developer, with bank financing	Land transfer complete by 2021	50 (estimate)
Coneburn	Inclusionary housing transfer under SHA	Resource consent applied for	45-60 (estimate)
Total (estimated)			**Up to 273**

Hamilton City Council – Waikato Community Land Trust / affordable lease-hold housing

Hamilton City Council has no social or affordable rental housing, having sold its elder housing portfolio to Accessible Properties in 2015. It is, however, setting up a new land trust to provide a pathway to home ownership for people that are spending a third or more of their household income on housing and aren't eligible for government support.

The land trust will own land in perpetuity and lease it at a nominal rent to social-purpose organisations and others for new housing developments. These organisations will own the housing and make it available to the community through various schemes such as rent-to-buy and shared equity programmes. Eligibility criteria for these programmes have not yet been finalised

The council is using $2 million from the proceeds of the sale to give the trust working capital for its first land acquisitions. The land trust will also be able to purchase surplus council land and off-cut roading land. The council's intention is that the land trust will work with multiple organisations, including Community Housing Providers, Waikato Tainui, philanthropic entities and businesses.

The council opted to establish a land trust over several alternatives (supporting an existing housing provider; setting up a housing trust; or setting up council-controlled organisation). Advice to the council noted advantages of the land trust model include: low ongoing operational costs; the ability to raise additional philanthropic funding and partner with multiple organisations; avoiding political capture; and avoiding the risk that the strategic direction and culture of any existing entity is not fully compatible with the intended objectives of the trust.

Suggested actions to support shared ownership proposals:

- *Consider developing a shared ownership product.*

- *Give preference to using council land development opportunities for shared ownership.*

94. Progressive home ownership products help medium-income households that cannot raise a sufficient deposit and/or finance to purchase a home outright. Shared equity and shared ownership schemes allow homeowners to buy part of the property while another party owns the rest. Rent to buy/own schemes allow householders to pay rent for a property with the option of buying it outright or under shared ownership, at a later stage. Some schemes offer discounted rents so that the household can save for a deposit, and buyers may have access to specialist advice to help them manage their finances

95. In mid-2019, the government announced it is making $400 million available for progressive ownership schemes. It is working with housing trusts and other partners to design the details of the programme. This may provide opportunities to develop progressive home ownership programmes for the Western Bay of Plenty.

Queenstown Lakes Community Housing Trust

Queenstown Lakes District Council established the Queenstown Lakes Community Housing Trust as a vehicle for making affordable housing available to residents. The trust's products include a shared home ownership option called Secure Home. The trust has placed six homes in the programme since it started in February 2019.[13]

Secure Home allows people to buy a house on land that is leased from the trust for a term of 100 years. The household pays an annual ground rent which is set well below market value and can only increase annually at the rate of inflation, for as long as the household remains in the programme. This ensures the initial purchase price and ongoing ground rent remain affordable. Qualifying buyers need to raise a deposit and obtain a home loan from a bank for the remaining cost of the house only. Both the deposit and loan are based on the house value only, not the land. Buyers borrowing under the government's First Home Loan scheme need a 5 per cent deposit, and other buyers need a 20 per cent deposit. The deposit can include the government's First Home Grant.

A household in the Secure Home programme has the same benefits and responsibilities as any homeowner, except the ability to on-sell the property in the open market. If a household wants to move on, the trust will purchase the house back at the original purchase price, plus an annual inflation adjustment (provided the house has been well maintained). If the household has made any improvements to the property with the trust's approval, this is factored into the resale price.

The trust has also designed a yet to be implemented Shared Home Equity product that will allow eligible buyers to purchase a house with a ten per cent deposit, then pay a monthly fee for a licence to occupy.

Christchurch City Council – shared equity programme

The council has launched a shared-equity scheme to be delivered through the Christchurch Housing Initiative, Te Whāriki tū-a-Rongo. The initiative is a partnership with central government, with each party contributing $3 million. The scheme provides eligible people with an interest-free, 15-year loan to bridge the gap between their savings and the deposit threshold required by banks. The loans range from 15 to 40 per cent of the total value of the property and the initiative takes an equivalent ownership stake in the property.

Suggested actions to support iwi housing initiatives:

- *Facilitate more iwi-led developments – eg through further work to link up councils, iwi and developers.*
- *Specific support to design the product offering and build relationships*
- *Ensure planning and consenting processes support the Māori Housing Strategy and project delivery.*

96.   Existing and further work to identify and support Maori housing and development aspirations need to be woven into a joint housing programme. The case studies below illustrate some of the potential to increase tangata whenua involvement in providing housing through papakāinga, community housing projects and commercial developments, with support from central and local government and other organisations. This support ranges from grants to assist with funding and

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[13] The "Shared Ownership" programme enabled first time home buyers to buy between 60-85 per cent of the property, with the trust bridging the gap and retaining ownership of the remaining 15-40 per cent as a silent co-partner. Source: Community Housing Aotearoa, *Mayoral Housing Taskforce Report*, 2017, p24.

consenting applications and minor capital improvements to joint-venture developments that leverage Treaty settlement assets and rights of first refusal.

97. Western Bay Council currently offers rates remission for new economic development proposals on whenua Māori (Māori freehold land). The council reduces or waives development contributions on a case by case basis, specifically allowing this to be considered for papakāinga housing. Tauranga Council's Local Development Contributions for reserves and community infrastructure activities are not applied in the Rural Marae Community, Urban Marae Community or Ngati Kahu Papakainga Zones, or for the development of multiple owned Maori land within 500m of these Zones provided that Council is satisfied that the development is to provide housing for the shareholders of each block of multiple owned Maori land and/or their wider families. The need for additional actions to facilitate the delivery of Māori housing project should be investigated further.

Auckland Council Cultural Initiatives Fund

Auckland Council's Cultural Initiatives Fund provides grants for marae and papakāinga/Māori housing development in Tāmaki Makaurau. Twenty-six marae and six papakāinga have successfully applied to the fund since it was started in 2013. Nearly half of the successful applicants have received funding more than once, helping to progress projects requiring a staged approach. The 2019/20 nine applicants received funding totalling $1,212,800.

Hobsonville Point – Kerepeti Precinct

Ngāi Tahu Property, the NZ Super Fund and New Ground Capital teamed up in 2015 to create Kerepeti, a 208-unit complex at Hobsonville Point. The range of homes and typologies is suitable for people at all stages of life; from one-bedroom apartments through to spacious four-bedroom, three-bathroom homes, all situated with good access to schools, recreation areas and local shops and cafes. Many of the homes are priced between $500,000 and $700,000.

Waimahia Inlet

Tamaki Collective, The Maori Trustee, CORT Community Housing and The Housing Foundation formed a joint venture to deliver Waimahia Inlet, a suburban development in South Auckland. Waimahia is a mixed-tenure neighbourhood. Seventy per cent of the homes in Waimahia are sold under assisted homeownership programmes (shared-equity and rent-to-buy/Home Saver) or retained as affordable rentals by Community Housing Providers. Around 50 per cent of households in Waimahia are Māori and 15 per cent are Pasifika.

The project delivered over 200 affordable homes in a 295-home development. The housing density at Waimahia is higher than most suburban developments and but residents' concerns were largely put to rest once people moved into their homes and formed a community with the help of placemaking initiatives.

At the time, Waimahia was the largest development delivered by the not-for-profit sector. It provides a good model of collaboration to pool the expertise of different partners, and finance and deliver the development. The project was enabled under the 2014 Framework Agreement between the Crown and Ngā Mana Whenua o Tāmaki Makaurau (the collective), which gave the collective the right of first refusal on Crown land intended for sale. Central government provided a $29 million grant for purchasing the land and providing working capital to begin the development.

A group of community housing providers provided financial certainty by committing to purchasing the affordable rental stock. Their involvement helped new residents to navigate an

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> unfamiliar world of loans and purchase agreements. Surveyed residents believe this support reduced their transaction costs.
>
> ### *Te Puna Wai*
>
> Taranaki Whānui have partnered with the Wellington Company to build 89 homes at the Te Puna Wai papakāinga housing project in Wainuiomata. The development is on the site of the former Wainuiomata College and Intermediate, which was handed back to Taranaki Whānui as part of its treaty settlement.
>
> The homes will be a mix of freestanding and terraced units including a "kaumātua village". Other homes will be for offered for sale to members of Taranaki Whānui, home buyers under a shared equity scheme and people who qualify for the Government's First Home Grant. The project will also include rental homes.

Suggested action: assist understanding of household assets, aspirations and needs

98.   The Housing Demand and Need report recommended that the SmartGrowth partners resource groups to understand household level information. This would enable iwi and community housing trusts to deliver homes that address people's needs. Manawa development was identified as example of this support. The SmartGrowth partners may wish to take this suggestion forward and investigate whether the Wellington Housing Affordability Measure could be used for measuring affordability at a household level in the Western Bay of Plenty.

> ### *Wellington Housing Affordability Measure*
>
> Wellington City Council has developed a Wellington Housing Affordability Measure (WHAM) to support the delivery of its housing strategy. The Council has said WHAM will be able to measure affordability at a more detailed level than the Housing Affordability Measure released by the Ministry of Business Innovation and Employment (MBIE). WHAM is based on the premise that assessing affordability in a rental or purchase scenario depends on each household's circumstances (specifically size, composition, and income level); and that local-level decision-making about housing affordability is more complex than providing one set dollar amount or ratio that is applied in a 'one-size-fits-all' way. WHAM compares the income left after deducting a basket of living costs, excluding housing, against actual housing costs excluding subsidies.
>
> The council will use WHAM to complement the trend information provided by the government's Housing Affordability Measure and understand what is affordable for different population groups in Wellington.

Suggested actions for specific rental sub-markets:

- *Review 50-day occupancy limit for caravan parks/ campgrounds to provide greater certainty for seasonal workers and operators; and potentially people who need somewhere safe to stay while they are seeking a permanent home. Clarity of requirements for seasonal accommodation will help industry to bring forward new housing.*

- *Encourage the development of specialised student accommodation to reduce competition in the open market*

- *Monitor short term rentals' impact on long-term rental market*

Seasonal worker accommodation

99.   Previous reports for the SmartGrowth partnership have suggested increased demand for seasonal worker, visitor and student accommodation may be contributing to pressure on market

affordable and rental homes. The private sector provides market rental accommodation for these sectors, but councils have an ongoing role in monitoring trends for these sectors and, if necessary, using their regulatory and non-regulatory tools to encourage housing specifically for these groups. Actions identified in the reports are likely to have ongoing relevance and should continue under a comprehensive joint housing programme.

100. Central government requirements for seasonal workers have evolved since the Housing Demand and Need Report was published. From the 2019/2020 season, the government has introduced changes to the type of accommodation Bay of Plenty employers can offer to seasonal workers under the Recognised Seasonal Employer (RSE) scheme. These limit the ability of employers to rent or buy a residential house going forward and encourage employers to provide purpose-built accommodation as soon as possible. Any increase in the number of RSE workers has been tied to evidence the amount of purpose-built accommodation is increasing. Given the added pressure to develop purpose-built housing, Western Bay Council's review of provisions for seasonal worker accommodation with the intention of providing for a variety of acceptable and affordable options should continue to be a near-term priority.

Student accommodation

101. At the beginning of 2019, around 1,000 students enrolled at the University of Waikato's Tauranga campus, up around 30 per cent on the previous year. The University expects enrolment will increase to around 1,800 students within the next few years. The number of beds in dedicated student accommodation is well below the number of students looking to rent a home.[14] The University has leased two apartment blocks Durham Mews Apartments and Mayfair Court Apartments to help but plans to build new student accommodation in Tauranga's central business district have been delayed. The 93-bed, four-storey development will help take some pressure off the local rental market (the building will have one storey less than originally planned).

102. Tauranga Council and the Bay of Plenty Regional Council have already made financial contributions to help establish the campus but may want to provide incentivise the provision of student accommodation. Brisbane City Council, for example, offers reduced infrastructure charges, while setting a quality requirement to counter the risk that the market delivers low quality housing (see case studies on non-regulatory strategies to increase housing diversity.

103. Planning for intensification around transit nodes and the inner city could identify further opportunities to build higher density student housing in these areas. This would support wider objectives, such as increasing the use of public transport, cycling lanes and walkways, and supporting local retail and hospitality businesses, as well has reducing competition at the lower end of the rental market.

Short-term visitor accommodation

104. The use or residential homes for short term visitor accommodation has grown with the introduction of online peer-to-peer accommodation booking services but to date the influence on housing affordability in the Western Bay and Tauranga has been small compared to general population growth and planning delays. If ongoing monitoring shows a need for regulation to limit this activity, potential tools include stricter building controls and targeted rates. These approaches are described in the following case studies on Queenstown Lakes District Council and Auckland Council. Queenstown Council has considered adopting a bed tax, with central government and community support. The Productivity Commission has questioned the efficiency of bed taxes. If it is introduced, the tax may be limited to Queenstown because of its exceptionally high proportion of temporary visitors and workers.

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[14] https://www.nzherald.co.nz/bay-of-plenty-times/news/article.cfm?c_id=1503343&objectid=12205925

> **Queenstown Lakes District Council - visitor accommodation control**
>
> The council introduced a District Plan change to limit new short-term visitor accommodation operations, particularly for entire houses. On the recommendation of an independent hearing commission, the District Council ultimately adopted rules allowing for some control for new operations. These require new residential visitor accommodation or homestay activities to comply with new district plan provisions or obtain resource consent. District plan provisions control for number of onsite car parks, number of guests, permanent host onsite, minimum and maximum stays, and prohibitions for multi-unit buildings.
>
> **Auckland Council – business rates and accommodation provider targeted rates**
>
> Owners that rent their property online for more than 28 days each year need to pay business rates and an accommodation provider targeted rate, depending on where their property is located.
>
> Owners that rent a separate area of their property on a short-term basis through an online peer-to-peer accommodation site such as Bookabach or Airbnb are charged the accommodation provider targeted rate.

Conclusions

105. Integrated, long-term land-use and transport planning can lay the foundations for improving overall housing affordability by ensuring infrastructure is used efficiently and improving people's access to employment centres, core social services and amenities. This is however unlikely to have a significant impact on housing affordability for low income households in the near term. Further targeted actions are needed to accelerate and increase the supply of social and affordable housing and encourage more diverse types of housing.

106. The case studies examined in this report highlight some of the benefits of combining targeted actions to increase social and affordable housing with broader-brush actions to stabilise house prices. They also demonstrate the need for the SmartGrowth partners to collaborate with central government, tangata whenua organisations, housing trusts and the private sector to deliver targeted housing solutions and unlock the full potential of public and private development.

107. Key insights from case studies, and suggestions for taking forward strategies with the best potential to enable the supply of more social and affordable housing, are summarised in annex one. Effective programme elements include progressing plan changes that make it easier for others to deliver a wider range of housing types and tenures, including social housing. Incentives such as faster consenting processes and reduced development contributions policies and rates are another feasible way to encourage the supply of more diverse and affordable housing products, provided the incentives enhance rather than replace the reduction of unnecessary barriers for all developments. There may be a case for developing an inclusionary zoning scheme for larger development projects to ensure they include a proportion of affordably priced homes or contribute to scaling up housing trusts.

108. Councils could also consider developing a portfolio of assets that can be made available to housing or land trusts, used for demonstration projects or redeveloped to enhance the viability of medium to high density development in priority growth areas. Within these growth areas, targeted and broad-brush strategies could be combined to support the implementation of a sub-regional spatial plan as well as increasing the supply of social and affordable housing. For example, on Te Papa Peninsula, improved transport options and improvements to the public realm could make higher density living more attractive for developers, buyers and existing residents; plan changes would facilitate intensification and the redevelopment of aging public

housing stock; land transfers or inclusionary housing requirements could help upscale Community Housing Providers; and joint-venture opportunities could attract iwi and private developers.

109. An effective programme will require strong leadership, as well as additional resources and commitment from organisations that need to be involved in programme implementation. Further collaboration and coordination will help to ensure opportunities for accelerating and increasing the delivery of social and affordable housing are maximised. are recognised and m The proposed establishment of an enduring joint growth partnership between local and central government and mana whenua could \ involve relevant government agencies, tangata whenua representatives, housing trusts, and other development partners in further refining a joint work programme that addresses needs across the spectrum of housing types and tenures.

ANNEX ONE - Summary of actions and strategies for increasing the supply of right sized social and affordable housing in the right places

Suggested strategies	Strengths	Weaknesses /Challenges	Opportunities
Land development leadership – Urban Development Authority / local partnership structure - Promote a joint urban development authority covering the Western Bay sub-region and/or establish a local partnership to work with the government's urban development and housing authority (Kāinga Ora).	Accelerate pace of development by coordinating and leading provision of housing, infrastructure and amenities. Can masterplan communities to achieve housing and urban development objectives, eg good access to amenities and jobs, mixed housing typologies. Can consolidate smaller parcels of land to create large sites for medium to high density. Could leverage council/ Crown land to have more control over outcomes. Allows decisions about development to be made on commercial basis/ arms-length from political influence, while still having public benefit objectives and accountability. Sub-regional entity could help focus delivering programmes that reflect where people live and work regardless (ie across territorial boundaries).	Best suited for large scale development projects. Likely lead times of several years before new large-scale development projects could get underway. Ability to control outcomes is strongest when UDA has control of land (through ownership or joint venture). Needs source of capital to acquire land / consolidate existing properties into larger sites.	(Explore further with government and other partners) Masterplan and coordinate (re)development in priority growth areas– starting with Tauranga's city centre and Pukehinahina /hospital precincts Accessible Properties Pukehinahina vision can provide a framework for collaboration in the hospital precinct. A local UDA/ joint entity could also develop and deliver a portfolio of projects to facilitate more diverse and affordable housing eg: demonstration projects, and early moves to catalyse private investment in urban renewal programmes
Land planning leadership – influencing housing typologies Identify the best ways to encourage, incentivise and/ or require provision of a greater variety of typologies within developments. Specifically consider the following actions:			
• *Reduce constraints on density and more diverse typologies:* - Set minimum density requirements around transit nodes/ corridors - Allow height concessions (above 17.5m) if good design prevails, i.e. increased sustainability measures or demonstrated affordability with 'x' no. dwellings below the median price. - Review rules for lot sizes and other development requirements – Community housing Providers identify the 2017 minimum of 325m2 as an impediment to delivery of social and affordable homes. - City plan provisions that are more enabling and support both greater development potential and flexibility while reducing the consenting risk associated with submitters and third-party appeals. - Recognise that city plan rules should not be based directly on bigger urban markets such as Auckland, Christchurch, Melbourne etc as the local market cannot sustain the constraints on design innovation. There needs to be recognition of Tauranga's market challenges to support these forms of development.	Supports market provision of more diverse typologies and overall increase in housing supply. Can also support increased supply of public and affordable rental/market housing in areas that have good access to public transport / jobs.	Does not necessarily reduce house prices or deliver housing for lower income households. Can result in poor quality housing and urban environments. The need to balance competing interests can lead to conservative changes that will not deliver high priority housing and urban outcomes	Council intensification plan changes need to ensure the combined impact of zoning and building controls does not impede the delivery of quality intensification and the provision of social and affordable rental housing, especially where there is good access to employment and social infrastructure eg central and hospital precincts.
• *Set minimum density requirements around transit nodes/ corridors* - Density allowances need to be proportionate to the increase in public and active transport arising from investment in transport infrastructure and public transport services	The use of higher minimum density rules is not examined in this report.	Not guaranteed to increase supply of affordable housing but may support other urban development outcomes.	Not examined in this report. May be an area for further investigation, building on earlier work commissioned by SmartGrowth

• *Reduce risk and cost of consenting for higher density housing typologies:* - Provide developers with certainty about planning and consenting requirements for new typologies - Adopt design guidelines that addresses concerns from surrounding property owners and developers etc by providing objective standards for development proposals - Design guidelines could streamline the approval process and allow for greater variety	Supports market provision of more diverse housing typologies. Platform for engaging community in conversations about quality intensification. May encourage higher density typologies in priority growth areas.	Impact on provision of affordable housing not examined in this report – may depend on a variety of factors including how much cost design requirements could add to house prices.	Not examined in this report but likely to be a <u>useful tool for inclusion in a joint housing strategy.</u>
• *Improve amenities / public realm:* - Design and locate neighbourhood reserves to deliver on core urban design principles. - Contribute to increasing amenity in areas where additional infill medium density is sought, including enhancements to open space, increased street tree planting, vehicle calming, enhanced local walking and cycling connectivity and lifestyle choices.	Supports market provision and more public acceptance of medium density housing.	Requires funding through long-term plan (could use targeted rates to help fund and/ or encourage large market developments to include amenities for public use).	<u>Needs to be an element of a work programme</u> for successful urban renewal and intensification in priority areas eg central and hospital precincts.
• *Waive infrastructure charges / rates to incentivise higher density/ certain typologies:* - Offer reduced / waived / moratorium on infrastructure charges if dwelling targets are reached, particularly if certain dwelling types are delivered, i.e. terrace or townhouse product or developments are in certain locations.	Supports market provision of more diverse housing typologies. (see also voluntary inclusionary housing policies).	Need to absorb reduction in funding for infrastructure / amenities without reducing services.	<u>Undertake further assessment, taking account of local circumstances and priorities</u>
• *Co-delivery of innovative projects:* - Investigate an alternate form of house delivery model with builders, i.e. 20-30 houses designed, tendered and built at a fixed price, similar to an apartment sales model. - Council could partner with a builder to build a demonstration small lot house (below median price).	Supports provision of additional affordable rental or market housing Could catalyse the market for medium density housing.	Projects need to be economically feasible to developers. Need to identify source(s) of land.	<u>Identify and assess specific opportunities</u> **eg:** Could support renewal and intensification in priority areas eg Central and hospital precincts. Could be achieved through development on surplus council / Crown land.
• *Undertake market research and contribute to improve industry-wide understanding of purchaser and consumer future demand and trends for different housing typologies.*	Indirectly supports provision of more diverse housing typologies.		Housing Demand and Need report provides sufficient information.
Targeted rates to discourage speculative land banking - If development capacity becomes an issue, consider using targeted rates for zoned and serviced land that is not being developed.	Aims to incentivise land development to improve competition in market and overall housing supply.	Over time, targeted rates would be likely to reduce housing supply responsiveness by reducing developer flexibility and risk-taking. May result in gaming eg bare minimum improvements to get around rules. Many legitimate reasons why developers hold land so policy may be arbitrary/unfair. Does not deliver social or affordable rental / market housing.	Not recommended

Consider setting an inclusionary zoning policy requiring a certain percentage of homes in new development to meet defined affordability.	Ensures new developments include some affordable market homes or delivers properties / funds for affordable products elsewhere.	Unclear policy direction from central government. Mandatory policies may be open to legal challenge Yield may be low Complex administration, including monitoring Taxing development may have unintended consequences eg increasing house prices elsewhere, reducing number of homes built	Investigate potential design and impact of inclusionary housing policies in the local housing market. Consider potential for enabling Community Housing Providers to upscale and become self-sustaining. Design would need to include key success factors in part 2 of the report
Support upscaling Community Housing Providers. - Contributions from inclusionary zoning / value uplift capture could be passed to Community Housing Trusts / Providers.	Enables Community Housing Providers to scale up. Benefits can be ongoing by retaining affordable rentals and using shared ownership models (see progressive home ownership below)		Further investigation - see inclusionary zoning strategy above Look for alternatives eg opportunities to make surplus council and Crown land available; or potential to attract / support innovative funding and financing sources.
- Advocate locally and nationally to increase support for community housing trusts to deliver more affordable and right-sized housing.	Indirectly supports delivery of social and affordable housing		Not examined in this report but advocacy to increase support for social and affordable housing is a potential element of a joint housing strategy.
- Transfer elder housing to registered Community Housing Provider(s)	Retains existing elder housing on a more sustainable footing. Some properties could be replaced with a greater number of units, that are more suitable and higher quality.	Funding constraints may limit ability for trusts to acquire elder housing (an alternative may be retaining ownership and setting up a management arrangement with a registered Community Housing Provider).	Councils are already investigating options for elder housing portfolios. Redevelopment could also demonstrate different typologies / housing products.
Support progressive home ownership schemes: - Consider developing a shared ownership product. Give preference to using council land development opportunities for shared ownership. Housing trusts could on behalf of the community retain the value delivered by inclusionary contributions.	Supports direct provision of homes to buy for people who are not eligible for social housing but cannot pay market prices / save for a deposit. Homes can remain affordable for successive owners	Hard to achieve scale. Need to weigh up cost/benefit of alternative uses for council land including allowing trusts to acquire for retained rentals / leveraging to catalyse intensification.	Support trusts to develop schemes that could access government progressive home ownership funding, eg: Identify opportunities to leverage council land or facilitate partnerships for developments that include shared ownership products. Provide grants for developing proposals.
Support iwi housing initiatives: - Facilitate more iwi-led developments – eg through further work to link up councils, iwi and developers; specific support to design the product offering and build relationships. Ensure planning and consenting processes support the Māori Housing Strategy and project delivery.	Supports direct provision of affordable rental / mixed tenure projects on Maori land. Progress on planning and consenting processes is within councils' control. Could support increased housing diversity and supply overall by partnering with iwi organisations in commercial projects	Delivery of projects may depend on third parties, eg government or other institutions and private developers, to help capitalise/ provide bridging finance for projects. Some claims under Treaty of Waitangi are still progressing through settlement process.	Refer to separate work on Maori housing and development aspirations. Integrate with other elements of a joint housing strategy/ UFTI work programme.
Facilitate better understanding household assets, aspirations and needs: - Provide resources to help iwi and community housing trusts understand household level information so they can deliver homes that address needs (Manawa development provides example of this).	Indirectly supports provision of affordable rental, affordable market homes, and right-sized market homes	Not examined in this report.	Review whether this is still useful and identify resources. See whether the Wellington Housing Affordability Measure could be a useful tool (with local customisation).

Seasonal worker housing: - Review 50-day occupancy limit for caravan parks/ campgrounds to provide greater certainty for seasonal workers and operators; and potentially people who need somewhere safe to stay while they are seeking a permanent home. - Clarify requirements for seasonal accommodation will help industry to bring forward new housing.	Supports provision of affordable and acceptable temporary housing which is in short supply as well as reducing competition for lower-priced market rentals.	Not examined in this report.	Given the added pressure to develop purpose-built housing, Western Bay Council's review of provisions for seasonal worker accommodation with the intention of providing for a variety of acceptable and affordable options should continue to be a near-term priority.
Student housing: - Encourage the development of specialised student accommodation to reduce competition in the open market	Reduces competition for lower-priced market rentals.	Need to consider how incentives such as density bonuses, reduced development contributions and rates rebates are or could be used to incentivise other types of housing.	Explore options for incentivising more development of student accommodation, particularly as part of intensification in the central and hospital precincts.
Short term visitor accommodation: - monitor short term rentals' impact on long-term rental market	Helps identify whether the use of residential properties for visitor accommodation requires regulation to reduce competition market rentals.		Continue monitoring the use of residential housing for short term rentals through peer-to-peer online platforms and if appropriate consider using planning controls to reduce competition for rental homes

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